

VVO-yhtymä Oyj

Interim Report 11 May 2016





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Key aspects of the review period

- VVO Group's turnover grew to EUR 95.9 million
- Net rental income was EUR 60.8 million
- Investments in growth centres totalled EUR 43.7 million
- 1,046 rental apartments under construction
- 28,386 Lumo rental apartments, accounting for 6.5% of the non-subsidised market
- Car sharing was extended to Vantaa and Oulu
- More than 350 agreements through the Lumo kotinyt.fi service

Lumo
kotinyt.fi

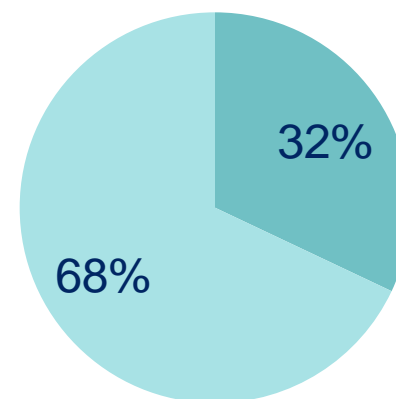


Operating environment

- The development of the Finnish economy continued to be subdued. The confidence of households and companies in the development of the economy was weak. The number of those employed increased slightly.
- Demand for rental housing remained high in growth centres.
- There was still clear demand for new homes in the Helsinki Metropolitan Area.
- New construction clearly focused on privately financed rental apartments.
- 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, particularly in the Helsinki Metropolitan Area, made it harder to launch the construction of new rental apartments.

**Market based
rental apartments,
total 434,000
(Year 2015)**

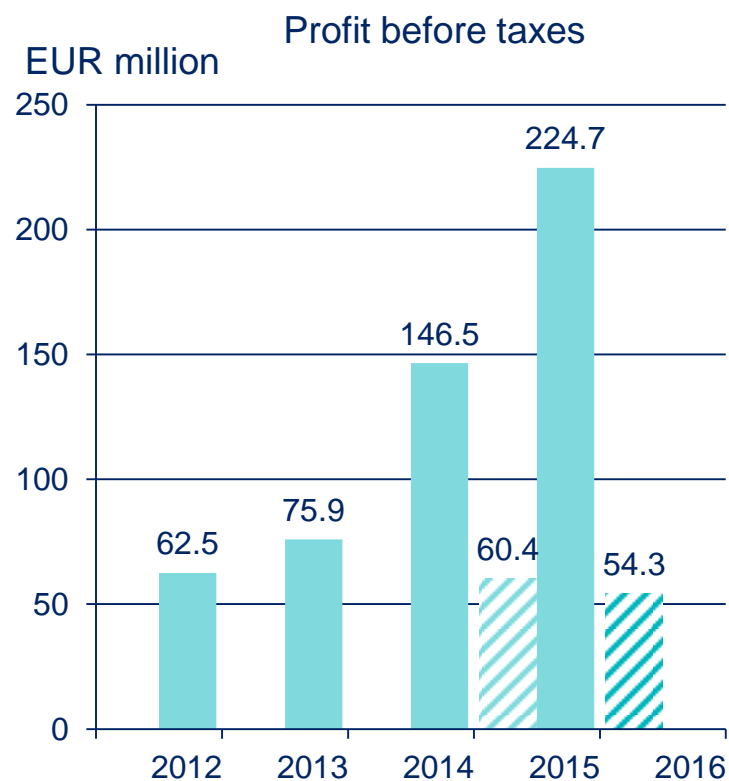
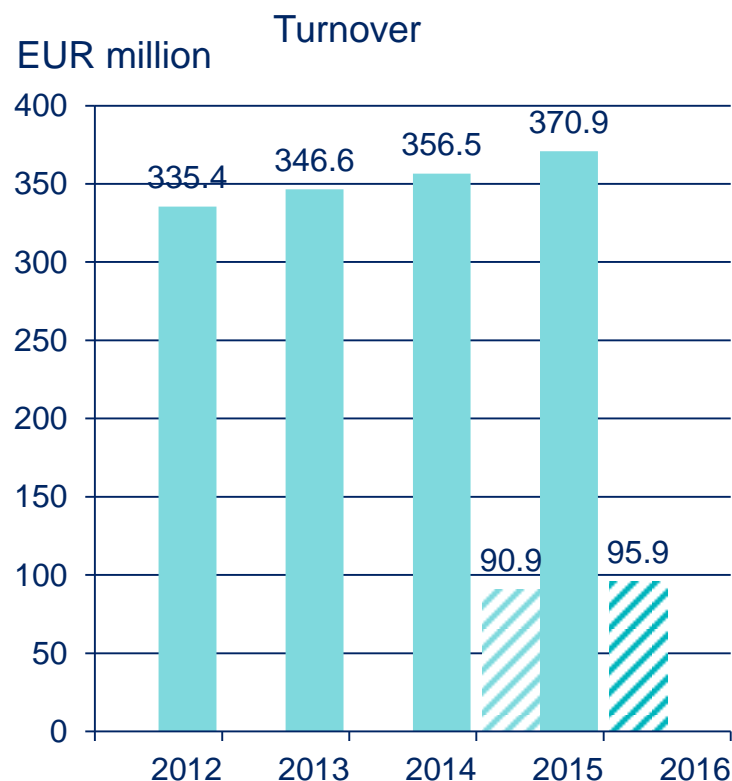
- Investors
- Households/Small investors



Business operations and strategy progress



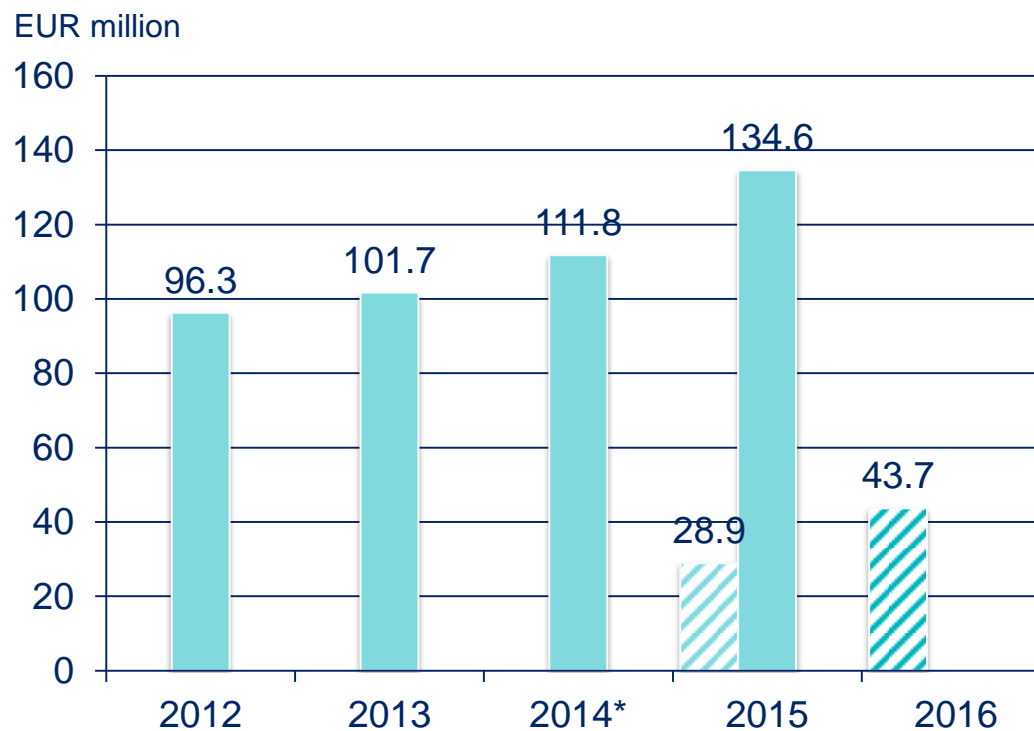
Turnover and profit before taxes developed steadily



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

Net rental income grew

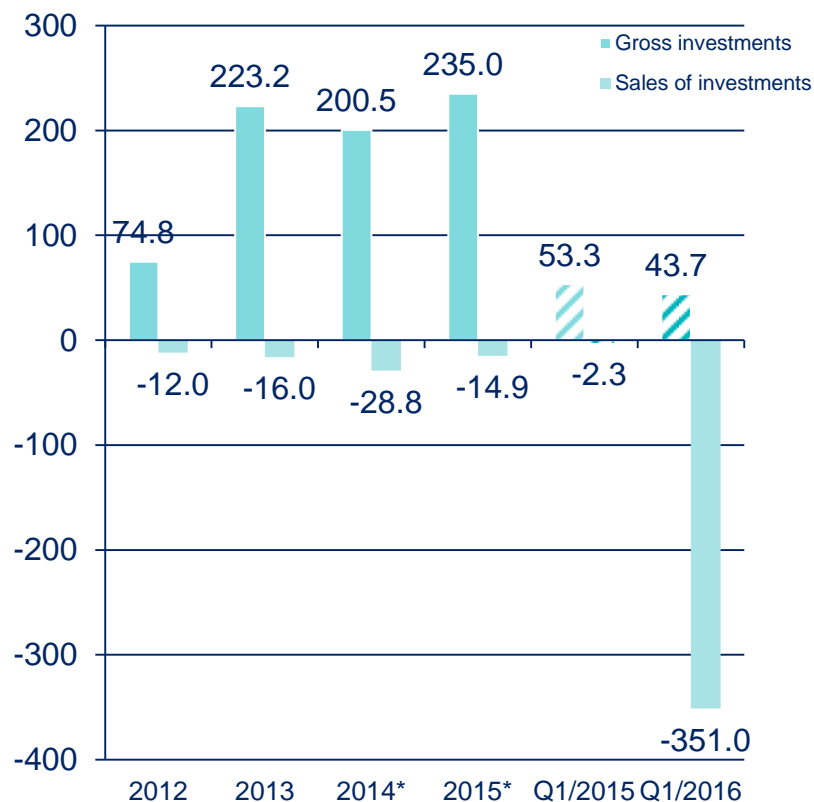
(Lumo segment)



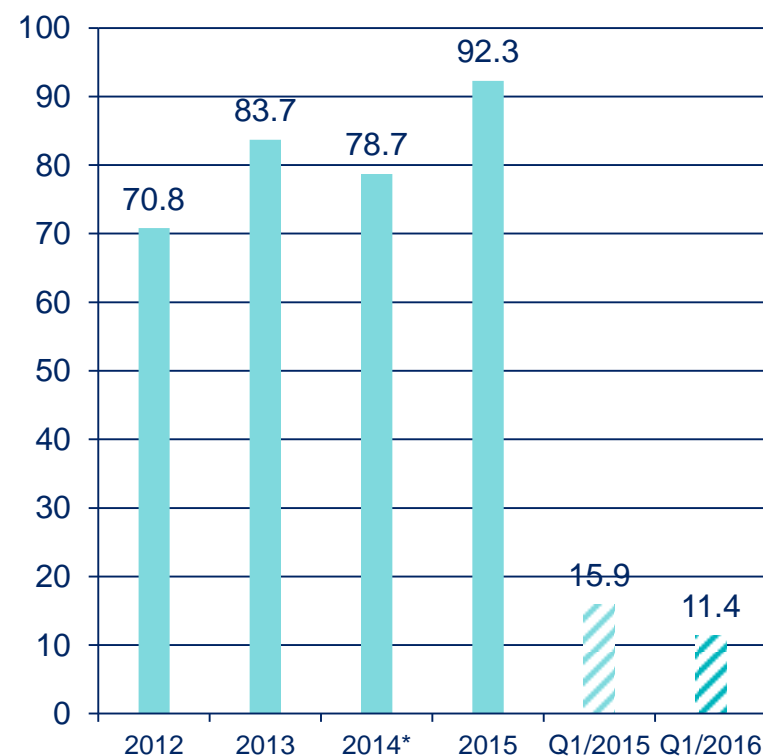
*As of 2014, the Group adopted IFRS for its financial reporting.

Investments in Lumo business operations continued

EUR million Gross investments and sales of investment properties



EUR million Renovations
(repairs recognised as expenses & additional repair investments)

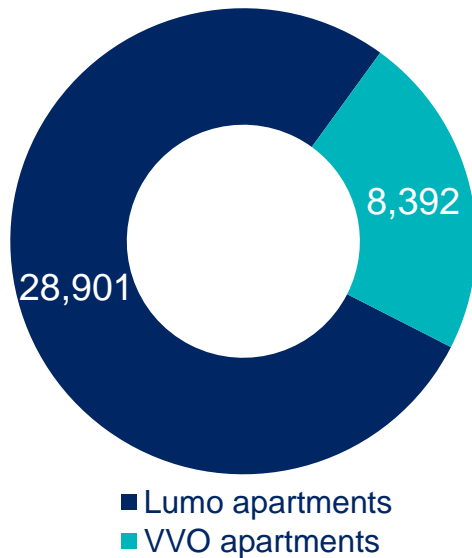


*As of 2014, the Group adopted IFRS for its financial reporting.

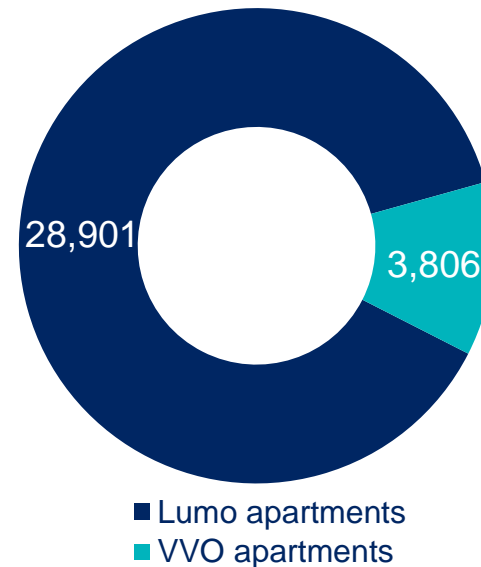
**The calculation method of gross investments has been changed. Previously, gross investments in the cash flow were presented; starting from 31 Dec. 2015, investments on an accrual basis are presented.

The rental housing stock focuses on the Lumo segment

31 March 2016



The situation after the Y-Foundation transaction





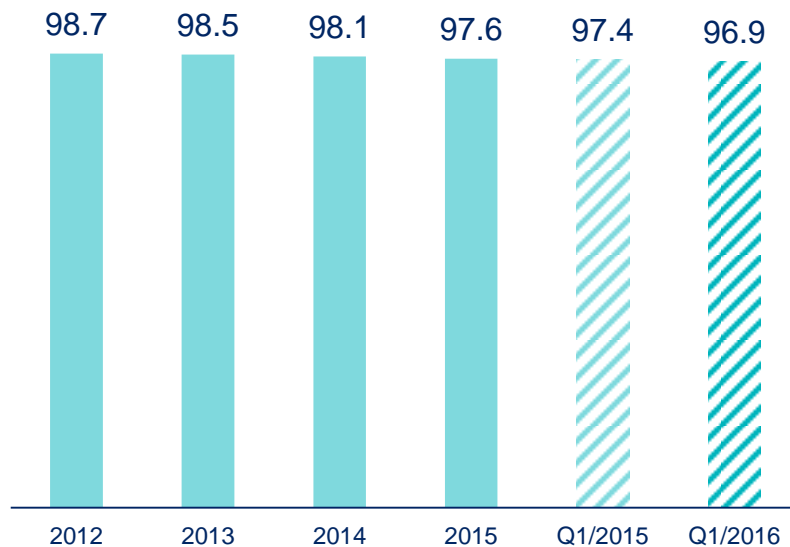
The selling of apartments to the Y-Foundation proceeds

The transaction scope has been further specified:

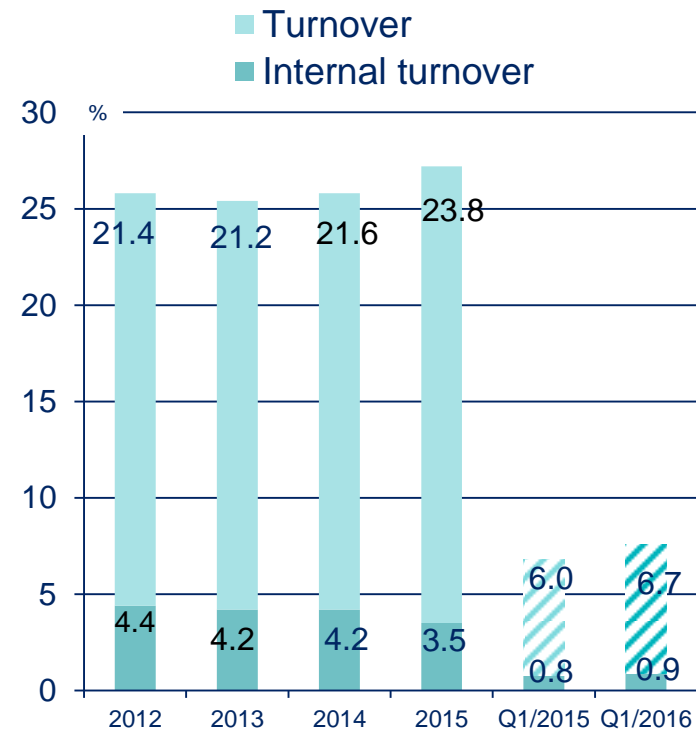
- 8,631 rental apartments subject to so-called long-term restrictions (years 2035–2050).
- The estimated sales price is approximately EUR 75 million.
- The final sales price is the maximum transfer price confirmed by ARA.
- The first phase of the transaction was executed on 31 March 2016.
- The second phase of the transaction is estimated to be executed by the summer.

Rental occupancy rate remained stable

Rental occupancy rate

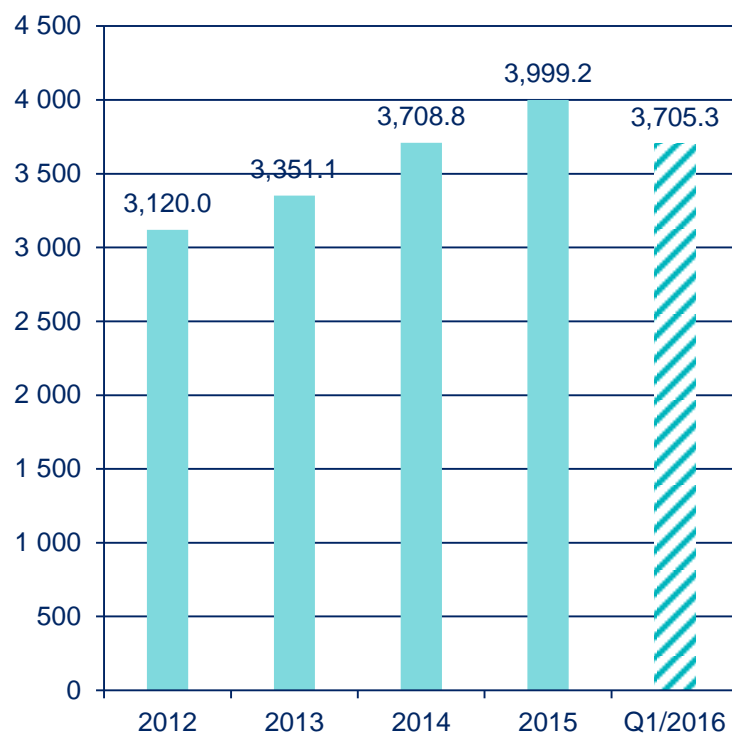


Tenant turnover



Housing stock developed favourably

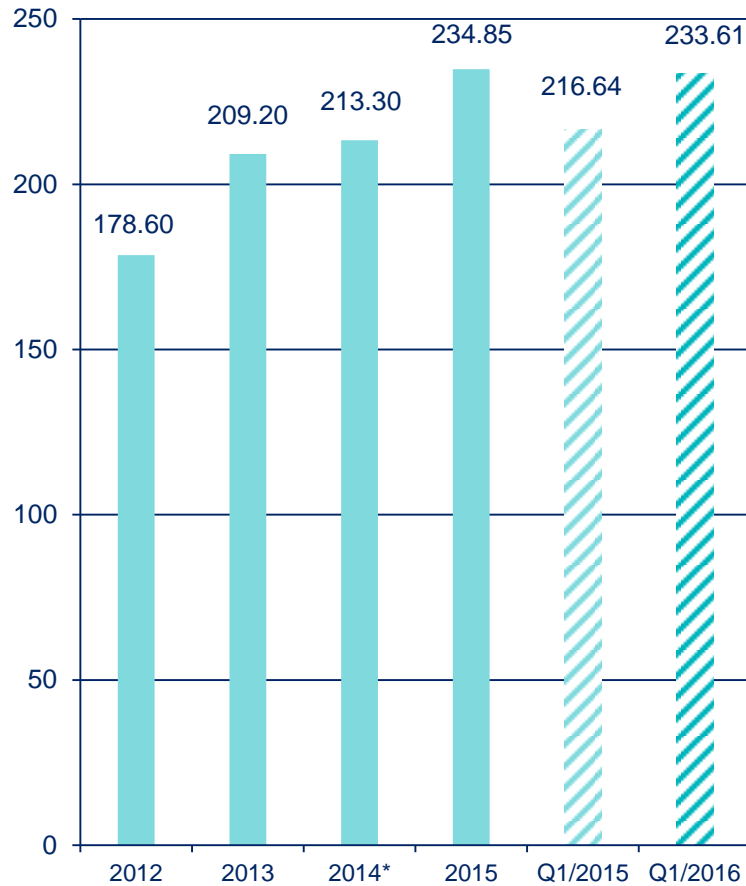
Fair value
EUR million



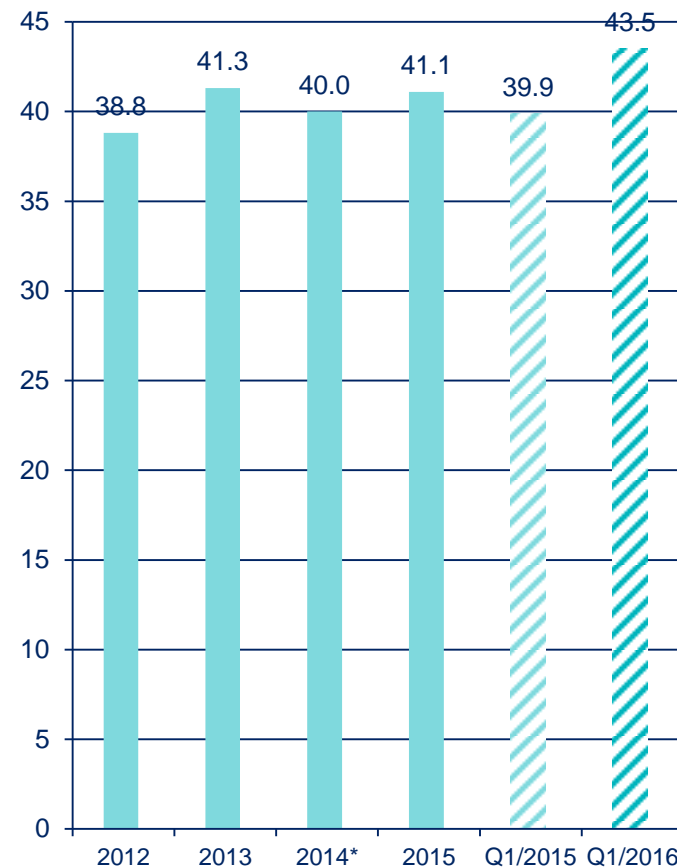
(EUR million)	FY 2015	YTD 2016	Change
Investment properties	3,464.9	3,522.1	- 57.2
Investment property held for sale	534.3	183.2	- 351.1
Fair value, total	3,999.2	3,705.3	- 293.9
Fair value measurement	70.3	14.1	

Equity ratio remained strong

Equity per share, EUR



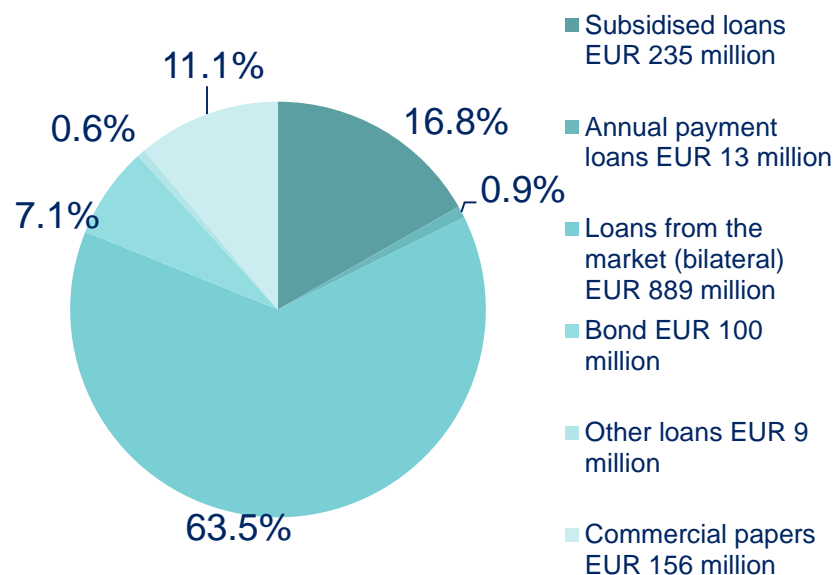
Equity ratio, %



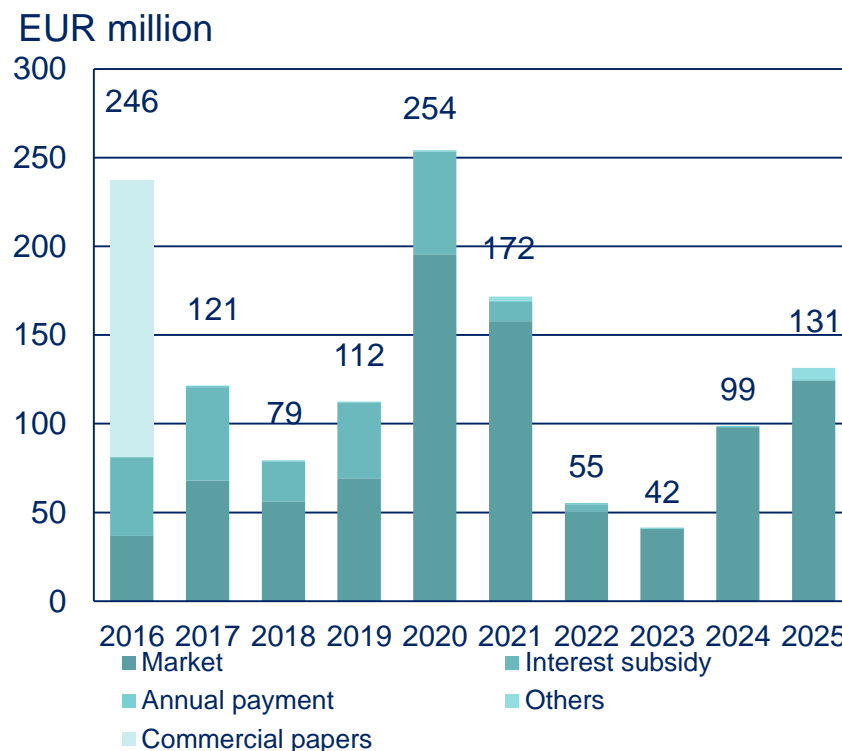
*As of 2014, the Group adopted IFRS for its financial reporting.

Loan portfolio structure and distribution of loan maturities, Lumo segment 31 Mar. 2016

Loan portfolio structure (EUR 1,401 million)

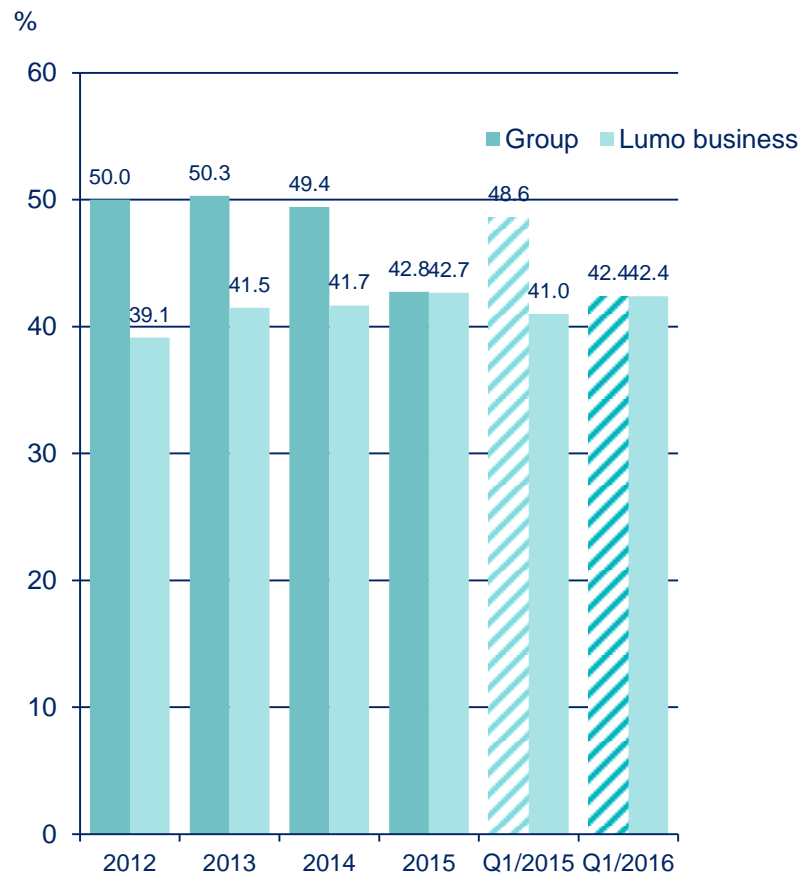


Distribution of loan maturities

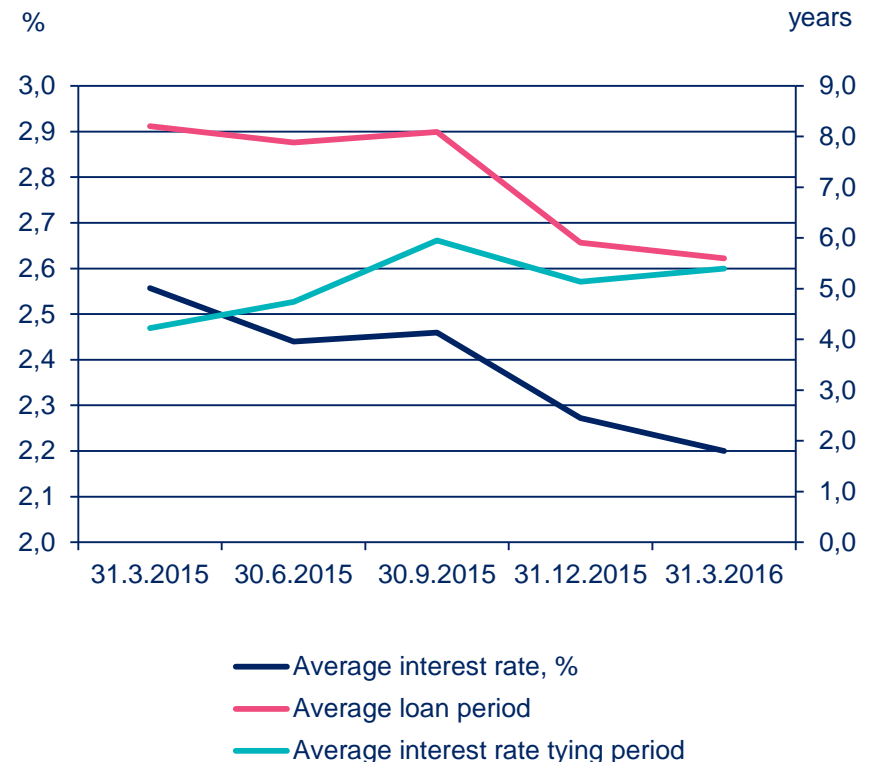


LTV and loan development

LTV (Loan to Value)



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

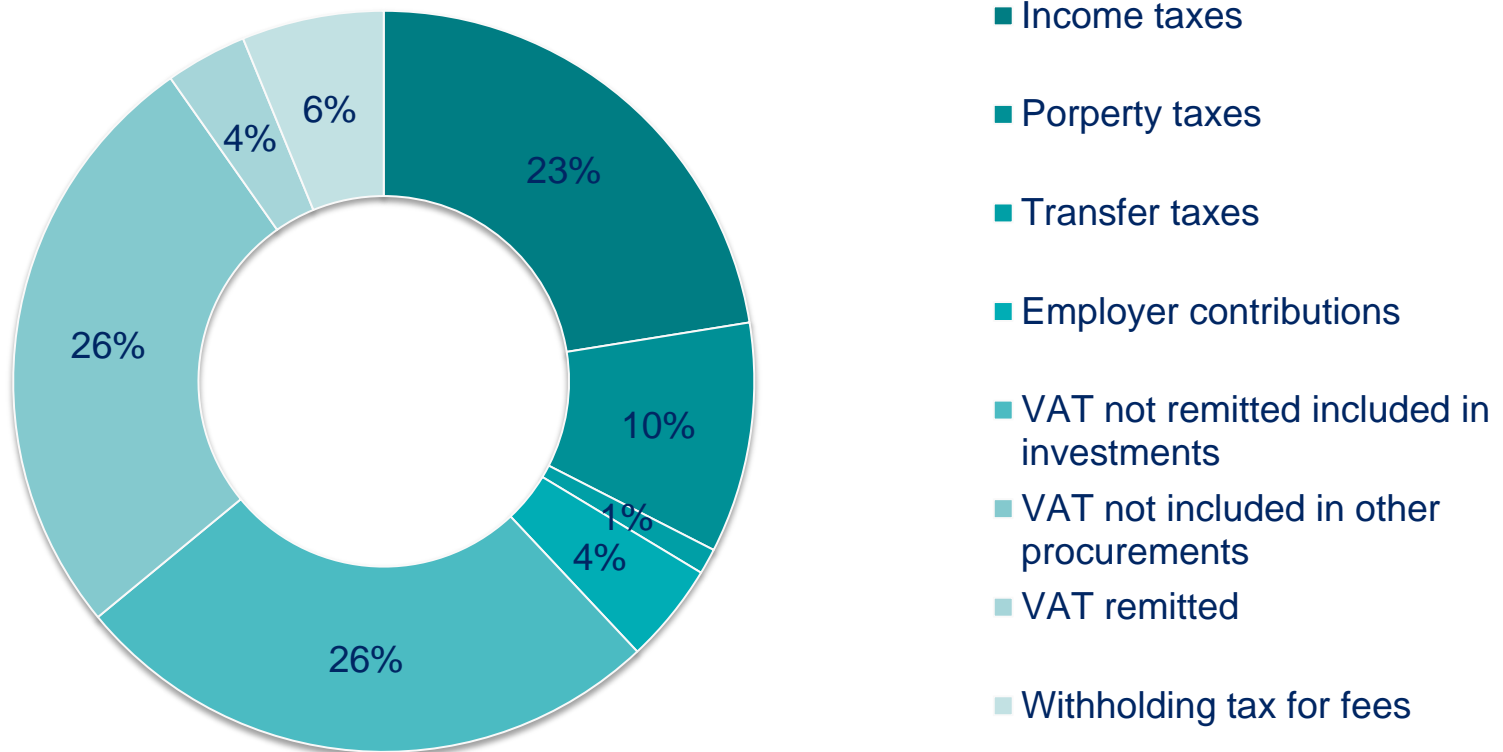


Strategic key figures

Key figure		Target 2018	Implemented 31 March 2016
Apartment assets		EUR 5.0 billion 45,000 apartments	EUR 3.7 billion 37,293 apartments
Operative result of the Lumo segment as a percentage of turnover		32%	35%
Equity ratio	<ul style="list-style-type: none"> Lumo segment VVO segment 	> 35% > 12%	44.4% 23.4%
Net promoter score		40%	38%*

*Average of the values implemented in 2015

EUR 100 million paid taxes to Finland



Indirect employment effect in person-years 3,760.

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.

*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.

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.
- During the review period, VVO Group became 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 sponsorship programme was expanded to cover not only individual sports but also team sports. In addition, each year 50 promising athletes of 12–20 years of age are selected to receive sponsorship grants.





Outlook

Market outlook

- The development of the Finnish economy will continue to be weak.
- Demand for rental apartments in growth centres will remain good.
- Urbanisation and asylum seekers will increase demand for housing.
- New development of owner-occupied apartments will be challenging.
- Price trends in owner-occupied apartments will remain stable.
- Interest rates will remain low.

Outlook for VVO Group

- The rental occupancy rate is expected to remain at the current level.
- VVO Group estimates that sales-adjusted net rental income will increase.
- Investments are expected to exceed the 2015 level.

Appendices

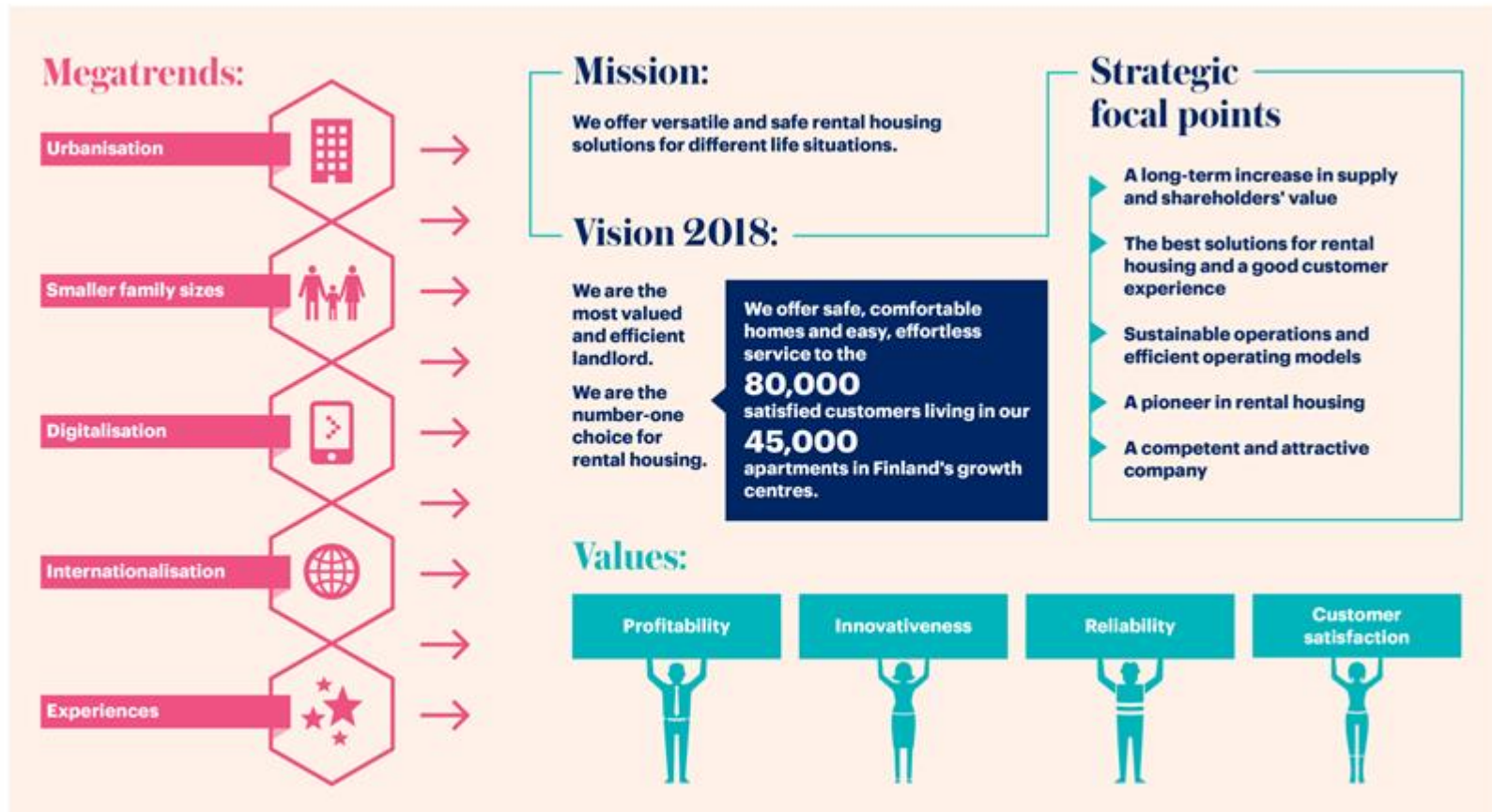


Basic information of the company

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'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.

VVO Group Plc's strategy



Country-wide operations in good locations

Asuntojen jakauma

Helsinki Area

19,205

Tampere Area

4,991

Lahti Area

2,378

Oulu

2,374

Turku Area

2,191

Kuopio Area

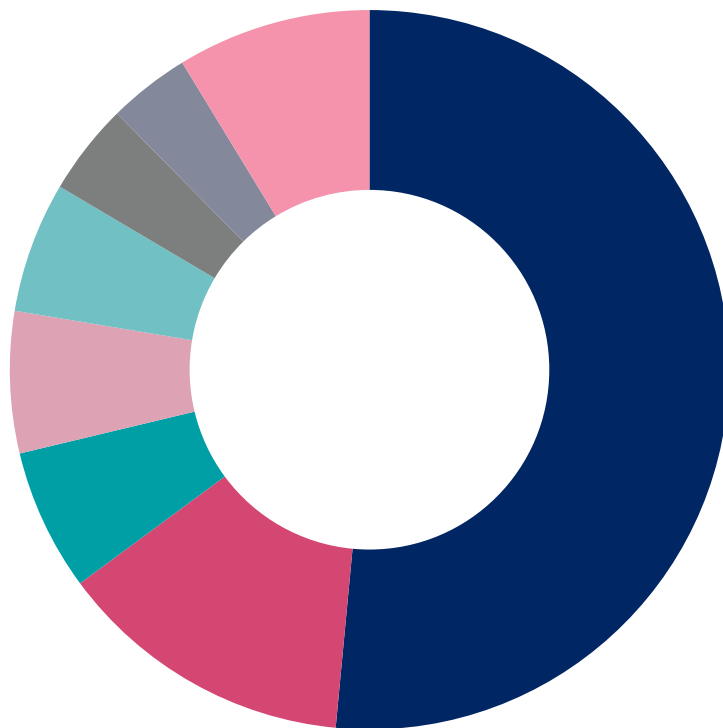
1,537

Jyväskylä

1,367

Others

3 250



Apartments

37,293



Average area of apartments

56.3 m²



Properties

1,375



Residents numbering nearly

55,000



Average age of buildings

32.7 yrs



Apartments

2,1 million dwelling m²

Consolidated income statement

EUR 1,000	1–3/2016	1–3/2015	1–12/2015
Turnover	95,895	90,858	370,944
Property maintenance costs	-28,260	-27,003	-96,989
Renovation and repairs	-6,852	-8,455	-46,541
Net rental income	60,782	55,400	227,413
Administrative costs	-9,745	-9,858	-39,696
Other operating income and costs	782	517	1,676
Profit/loss on sales of investment properties	996	887	2,707
Profit/loss on sales of trading properties	139	-19	-4
Change in the fair value of investment properties	14,054	26,001	70,317
Amortisations and depreciation	-295	-292	-1,178
Operating profit	66,713	72,636	261,235
Financial income and expenses	-12,418	-12,258	-37,090
Share in profits of associated companies	0	0	555
Profit before taxes	54,295	60,378	224,701
Current tax	-14,849	-4,267	-22,103
Change in deferred taxes	4,579	-7,977	-23,183
Profit for the period	44,026	48,134	179,415

Balance sheet

EUR 1,000	Group 31 Mar. 2016	Group 31 Mar. 2015	Group 31 Dec. 2015
ASSETS			
Intangible assets	1,029	1,304	1,136
Investment properties	3,522,143	3,782,088	3,464,944
Property, plant and equipment	31,465	31,589	31,242
Share in associated companies	1,039	3,508	1,039
Financial assets held for sale	543	547	543
Non-current receivables	2,911	2,741	2,199
Deferred tax assets	16,608	12,681	11,966
Non-current assets	3,575,738	3,834,457	3,513,069
Non-current assets held for sale	187,262	0	541,003
Inventories	864	2,605	954
Current tax assets	1,358	2,151	1,740
Sales receivables and other receivables	13,471	16,452	8,759
Financial assets	66,742	67,130	54,579
Cash and cash equivalents	137,990	108,537	116,017
Current assets	220,425	196,875	182,049
ASSETS	3,983,425	4,031,332	4,236,120

Balance sheet

EUR 1,000	Group 31 Mar. 2016	Group 31 Mar. 2015	Group 31 Dec. 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	58,025	58,025	58,025
Share premium	35,786	35,786	35,786
Contingency fund	17	17	17
Fair value reserve	-48,762	-36,151	-32,613
Reserve for invested unrestricted equity	17,856	17,856	17,856
Retained earnings	1,666,402	1,528,183	1,659,401
Parent company shareholders' interest	1,729,324	1,603,717	1,738,472
Non-controlling interest	595	520	583
Equity, total	1,729,919	1,604,236	1,739,055
Loans	1,247,341	1,662,500	1,259,823
Deferred tax liabilities	425,755	414,406	429,782
Derivative instruments, non-current	71,254	57,950	48,378
Statutory provisions	916	1,478	929
Other non-current liabilities	6,740	7,496	7,131
Non-current liabilities, total	1,752,006	2,143,830	1,746,042
Non-current liabilities held for sale	137,014	0	467,083
Loans, current	259,387	193,621	234,730
Derivative instruments	1,645	1,144	1,289
Profit-based tax liabilities	21,318	13,910	9,885
Trade payables and other debts	82,135	74,592	38,036
Current liabilities, total	364,486	283,266	283,940
Liabilities, total	2,253,506	2,427,096	2,497,065
SHAREHOLDERS' EQUITY AND LIABILITIES	3,983,425	4,031,332	4,236,120

Business operations

	Lumo 1–3/2016	Lumo 1–3/2015	VVO 1–3/2016	VVO 1–3/2015	Group 1–3/2016	Group 1–3/2015
Turnover, EUR million	68.5	45.3	27.8	46.7	95.9	90.9
Operating profit, EUR million	51.7	50.2	14.6	22.4	66.7	72.6
Profit before taxes, EUR million	42.2	45.0	11.7	15.4	54.3	60.4
Balance sheet, EUR million	3,622.7	2,577.0	537.4	1,540.8	3,983.4	4,031.3
Equity, EUR million	1,605.8	1,161.2	124.5	447.7	1,729.9	1,604.2
Equity ratio, %	44.4	45.1	23.4	29.1	43.5	39.9
Apartments	28,901	20,019	8,392	20,741	37,293	40,760
Financial occupancy rate, %	95.6	95.1	97.8	97.0	95.8	96.1
Rental occupancy rate, %	96.7	96.6	98.3	98.1	96.9	97.4
Tenant turnover, %	7.9	7.5	4.9	6.2	7.6	6.8
Average number of personnel	225	181	66	165	290	345

Financial key figures

	Lumo segment					VVO segment				
	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015	30 Jun. 2015	31 Mar. 2015	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015	30 Jun. 2015	31 Mar. 2015
Equity ratio, %	44.4	45.7	45.2	45.6	45.1	23.4	13.4	25.4	31.0	29.1
Interest cover	4.6	4.4	4.1	3.9	3.9*)	5.4	5.0	4.4	4.2	4.0*)
Hedging ratio, %	72.0	72.0	71.0	65.0	65.0	-	-	-	-	-
Average interest rate, %**)	2.2	2.3	2.5	2.4	2.6	2.4	2.0	2.0	2.1	2.2
Average loan period, years**)	5.6	5.9	8.1	7.9	8.2	16.4	19.2	20.7	21.7	21.7
Average interest rate linkage period, years**)	5.4	5.1	6.0	4.7	4.2	0.9	0.4	0.8	0.9	0.9
Secured loans/fair value of properties, % **)	37	38	41	39	39	75	85	57	59	62
VVO Group	40	46	47	46	47					
Available guarantees***) / fair value of properties, % **)	48	46	44	44	44	0	0	8	5	0
VVO Group	39	31	31	29	27					

*) 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

***)available guarantees = fair value of properties – guarantees given



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