

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



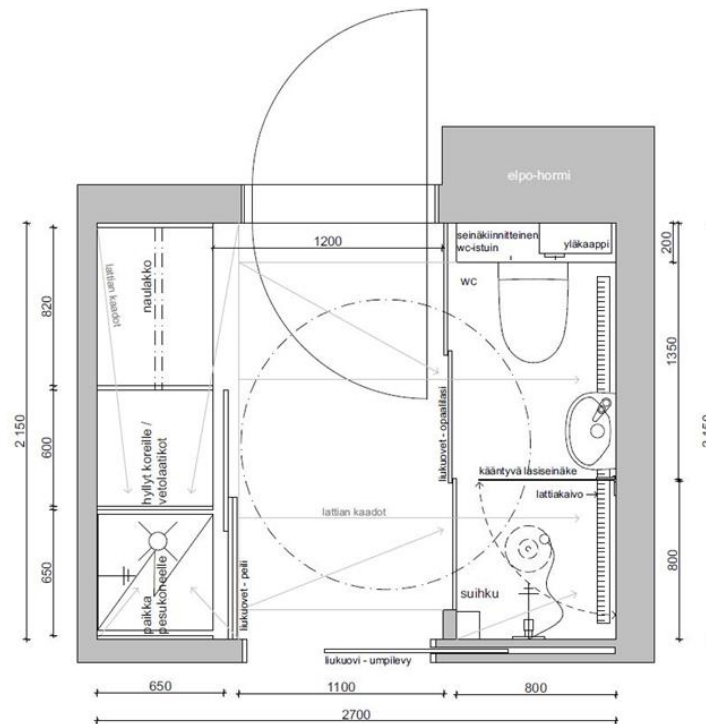


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# Key aspects of the review period

- Turnover totalled EUR 182.3 million.
- Net rental income was EUR 116.5 million.
- Investments totalled EUR 89.9 million.
- There were 1,303 rental apartments under construction.
- The Group had a total of 32,736 rental apartments.
- 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.
- We published Lumo Kompakti, a concept that is a more affordable option, in terms of overall rent, than what is generally available on the market.



## VVO Kodit Oy acquired 2,274 rental apartments from ICECAPITAL

- On 4 July 2016, VVO Kodit Oy acquired ICECAPITAL Housing Fund II, which owns 2,274 rental apartments. The apartments covered by the transaction are market-based, and most of them are located in Helsinki, Espoo, Vantaa and Tampere.
- The apartments of the acquired fund are new and in the best locations in each city. The acquired fund is an excellent match with the Group's existing housing stock and contributes to the implementation of our strategic growth targets.
- The parties have agreed not to disclose the purchase price.
- To the best of VVO's knowledge, this is, in terms of debt-free value, the largest market-based housing transaction ever executed in Finland.

# Operating environment

- The Finnish economy is resuming growth, but growth is expected to remain slower compared with the rest of the euro zone.
- The withdrawal of the United Kingdom from the EU (Brexit) and the related process may slow down economic growth in Europe.
- Demand for rental housing remained high.
- There was clear demand for new homes in growth centres, although supply has increased. In some regions, supply and demand are now equal.
- 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.

Lehtisaarentie 14, Helsinki

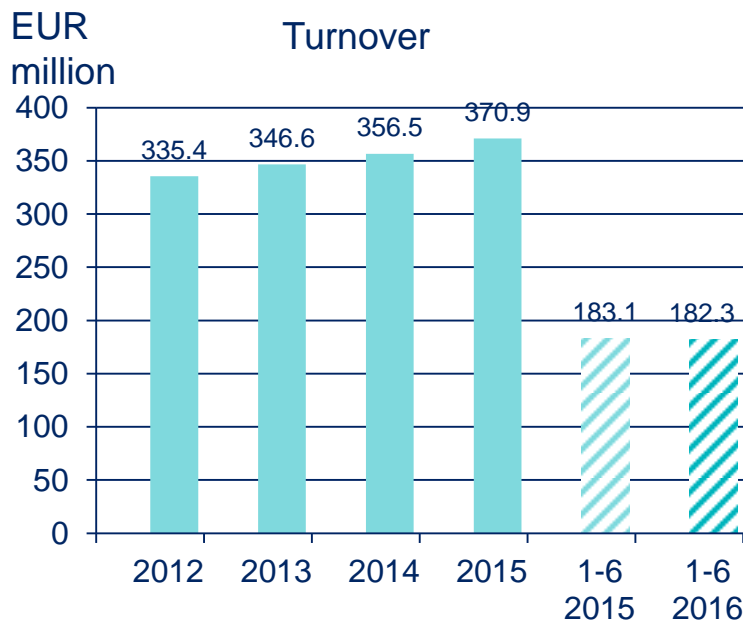




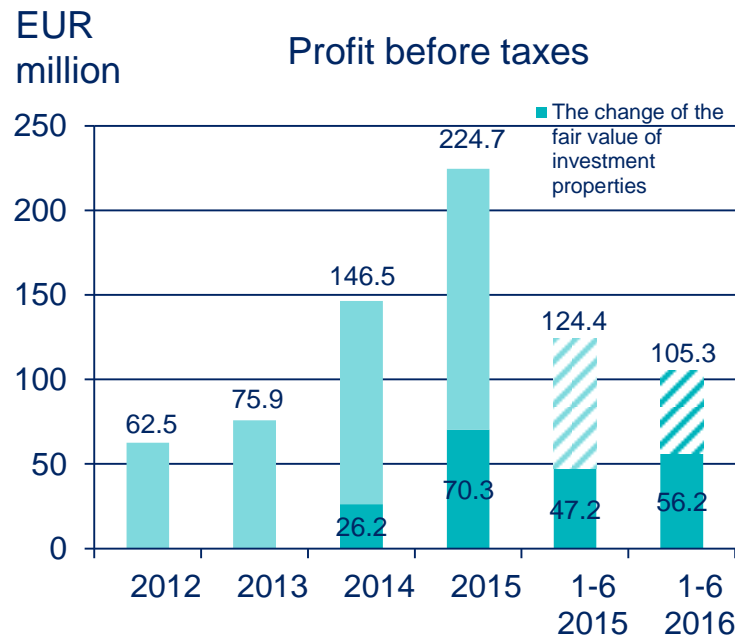
# Business operations and strategy progress



# Turnover and profit before taxes developed steadily

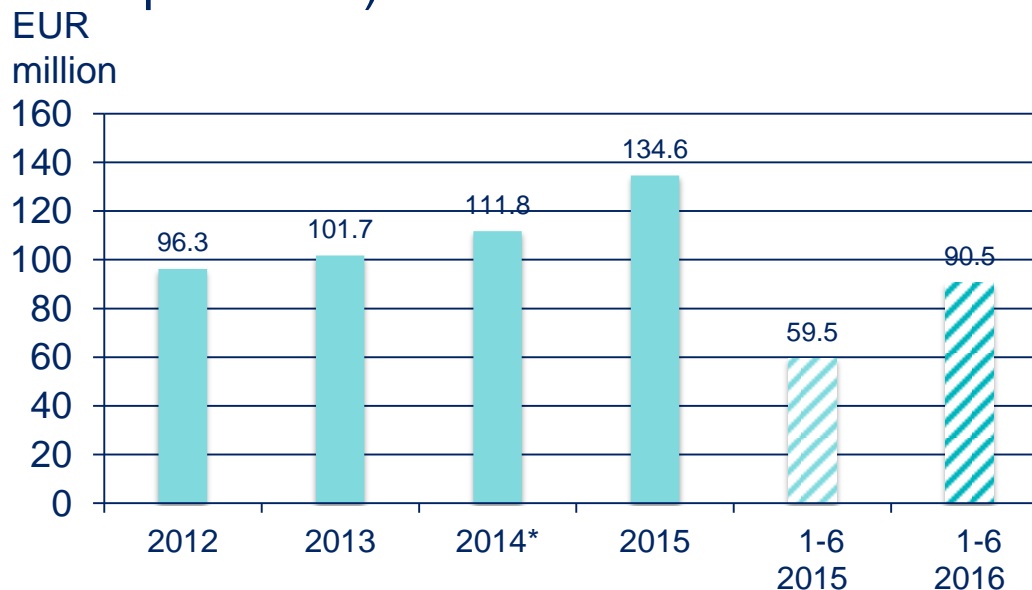


As of 2014, the Group adopted IFRS for its financial reporting.



# Net rental income grew

(Lumo business operations)

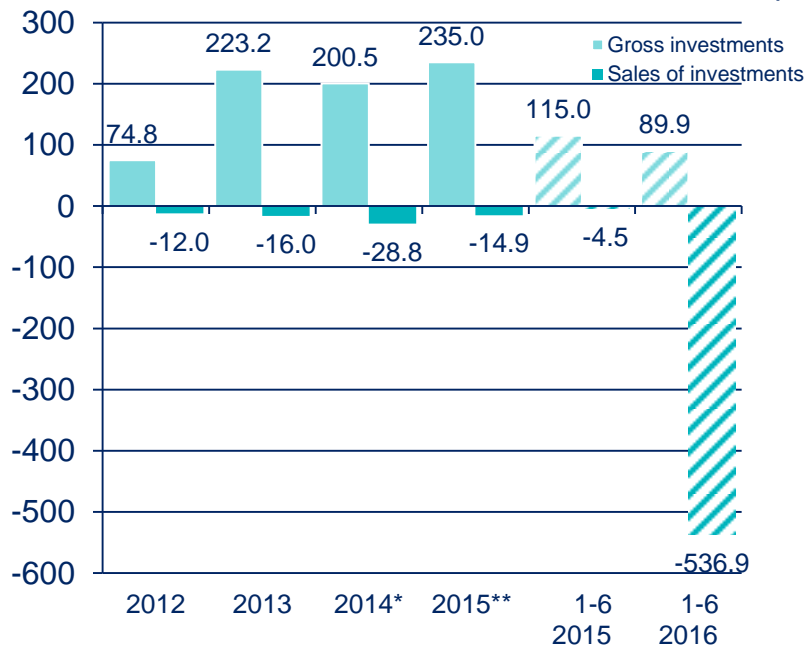


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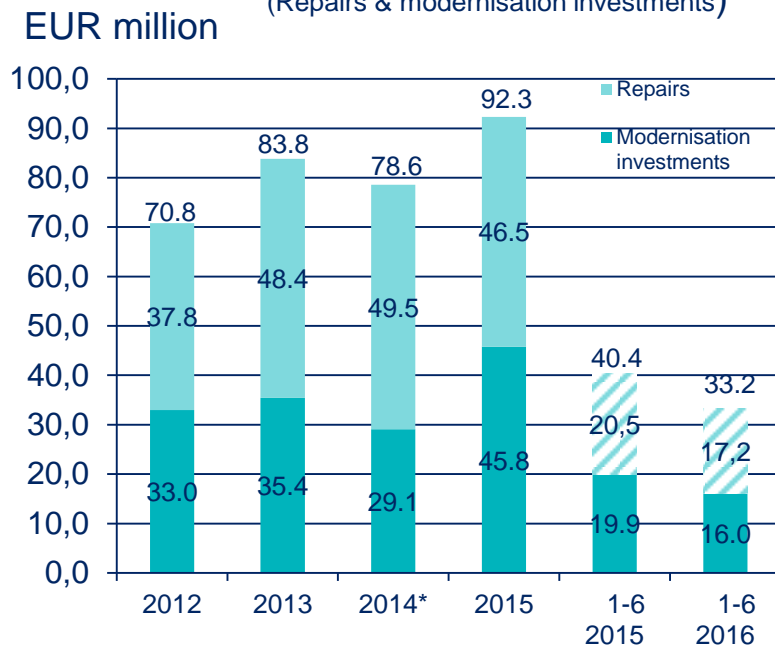
# Investments in Lumo business operations continued

EUR million Gross investments and sales of investment properties



Renovations

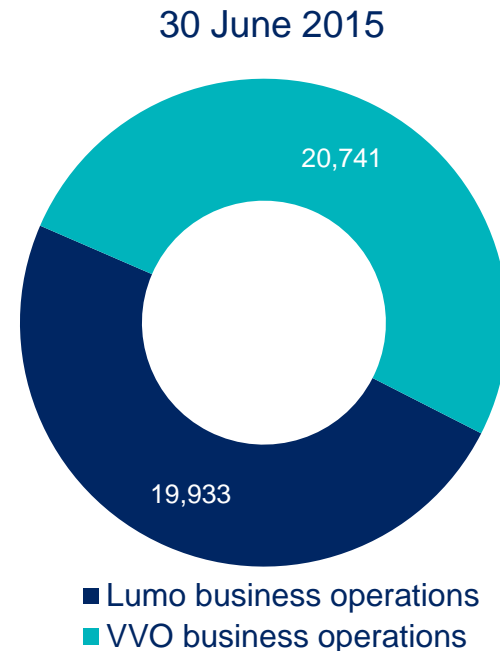
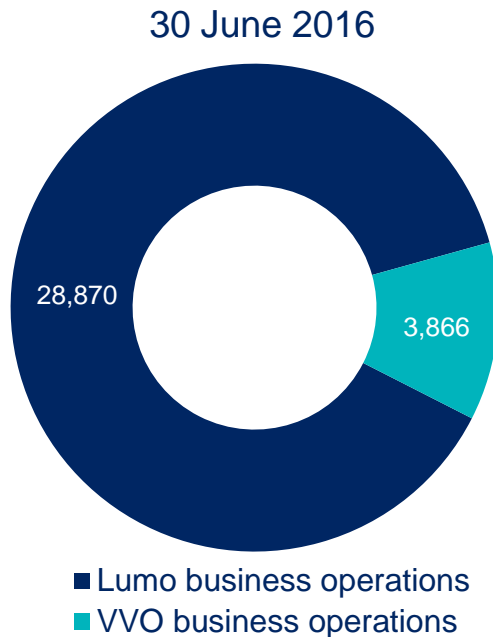
(Repairs & modernisation investments)



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

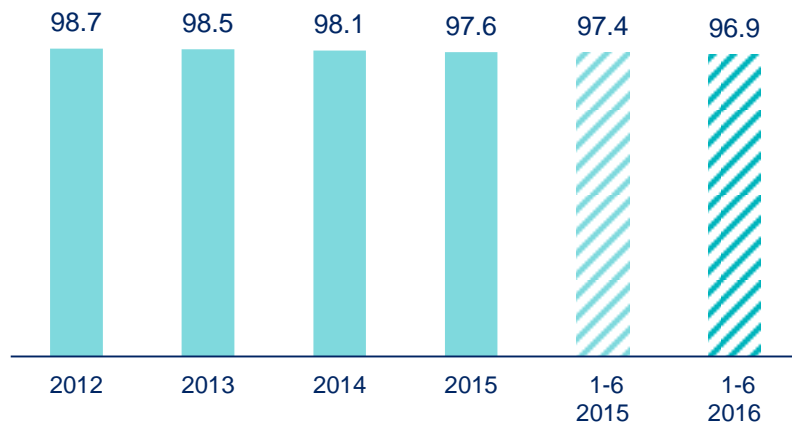
\*\*The calculation method of gross investments has been changed. Previously, gross investments in the cash flow were presented; starting from 31 Dec. 2015, investments on an accrual basis are presented.

# The Lumo business operations accounts for nearly 90% of the Group's housing stock

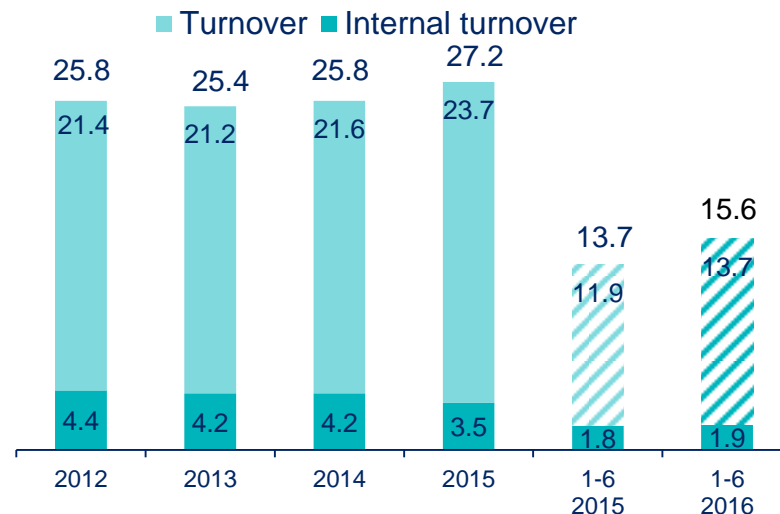


# The rental occupancy rate remained stable

Rental occupancy rate, %

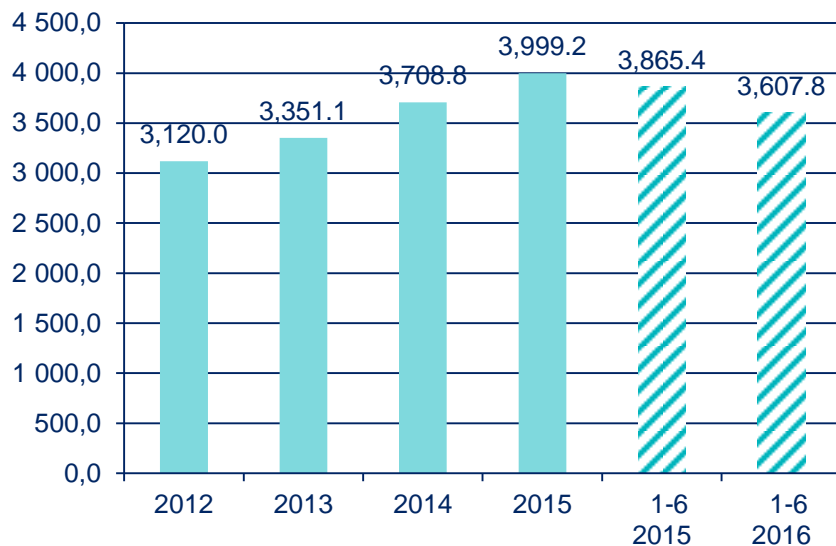


Tenant turnover, %



# Housing stock developed favourably

Fair value  
EUR million

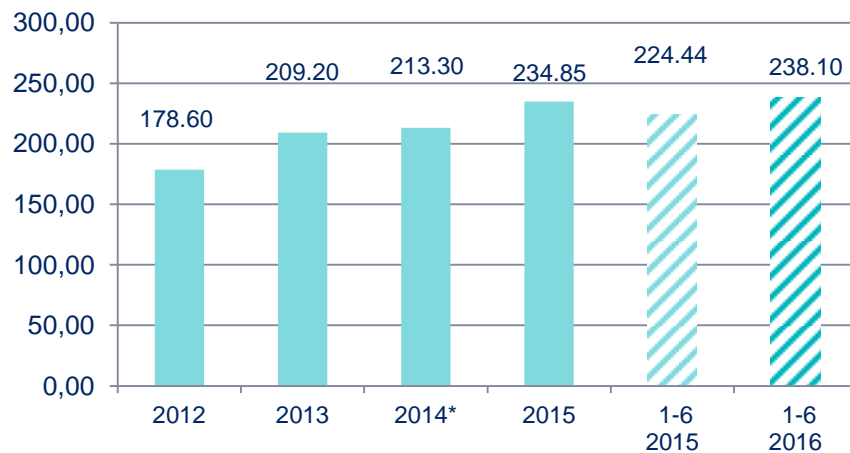


On 4 July 2016, VVO Group acquired ICECAPITAL Housing Fund II, which owns 2,274 apartments.

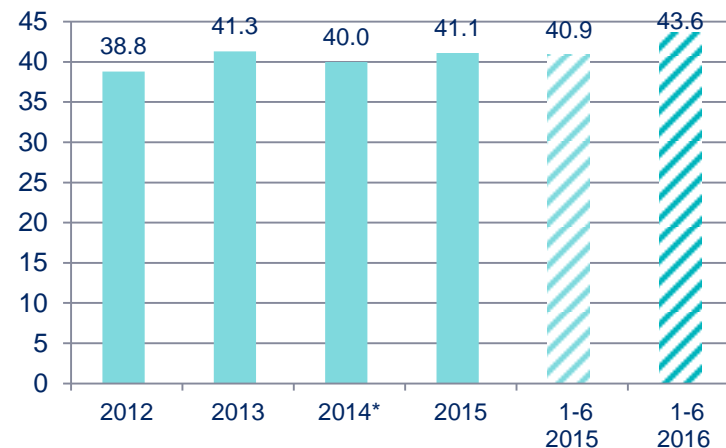
(EUR million)	FY 2015	YTD 2016	Change
Investment properties	3,464.9	3,607.8	- 142.9
Investment property held for sale	534.3	0.0	- 534.3
Fair value, total	3,999.2	3,607.8	- 391.4
Fair value measurement	70.3	56.2	

# Equity ratio remained strong

Equity per share, EUR



Equity ratio, %

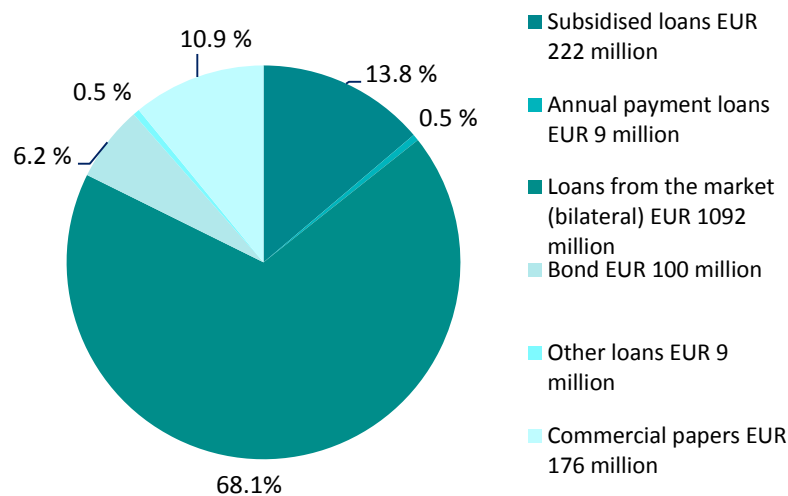


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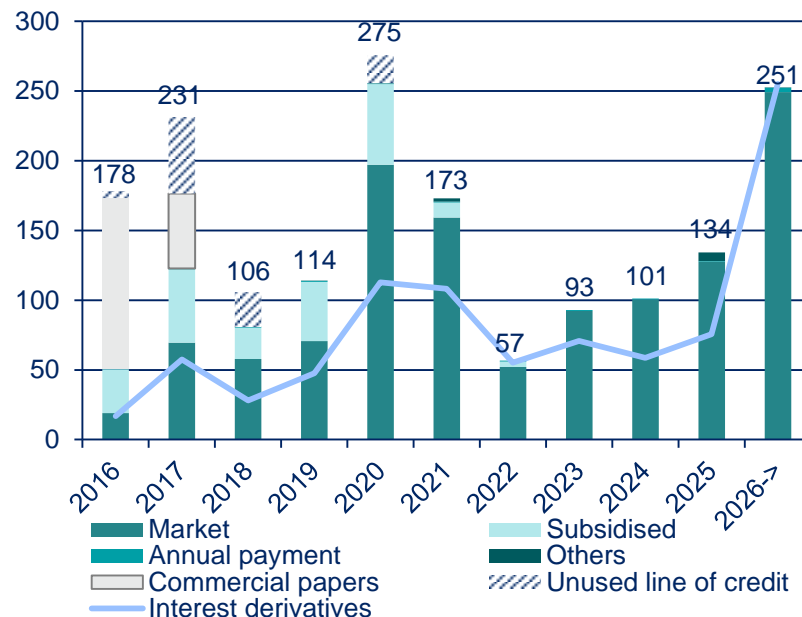


# Loan portfolio structure and distribution of loan maturities, Lumo business operations 30 June 2016

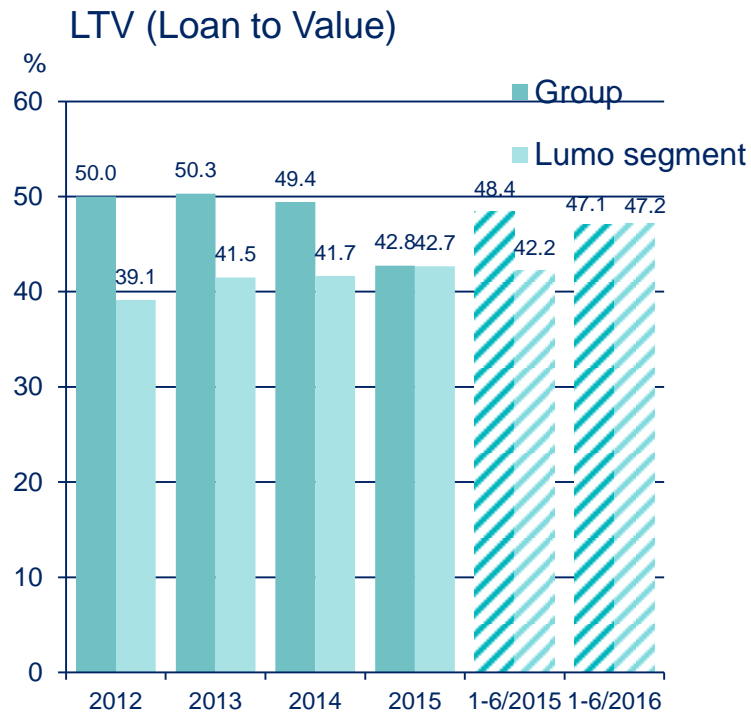
Loan portfolio structure (EUR 1,608 million)



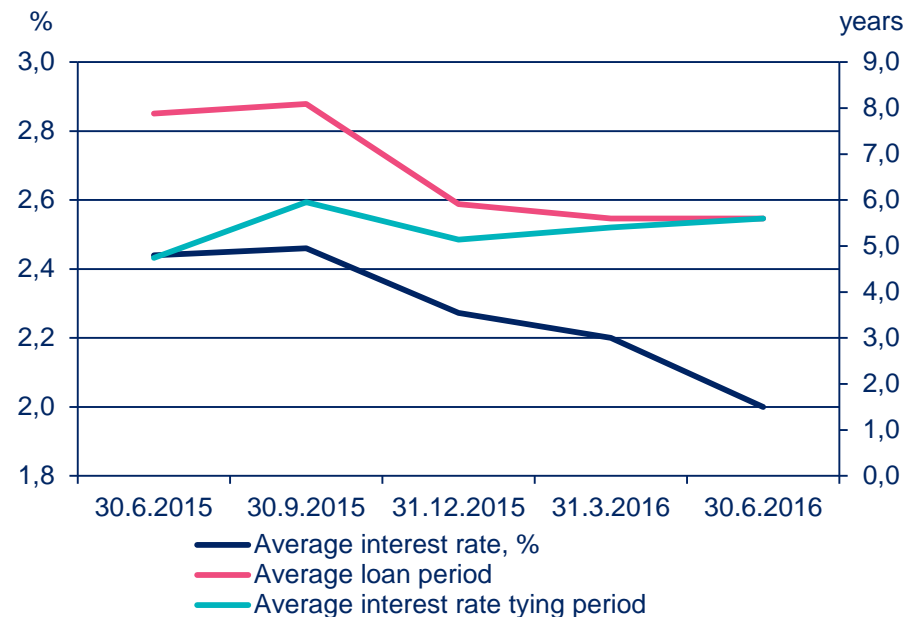
Distribution of loan maturities



# LTV and loan development



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

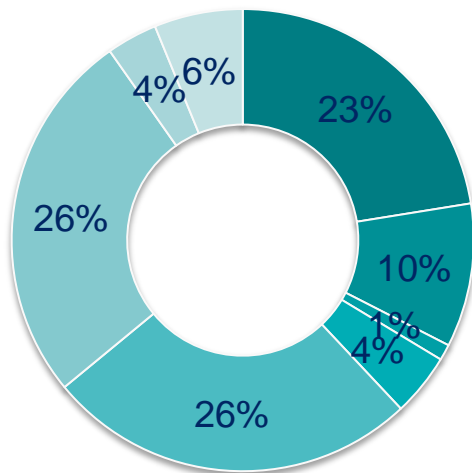


# Strategic key figures

Key figure	Q2/2016	Goal 2021
Apartment assets	EUR 3.6 billion 32,736 apartments	EUR 5.8 billion 38,000 apartments
Operative result of the Lumo business operations as a percentage of turnover	36.6%	32%
Equity ratio of the Lumo business operations	40.4%	40.0%
Net promoter score	38%	40%

# EUR 100 million paid taxes to Finland

## VVO Group's tax footprint in 2015



- Income taxes
- Real estate taxes
- Transfer taxes
- Employer payments

Indirect employment effect in person-years 3,760.

During the first months of the year, VVO Group invested EUR 89.9 million in rental apartments, which is estimated to have an employment effect of approximately 1,438\* person-years and to accrue taxes amounting to roughly EUR 37\*\* 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](http://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.

# 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 equal.
- Urbanisation will increase demand for housing.
- Price trends in owner-occupied apartments will remain stable.
- Interest rates will remain low.

## **Outlook for VVO Group specified**

- The rental occupancy rate is expected to remain at the current level.
- VVO Group estimates that net rental income will remain at the 2015 level. Investments are forecast to exceed EUR 600 million.
- The outlook takes into account the effects of the 8,631 divested apartments and the 2,274 acquired apartments, the estimated occupancy rate for the remainder of the year and the number of apartments under construction.

# 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 3.6 (3.9) billion. At the end of the review period, VVO Group owned 32,736 (40,674) 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:

Profitability



Innovativeness



Reliability



Client satisfaction





# Country-wide operations in good locations

## Distribution of apartments

Helsinki Area

16,949

Tampere Area

4,621

Turku Area

2,091

Oulu

2,053

Kuopio Area

1,506

Lahti Area

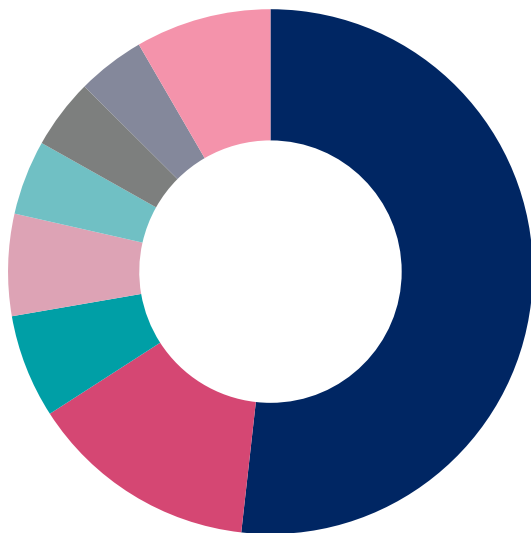
1,413

Jyväskylä

1,366

Other

2,737



Apartments

32,736



Average area  
of apartments

56.3 m<sup>2</sup>



Properties

1,375



Residents  
numbering nearly

55,000



Average age of  
buildings

32.6 yrs



Apartments

1.8 million  
dwelling m<sup>2</sup>

# Consolidated income statement

EUR 1,000	1–6/2016	1–6/2015	1–12/2015
<b>Turnover</b>	<b>182,276</b>	<b>183,138</b>	<b>370,944</b>
Property maintenance costs	-48,569	-49,445	-96,989
Renovation and repairs	-17,174	-20,476	-46,541
<b>Net rental income</b>	<b>116,533</b>	<b>113,216</b>	<b>227,413</b>
Administrative costs	-17,408	-20,321	-39,696
Other operating income and costs	-1,411	697	1,676
Profit/loss on sales of investment properties	-26,906	1,410	2,707
Profit/loss on sales of trading properties	135	-12	-4
Change in the fair value of investment properties	56,199	47,184	70,317
Amortisations and depreciation	-586	-588	-1,178
<b>Operating profit</b>	<b>126,556</b>	<b>141,586</b>	<b>261,235</b>
Financial income and expenses	-21,222	-17,155	-37,090
Share in profits of associated companies	0	0	555
<b>Profit before taxes</b>	<b>105,334</b>	<b>124,431</b>	<b>224,701</b>
Current tax	-19,763	-7,123	-22,103
Change in deferred taxes	-228	-19,299	-23,183
<b>Profit for the period</b>	<b>85,343</b>	<b>98,010</b>	<b>179,415</b>

# Balance sheet

EUR 1,000

	Group 30 June 2016	Group 30 June 2015	Group 31 Dec. 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	918	1,311	1,136
Investment properties	3,607,789	3,865,395	3,464,944
Property, plant and equipment	31,291	31,488	31,242
Share in associated companies	1,039	3,457	1,039
Financial assets	554	547	543
Non-current receivables	3,216	2,297	2,199
Deferred tax assets	18,655	9,677	11,966
<b>Non-current assets, total</b>	<b>3,663,463</b>	<b>3,914,172</b>	<b>3,513,069</b>
Non-current assets held for sale	0	0	541,003
<b>Current assets</b>			
Inventories	857	2,133	954
Current tax assets	2,648	1,758	1,740
Sales receivables and other receivables	11,779	16,299	8,759
Financial assets	64,627	50,732	54,579
Cash and cash equivalents	310,431	87,776	116,017
<b>Current assets</b>	<b>390,344</b>	<b>158,698</b>	<b>182,049</b>
<b>ASSETS</b>	<b>4,053,807</b>	<b>4,072,869</b>	<b>4,236,120</b>

# Balance sheet

EUR 1,000

	Group 30 June 2016	Group 30 June 2015	Group 31 Dec. 2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent company</b>			
Share capital	58,025	58,025	58,025
Share premium	35,786	35,786	35,786
Contingency fund	17	17	17
Fair value reserve	-56,806	-28,302	-32,613
Reserve for invested unrestricted equity	17,856	17,856	17,856
Retained earnings	1,707,697	1,578,038	1,659,401
<b>Parent company shareholders' interest</b>	<b>1,762,575</b>	<b>1,661,420</b>	<b>1,738,472</b>
Non-controlling interest	0	541	583
<b>Equity, total</b>	<b>1,762,575</b>	<b>1,661,960</b>	<b>1,739,055</b>
<b>Non-current liabilities</b>			
Loans	1,431,394	1,652,272	1,259,823
Deferred tax liabilities	430,635	424,686	429,782
Derivative instruments	81,519	42,410	48,378
Statutory provisions	821	1,397	929
Other non-current liabilities	6,920	8,217	7,131
<b>Non-current liabilities, total</b>	<b>1,951,289</b>	<b>2,128,982</b>	<b>1,746,042</b>
Non-current liabilities held for sale	0	0	467,083
<b>Current liabilities</b>			
Loans, current	281,966	234,679	234,730
Derivative instruments	1,623	1,733	1,289
Profit-based tax liabilities	15,757	2,381	9,885
Trade payables and other debts	40,597	43,134	38,036
<b>Current liabilities, total</b>	<b>339,943</b>	<b>281,927</b>	<b>283,940</b>
<b>Liabilities, total</b>	<b>2,291,232</b>	<b>2,410,909</b>	<b>2,497,065</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,053,807</b>	<b>4,072,869</b>	<b>4,236,120</b>

# Business operations

	Lumo 1–6/2016	Lumo 1–6/2015	VVO 1–6/2016	VVO 1–6/2015	Group 1–6/2016	Group 1–6/2015
Turnover, EUR million	138.4	91.2	44.6	94.1	182.3	183.1
Operating profit, EUR million	134.1	65.1	-8.3	76.3	126.6	141.6
Profit before taxes, EUR million	117.6	60.5	-13.0	63.9	105.3	124.4
Balance sheet, EUR million	3,854.9	2,592.6	317.8	1,571.2	4,053.8	4,072.9
Equity, EUR million	1,657.4	1,181.4	105.4	485.3	1,762.6	1,662.0
Equity ratio, %	43.0	45.6	33.9	31.0	43.6	40.9
Apartments	28,870	19,933	3,866	20,741	32,736	40,674
Financial occupancy rate, %	95.7	95.0	97.9	97.1	95.9	96.0
Rental occupancy rate, %	96.8	96.7	98.4	98.1	96.9	97.4
Tenant turnover, %	16.2	14.8	11.2	12.6	15.6	13.7
Average number of personnel	234	185	65	175	299	360

# Financial key figures

	Lumo business operations					VVO business operations				
	30 June 2016	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015	30 June 2015	30 June 2016	31 Mar. 2016	31 Dec. 2015	30 Sep. 2015	30 June 2015
Equity ratio, %	43.0	44.4	45.7	45.2	45.6	33.9	23.4	13.4	25.4	31.0
Interest cover	4.9	4.6	4.4	4.1	3.9	5.4	5.4	5.0	4.4	4.2
Hedging ratio, %	74.0	72.0	72.0	71.0	65.0	-	-	-	-	-
Average interest rate, %**)	2.0	2.2	2.3	2.5	2.4	2.7	2.4	2.0	2.0	2.1
Average loan period, years**)	5.6	5.6	5.9	8.1	7.9	16.0	16.4	19.2	20.7	21.7
Average interest rate linkage period, years**)	5.6	5.4	5.1	6.0	4.7	0.5	0.9	0.4	0.8	0.9
Secured loans/fair value of properties, % **)	41	37	38	41	39	79	75	85	57	59
VVO Group	43	40	46	47	46					
Available guarantees***) / fair value of properties, % **)	45	48	46	44	44	0	0	0	8	5
VVO Group	42	39	31	31	29					

\*) 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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