

# VVO Group plc

## FINANCIAL STATEMENTS 2015



# Review period 1 Jan–31 Dec 2015

- Turnover growth was generated by increased profit from rental operations.
- Our favourable profit performance was based on changes in the fair value, a good occupancy rate, the successful management of maintenance costs, and low financial costs.
- The fair value of our rental apartments was EUR 4.0 billion.
- VVO Group owns 41,153 apartments, of which 28,167 are Lumo apartments.
- Gross investments totalled EUR 235 million.
- At the end of the review period, there were 1,189 rental apartments under construction.
- Demand for rental housing remained high.





# Operating environment

- Uncertainty in the world economy increased towards the end of the year. The economic situation improved slightly in Europe.
- In Finland, economic development continued to be subdued.
- The confidence of households and companies in the development of the economy was weak.
- Demand for rental housing remained high.
- 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.

# Strategic key figures

Key figure		Target 2018	Implemented 2015
Apartment assets		EUR 5.0 billion 45,000 apartments	EUR 4.0 billion 41 153 apartments
Operative result of the Non-subsidised segment as a percentage of turnover		32%	36%
Equity ratio	<ul style="list-style-type: none"> <li>Non-subsidised segment</li> <li>State-subsidised segment</li> </ul>	> 35% > 12%	45.7% 13.4%
Net promoter score		40%	38%





# Outlook for 2016

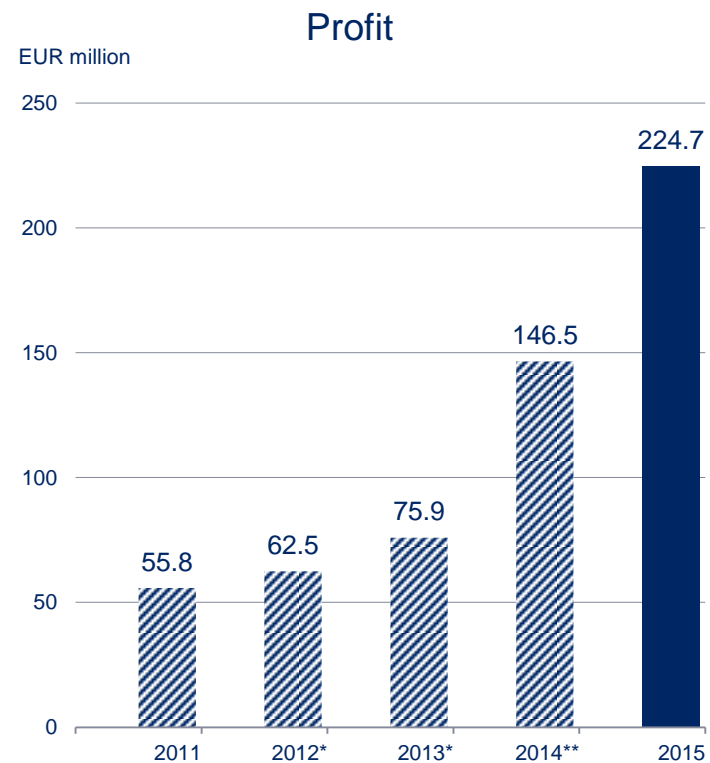
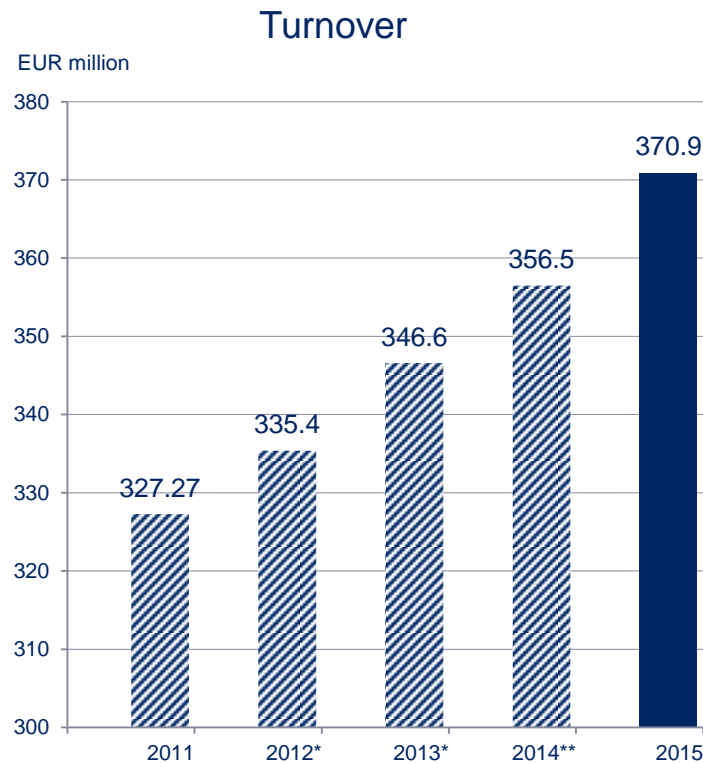
## **Market outlook**

- 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.

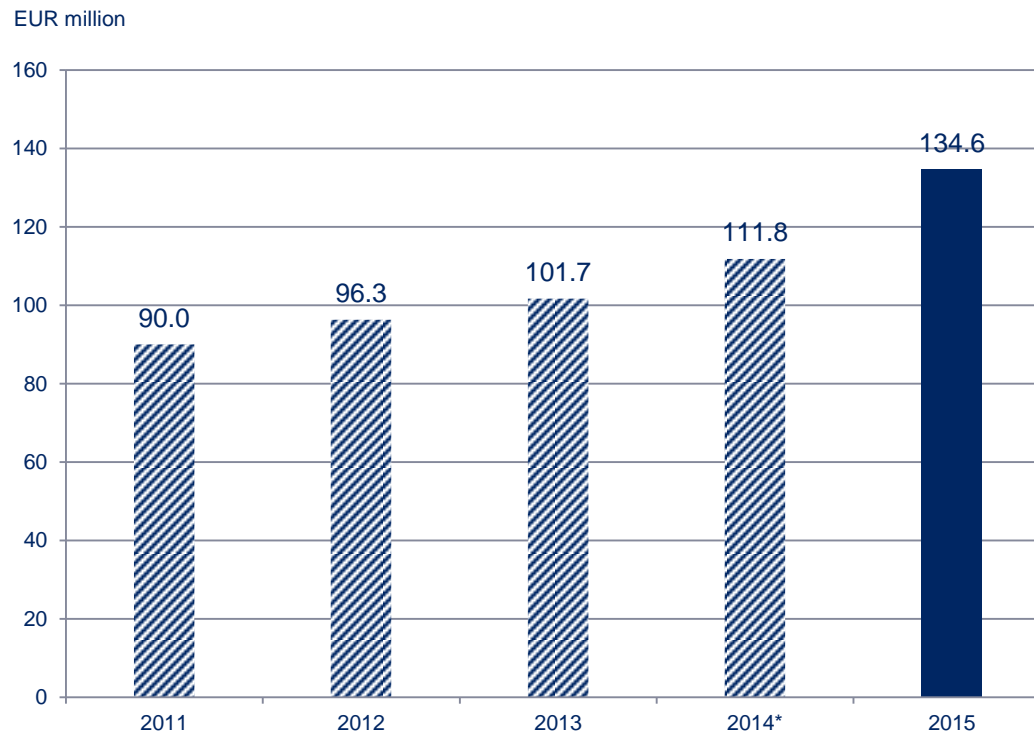
# Turnover and profit performance



\*A change in the recognition practice of renovations reduced the result by **EUR 7.8 million** in 2012 and by **EUR 11.4 million** in 2013

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

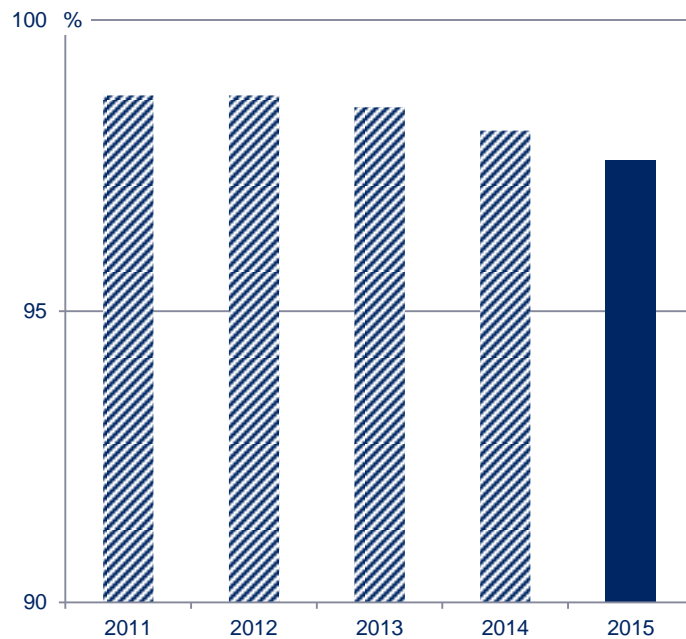
# Net rental income (Non-subsidised segment)



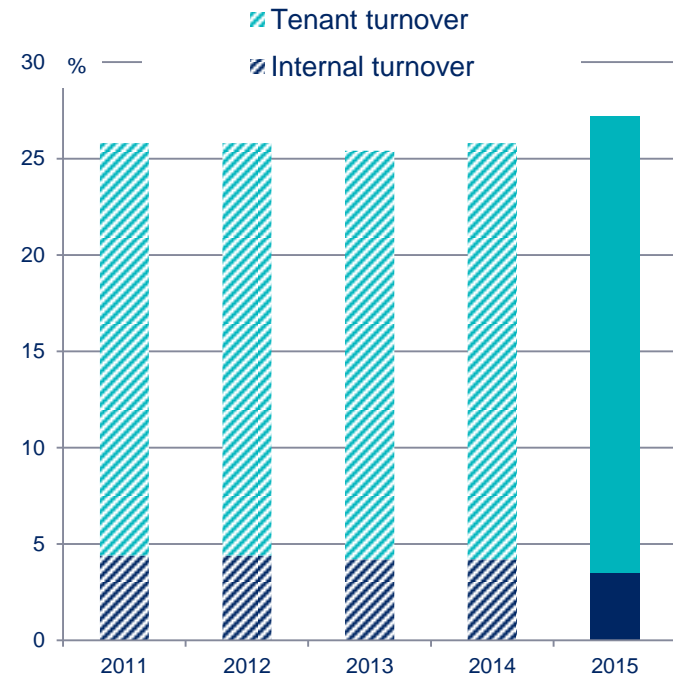
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# Rental housing

Rental occupancy rate

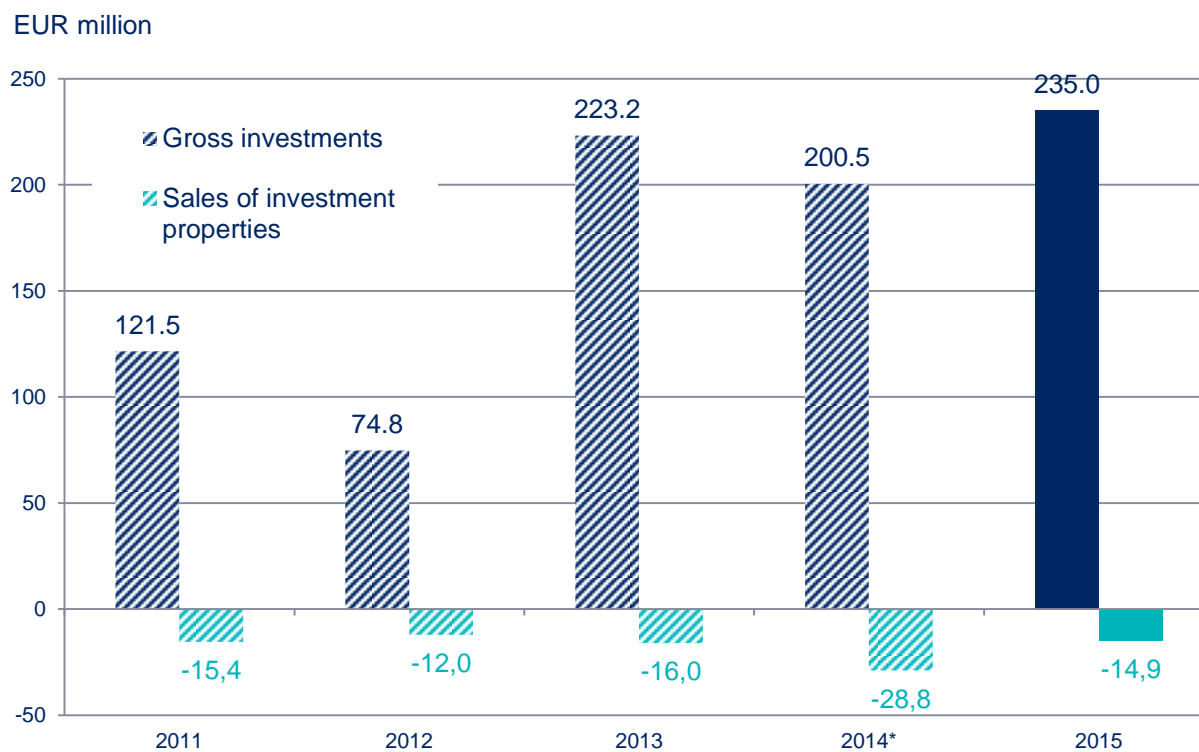


Tenant turnover





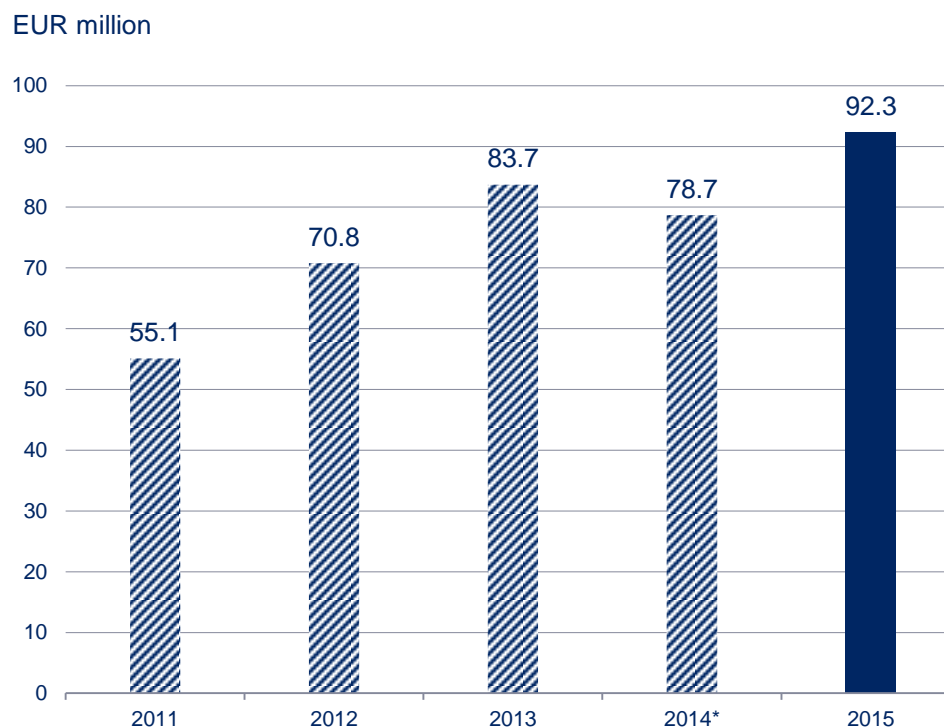
# Gross investments and sales of investment properties



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

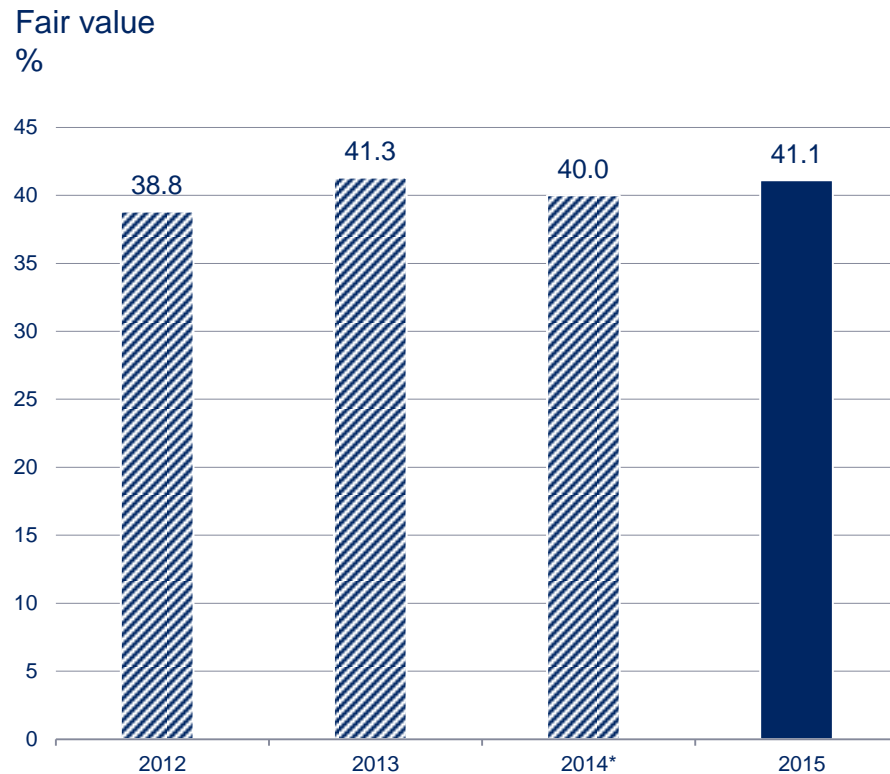
# Renovations

(incl. repairs recognised as expenses & additional repair investments)



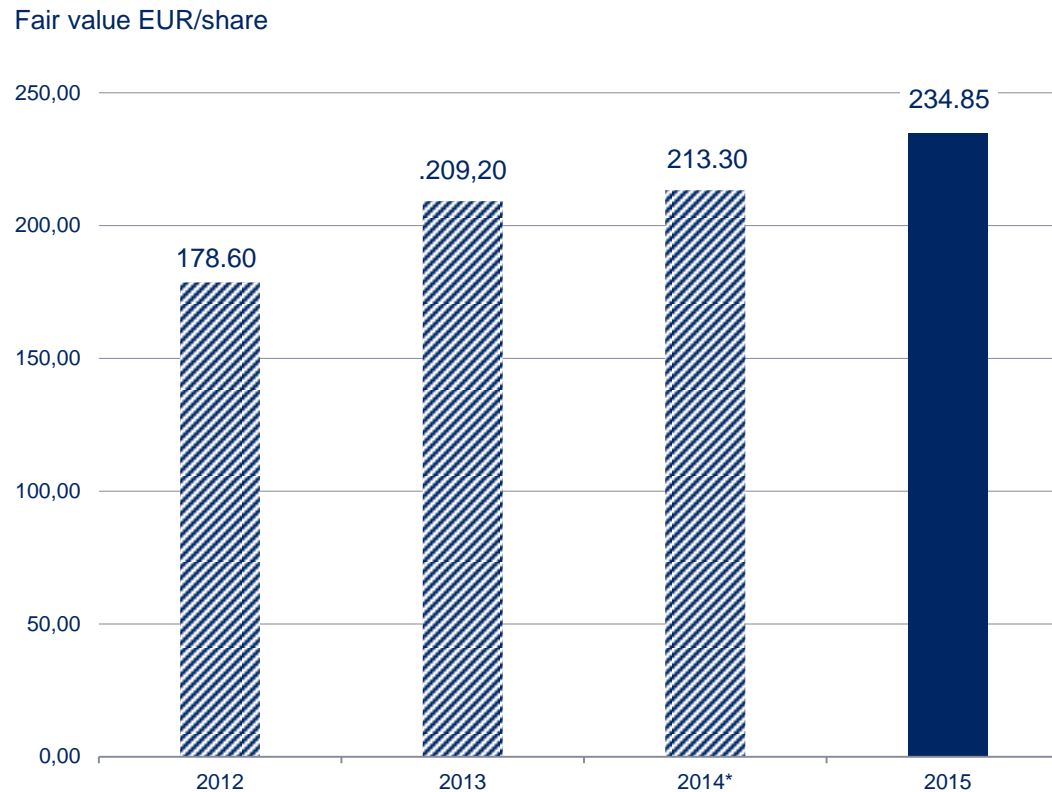
\*As of 2014, the Group adopted IFRS for its financial reporting.

# Equity ratio, %



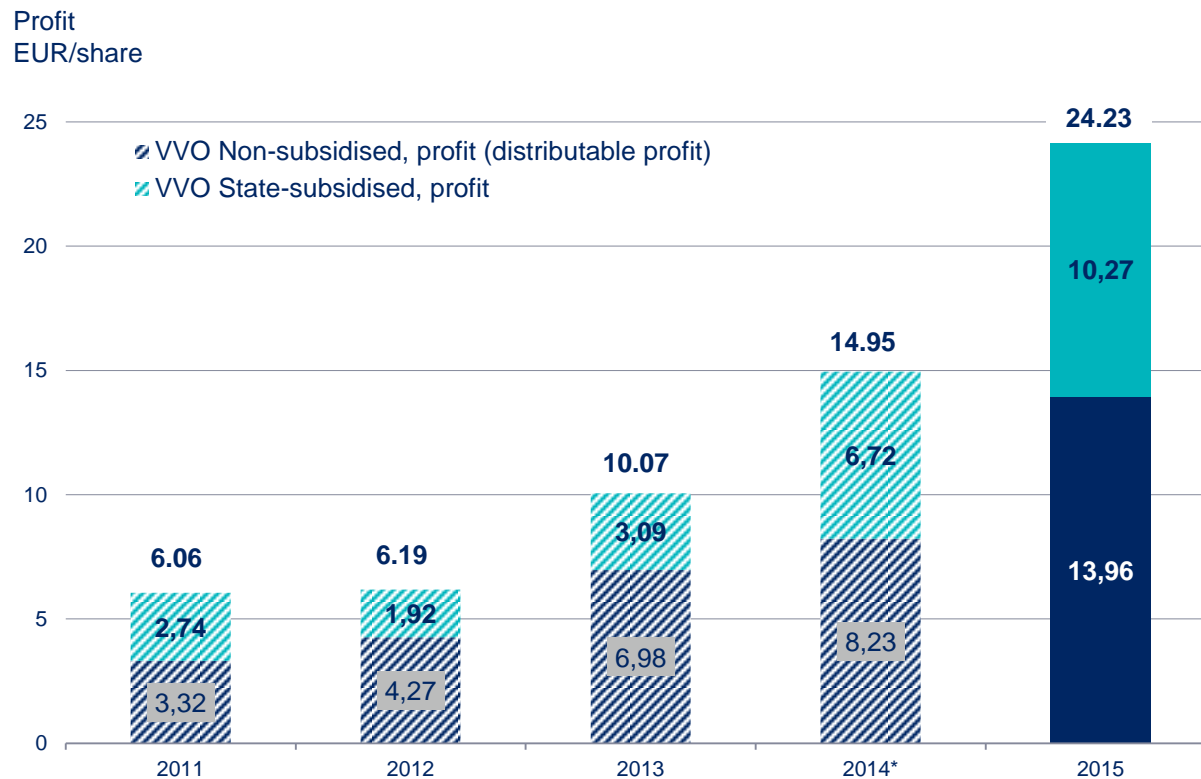
\*As of 2014, the Group adopted IFRS for its financial reporting.

# Total equity



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

# Share-specific indicators



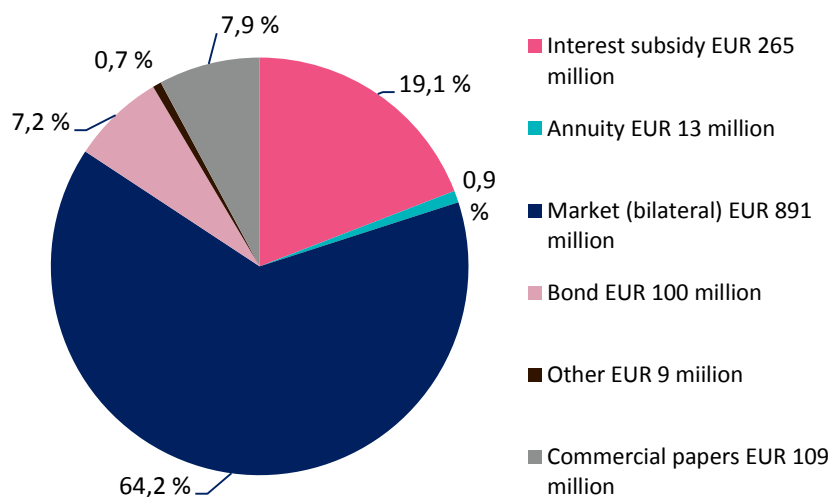
\*As of 2014, the Group adopted IFRS for its financial reporting

# Loan portfolio EUR 1,955 million

## 31 Dec 2015

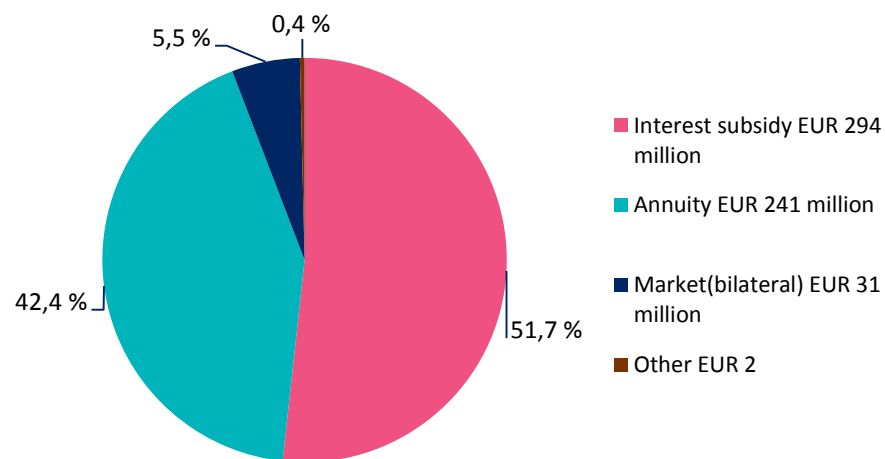
### Non-subsidised

Loans total EUR 1,387 million



### State-subsidised

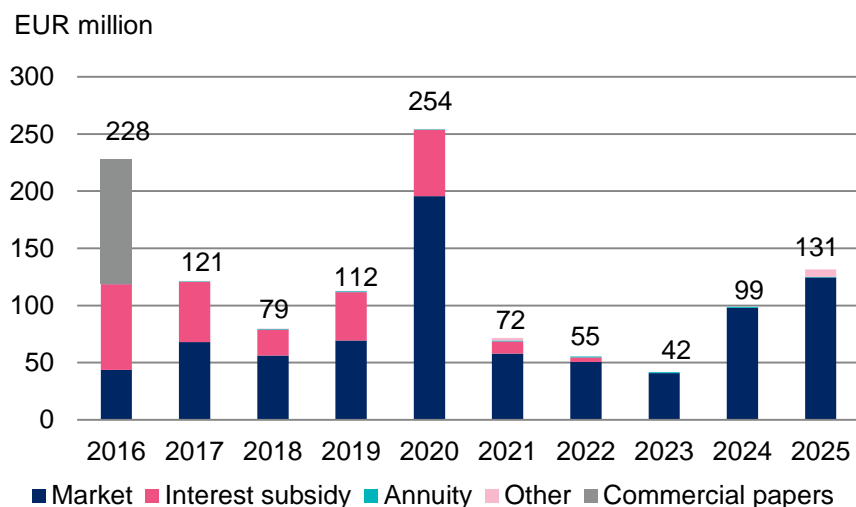
Loans total EUR 568 million



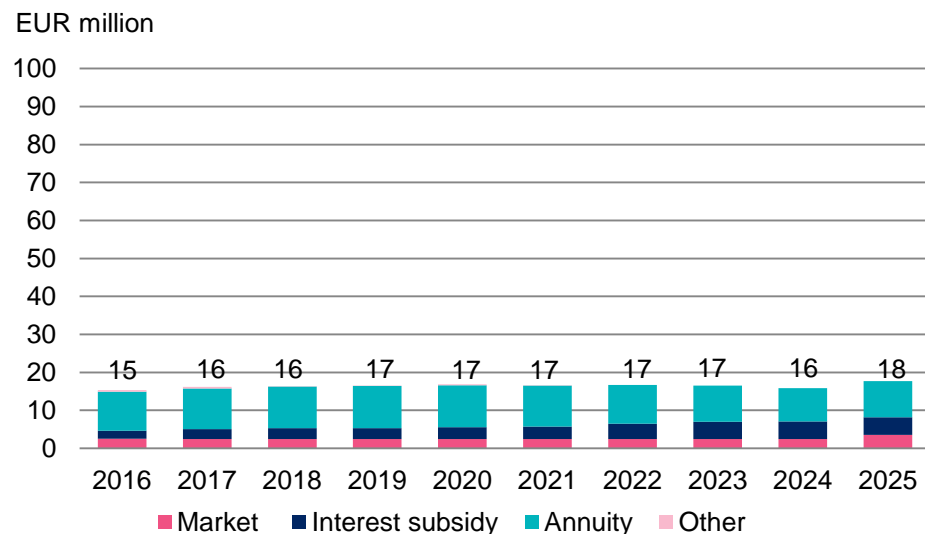


# Distribution of loan maturities 31 Dec 2015

## Non-subsidised

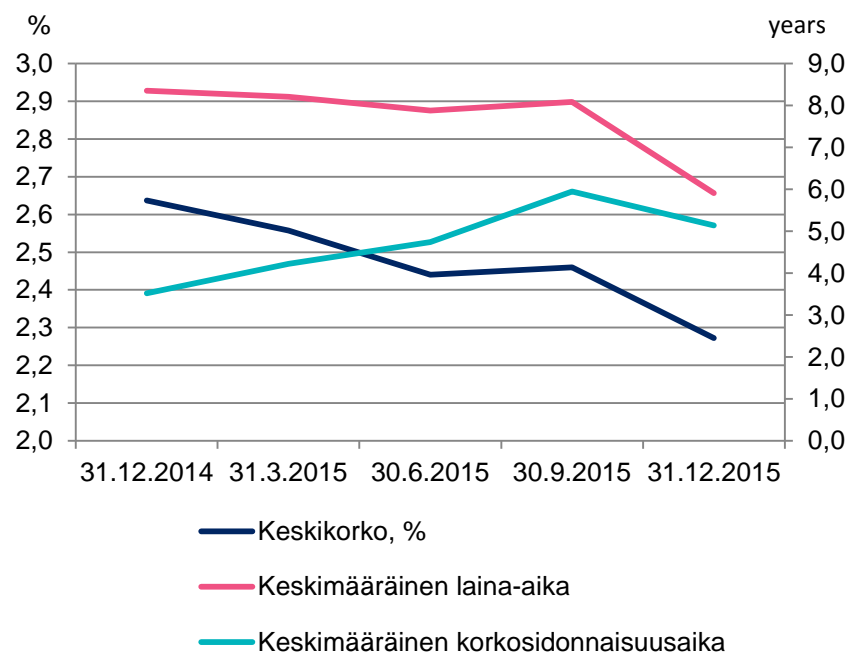


## State-subsidised

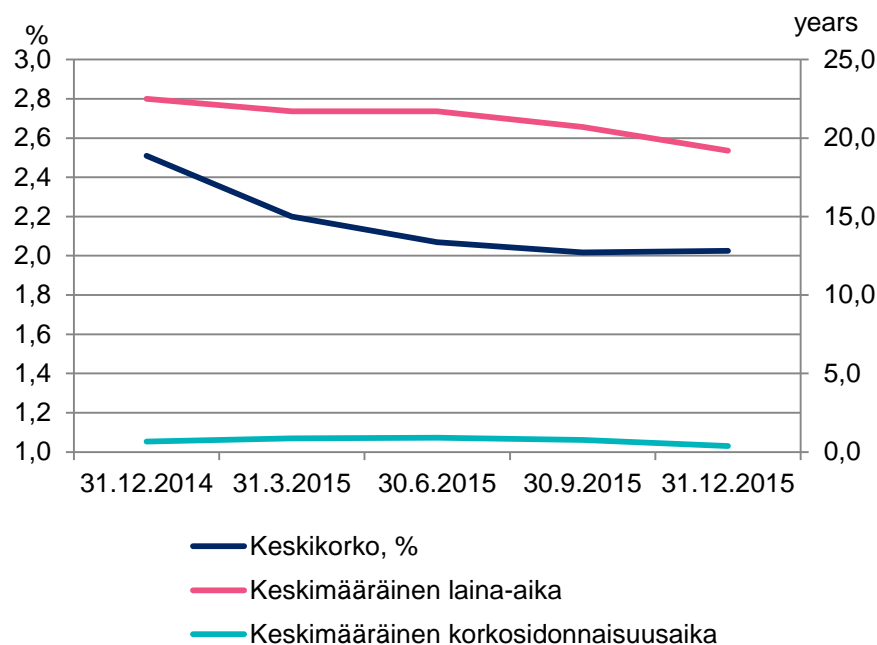


# Average interest rate, maturity and interest rate linkage period of loans

## Non-subsidised



## State-subsidised



# Consolidated income statement

EUR 1,000	10–12/2015	10–12/2014	1–12/2015	1–12/2014
<b>Turnover</b>	<b>94,687</b>	<b>89,985</b>	<b>370,944</b>	<b>356,538</b>
Property maintenance costs	-25,745	-26,923	-96,989	-97,060
Renovation and repairs	-12,054	-16,160	-46,541	-49,504
<b>Net rental income</b>	<b>56,888</b>	<b>46,875</b>	<b>227,413</b>	<b>209,975</b>
Administrative costs	-10,340	-11,381	-39,696	-38,655
Other operating income and costs	636	297	1,676	1,968
Profit/loss on sales of investment properties	1,261	-5,470	2,707	-4,619
Profit/loss on sales of trading properties	5	-229	-4	-243
Change in the fair value of investment properties	17,855	33,069	70,317	26,159
Amortisations and depreciation	-294	-808	-1,178	-1,667
<b>Operating profit</b>	<b>66,012</b>	<b>62,353</b>	<b>261,235</b>	<b>192,918</b>
Financial income and expenses	-9,170	-12,701	-37,090	-47,341
Share in profits of associated companies	555	388	555	877
<b>Profit before taxes</b>	<b>57,397</b>	<b>50,040</b>	<b>224,701</b>	<b>146,454</b>
Income tax on operational income	-11,402	-8,381	-22,103	-23,474
Change in deferred taxes	-577	-4,419	-23,183	-12,224
<b>Profit for the period</b>	<b>45,418</b>	<b>37,240</b>	<b>179,415</b>	<b>110,756</b>

# Balance sheet 31 Dec 2015

EUR 1,000	Group 31 Dec 2015	Group 31 Dec 2014
<b>ASSETS</b>		
Intangible assets	1,136	1,374
Investment properties	3,464,944	3,708,768
Property, plant and equipment	31,242	31,724
Share in associated companies	1,039	3,508
Financial assets held for sale	543	576
Deferred tax assets	11,966	11,821
Non-current receivables	2,199	2,802
<b>Non-current assets</b>	<b>3,513,069</b>	<b>3,760,574</b>
<b>Non-current assets held for sale</b>	<b>541,003</b>	<b>0</b>
Inventories	954	2,990
Profit-based tax assets	1,740	1,392
Sales receivables and other receivables	8,759	9,612
Financial assets	54,579	68,299
Cash and cash equivalents	116,017	114,364
<b>Current assets</b>	<b>182,049</b>	<b>196,657</b>
<b>ASSETS</b>	<b>4,236,120</b>	<b>3,957,231</b>

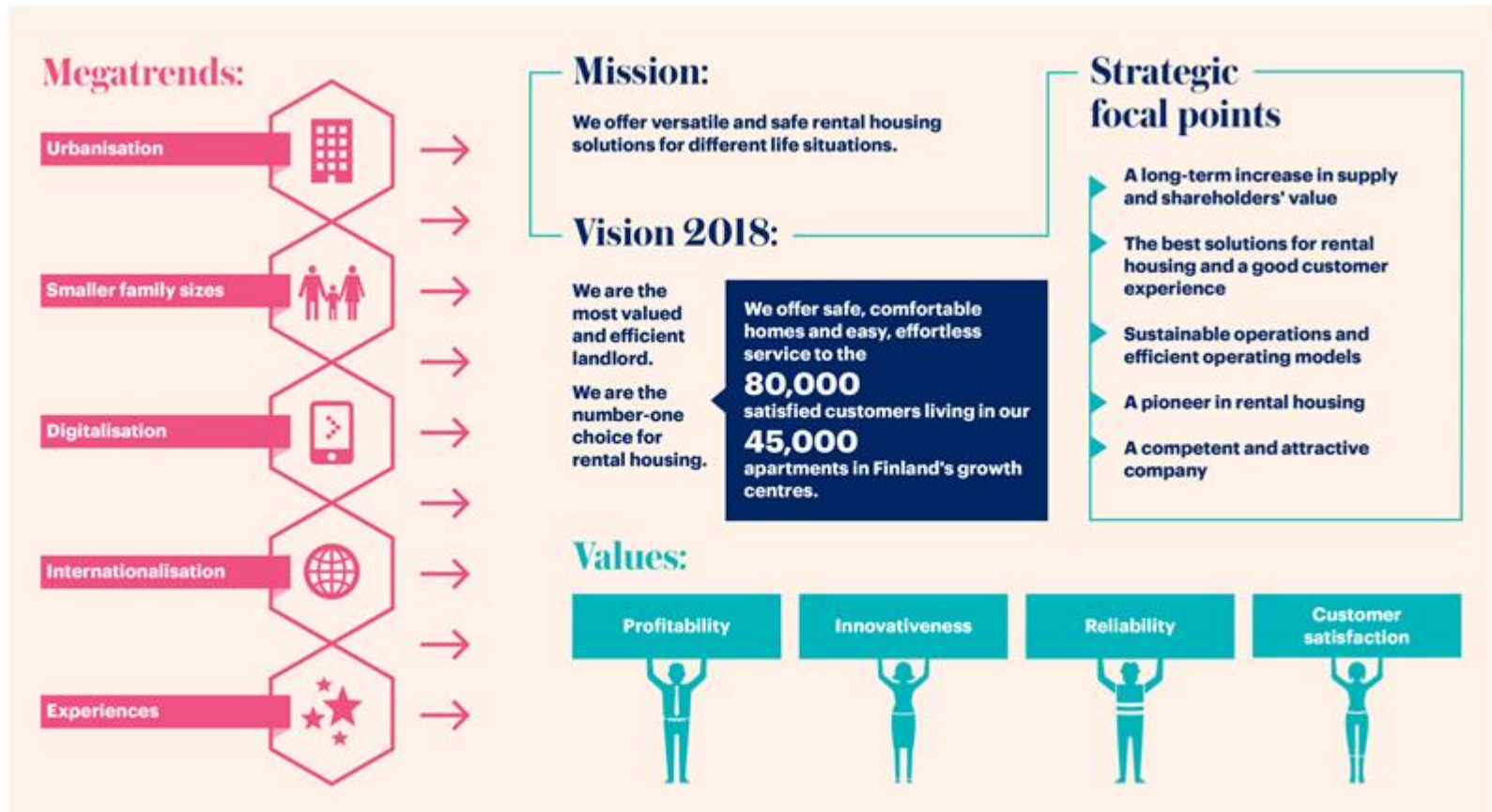
# Balance sheet 31 Dec 2015

EUR 1,000	Group 31 Dec 2015	Group 31 Dec 2014
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Share capital	58,025	58,025
Share premium	35,786	35,786
Contingency fund	17	17
Fair value reserve	-32,613	-34,998
Reserve for invested unrestricted equity	17,856	17,856
Retained earnings	1,659,401	1,502,280
<b>Parent company shareholders' interest</b>	<b>1,738,472</b>	<b>1,578,966</b>
Non-controlling interest	583	497
<b>Equity, total</b>	<b>1,739,055</b>	<b>1,579,463</b>
Loans	1,259,823	1,689,282
Deferred tax liabilities	429,782	405,857
Derivative instruments, non-current	48,378	53,659
Statutory provisions	929	1,531
Other non-current liabilities	7,131	7,422
<b>Non-current liabilities, total</b>	<b>1,746,042</b>	<b>2,157,750</b>
<b>Non-current liabilities held for sale</b>	<b>467,083</b>	<b>0</b>
Loans, current	234,730	160,805
Derivative instruments	1,289	1,103
Profit-based tax liabilities	9,885	12,252
Trade payables and other debts	38,036	45,859
<b>Current liabilities, total</b>	<b>283,940</b>	<b>220,019</b>
<b>Liabilities, total</b>	<b>2,497,065</b>	<b>2,377,768</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,236,120</b>	<b>3,957,231</b>

# Appendices



# VVO Group Plc's strategy



# Strategy implementation in 2015 <sup>(1/2)</sup>

## **Increasing supply and shareholders' value**

- Strong investments underway: 1,189 apartments under construction.
- Gross investments totalled EUR 235 million. Property repairs and renovations were carried out actively and extensively.
- Property and housing stock renovation and repairs amounted to EUR 92.3 million.
- Operational efficiency continued to increase.
- Divestments were made according to plan.
- IFRS reporting was launched in the first quarter of 2015.
- VVO Group declared that, in the future, it will focus on market-based operations and announced the transfer of 8,631 cost principle, state-subsidised ARA rental apartments to Y-Asunnot.

## **The best solutions for rental housing and a good customer experience**

- The Lumo kotinyt.fi apartment rental service gave the customers the freedom to choose the rental apartment they want, sign the tenancy agreement online and move in even immediately.
- The Lumo service concepts were expanded: for instance, car sharing was introduced in several locations.
- Electronic services for customers were increased, and, for instance, it became possible to book parking spaces online.
- Nearly 90 per cent of customers would recommend VVO Group as a landlord.

# Strategy implementation in 2015 <sup>(2/2)</sup>

## **Sustainable operations and efficient operating models**

- The housing advisory service went nationwide.
- Competitive bids created economies of scale.
- Energy was used wisely without compromising on residents' comfort and living conditions.
- As part of the development of climate-friendly housing solutions, VVO Group plc joined the Climate Leadership Council.

## **A pioneer in rental housing**

- VVO Group issued its housing policy theses.
- The innovative Lumo housing services were developed further, and Lumo homenow.fi introduced an entirely new service concept to customers.

## **A competent and attractive company**

- Employee satisfaction was at a high level.
- The Group was successful in the Responsible Summer Job campaign and was recognised as one of Finland's most inspiring places to work in the Suomen innostavimmat työpaikat assessment.
- For the first time in its history, the Group participated in the Great Place to Work survey and management practices audit.

# Country-wide operations in good locations

## Distribution of apartments

Helsinki Metropolitan Area

17,000

Rest of Southern Finland

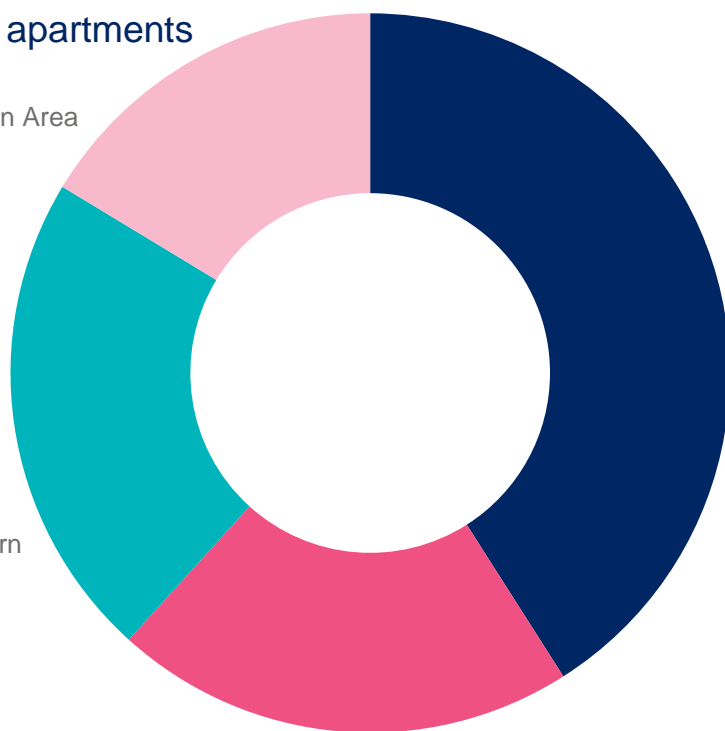
8,500

Western Finland

8,800

Eastern and Northern Finland

6,500



Apartments

41,153



Average area of apartments

56.6 m<sup>2</sup>



Properties

1,822



Residents numbering over

70,000



Average age of buildings

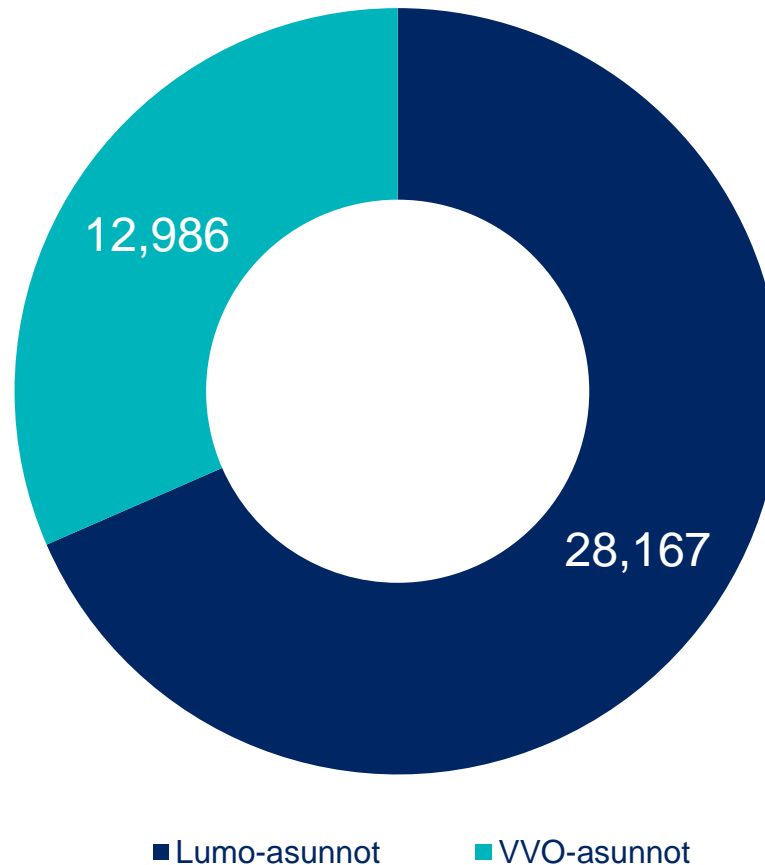
30.2 yrs



Apartments

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

# VVO Group's rental housing stock



# Business operations by segment

	Non-subsidised 1–12/2015	Non-subsidised 1–12/2014	State-subsidised 1–12/2015	State-subsidised 1–12/2014	Group 1–12/2015	Group 1–12/2014
Turnover, EUR million	208.8	176.4	165.8	184.9	370.9	356.5
Operating profit, EUR million	145.1	99.8	116.7	92.9	261.2	192.9
Profit before taxes, EUR million	128.8	83.3	96.7	63.2	224.7	146.5
Balance sheet, EUR million	3,561.2	2,512.3	856.5	1,535.2	4,236.1	3,957.2
Equity, EUR million	1,625.4	1,149.2	114.4	435.0	1,739.1	1,579.5
Equity ratio, %	45.7	45.8	13.4	28.4	41.1	40.0
Apartments	28,716	20,044	12,437	20,749	41,153	40,793
Financial occupancy rate, %	95.5	96.3	98.3	97.8	96.3	97.1
Rental occupancy rate, %	97.2	97.6	98.6	98.6	97.6	98.1
Tenant turnover, %	29.4	28.1	22.2	23.7	27.2	25.8
Average number of personnel	214	173	150	166	364	339



# Financial key figures 31 Dec 2015

## Non-subsidised

## State-subsidised

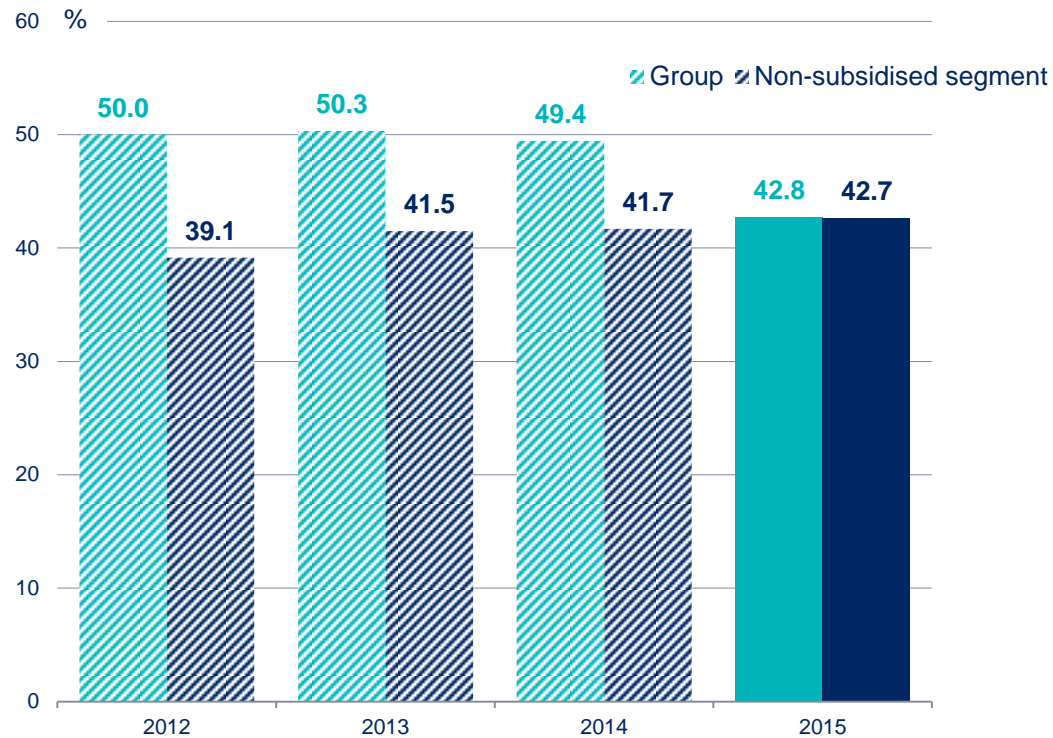
	31 Dec 2015	30 Sep 2015	30 Jun 2015	30 Mar 2015	31 Dec 2014	31 Dec 2015	30 Sep 2015	30 Jun 2015	30 Mar 2015	31 Dec 2014
Equity ratio, %	45.7	45.2	45.6	45.1	45.8	13.4	25.4	31.0	29.1	28.4
Interest cover	4.4	4.1	3.9	3.9*)	3.8*)	5.0	4.4	4.2	4.0*)	3.9*)
Hedging ratio, %	72.0	71.0	65.0	65.0	68.0	-	-	-	-	-
Average interest rate, %**)	2.3	2.5	2.4	2.6	2.6	2.0	2.0	2.1	2.2	2.5
Average loan period, years**)	5.9	8.1	7.9	8.2	8.4	19.2	20.7	21.7	21.7	22.5
Average interest rate linkage period, years**)	5.1	6.0	4.7	4.2	3.5	0.4	0.8	0.9	0.9	0.7
Secured loans/fair value of properties, % **)	38	41	39	39	39	85	57	59	62	63
VVO Group	46	47	46	47	48					
Available guarantees***)/fair value of properties, % **)	46	44	44	44	41	0	8	5	0	0
VVO Group	31	31	29	27	25					

\*) Calculated from FAS figures

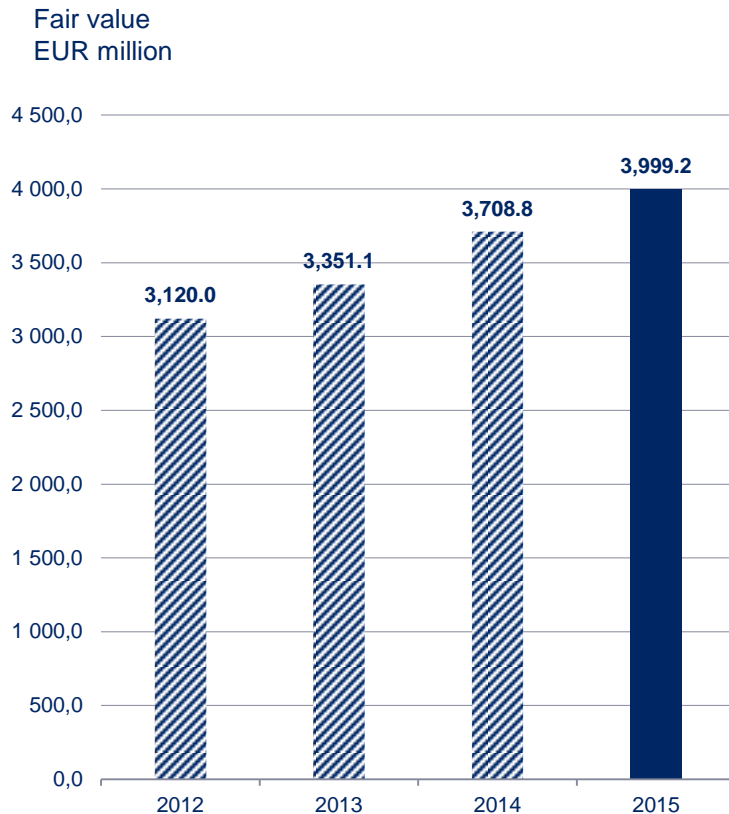
\*\*) According to the new segment division starting from 31 December 2015. Furthermore, in the future, the average loan period will be calculated also taking into account loan instalments according to plan

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

# LTV (Loan to Value)



# Value development



(EUR million)	2014	2015	Change
Investment properties	3,708.8	3,464.9	-243.9
Investment property held for sale	0.0	534.3	+534.3
Fair value, total	3,708.8	3,999.2	+290.4
Fair value measurement	26.2	70.3	+44.1

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