



Financial Statements 1 Jan.–31 Dec. 2016

**VVO**-yhtymä Oyj



# Table of contents

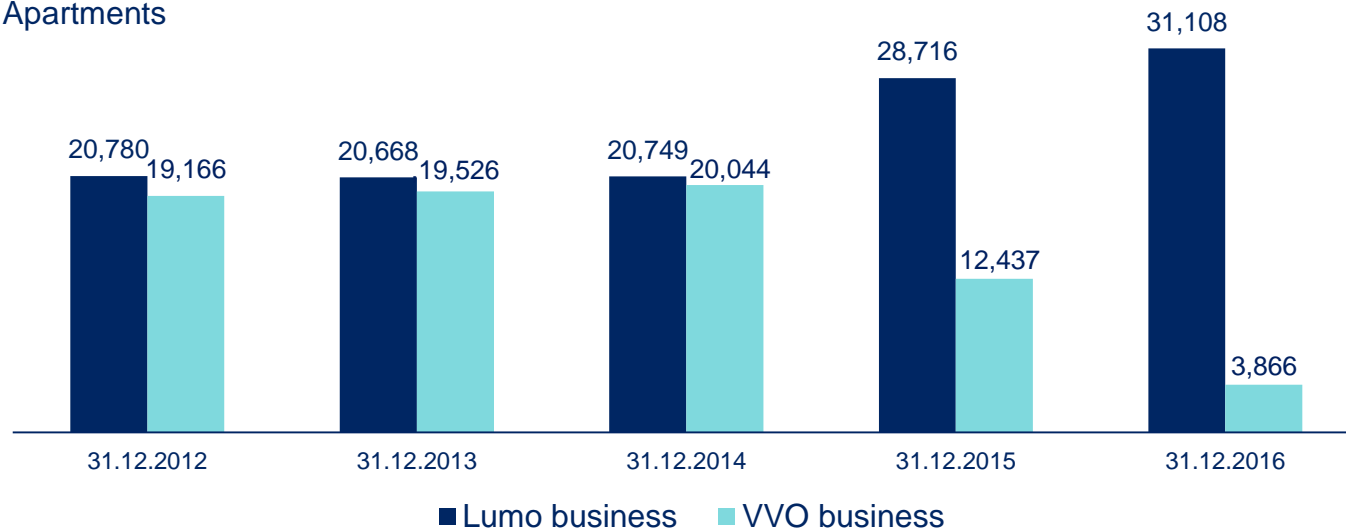
- *The largest investments in the company's history*
- *Key aspects of the review period*
- *Operating environment*
- *Business operations and strategy progress*
- *Outlook*

# The largest investments in the company's history

- As a housing investment company, we focus on market-based operations and rental housing service design
  - In 2016, we invested a record-breaking amount, approximately EUR 700 million, in the Lumo business operations
  - We divested 8,571 non-profit apartments subject to long-term restrictions
- The Lumo brand already constitutes 90 per cent of the Group's business
  - In five years, we have invested nearly EUR 1.5 billion in the Lumo business operations
  - In addition to acquisitions, we have launched the construction of nearly 4,000 privately financed rental apartments
- We are undergoing a major transformation, building future competitiveness
  - As stated in our mission, we create better urban housing
  - The Lumo online store has revolutionised the customer's role in renting an apartment
  - Lumo Kompakti will offer a new housing solution
  - The car-share scheme has expanded to several locations

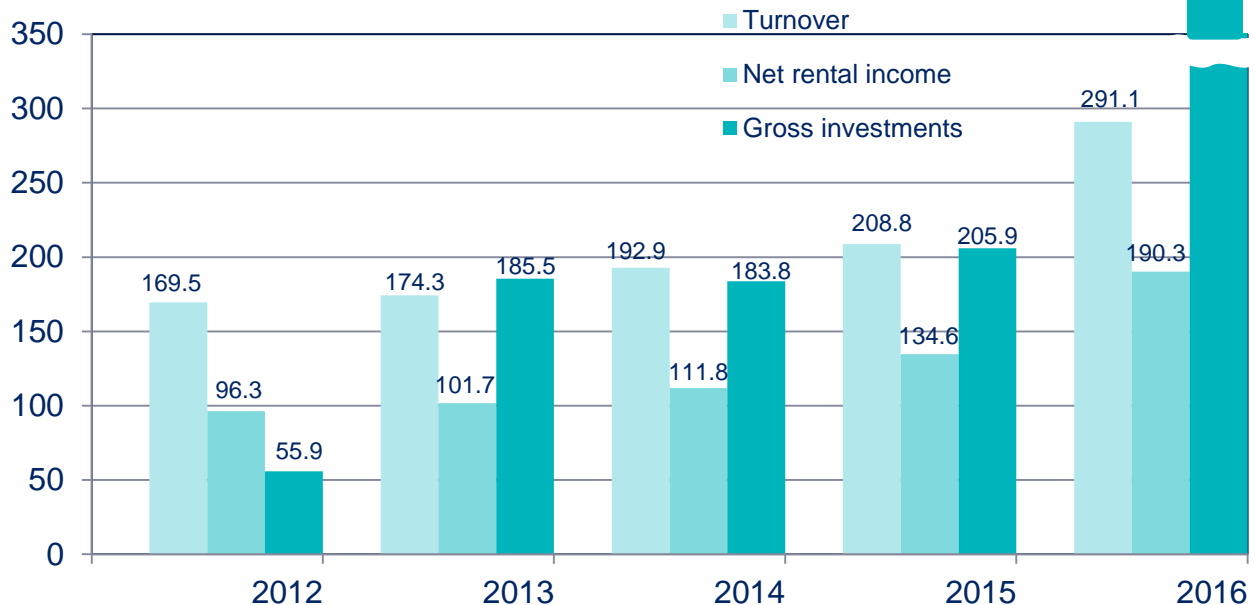
# We concentrate on market-based operations

## Apartments



# Gross investments increase Lumo's business profit

M€



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

# Key aspects of the review period



- Gross investments amounted to EUR 696.0 million.
- Turnover totalled EUR 351.5 million.
- Net rental income was EUR 222.0 million.
- The financial occupancy rate was 97.4 per cent.
- The Group had a total of 34,974 rental apartments and a 4.2% market share.
- There were 1,536 rental apartments under construction.
- We acquired ICECAPITAL Housing Fund II, which owns 2,274 rental apartments.
- We divested 9,011 apartments.
- EUR 200 million senior secured, listed bond and EUR 170 million loan from the EIB.
- More than 1,000 apartments have been rented through the Lumo online store.
- We updated the Group's strategy and values.

# 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.
- Continuing urbanisation can be seen in the growing number of apartment buildings being built in growth centres.
- Slow zoning and the lack of suitable plots remain bottlenecks in operations in the Metropolitan Area.

Lehtisaarentie 14, Helsinki



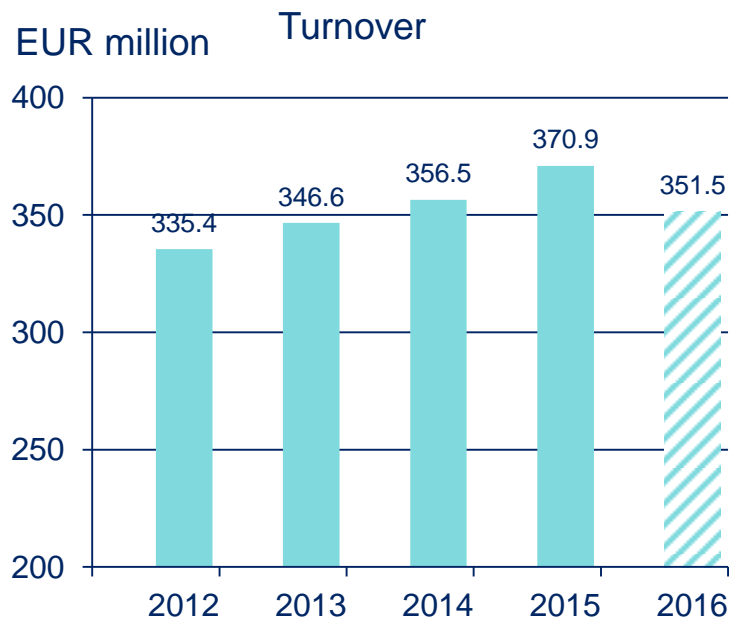


# Business operations and strategy progress

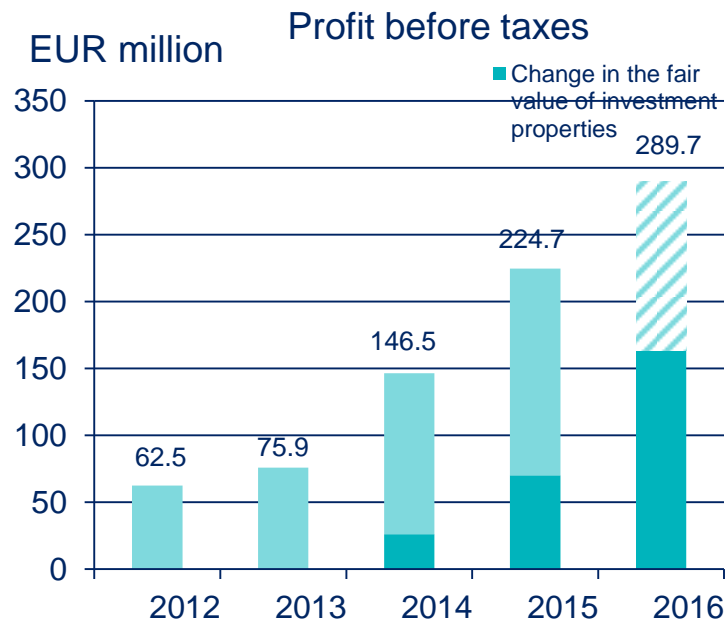




# Turnover and profit before taxes developed steadily



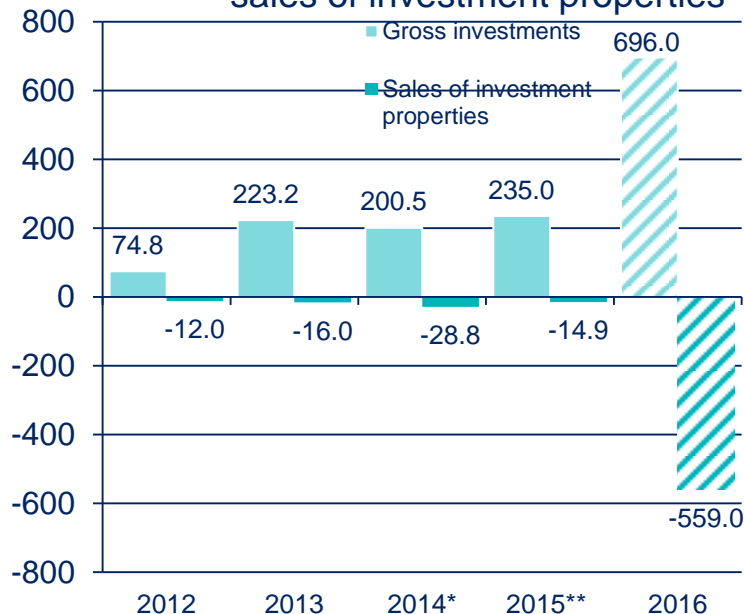
As of 2014, the Group adopted IFRS for its financial reporting.



# Investments in Lumo business operations

## continued

EUR million Gross investments and sales of investment properties

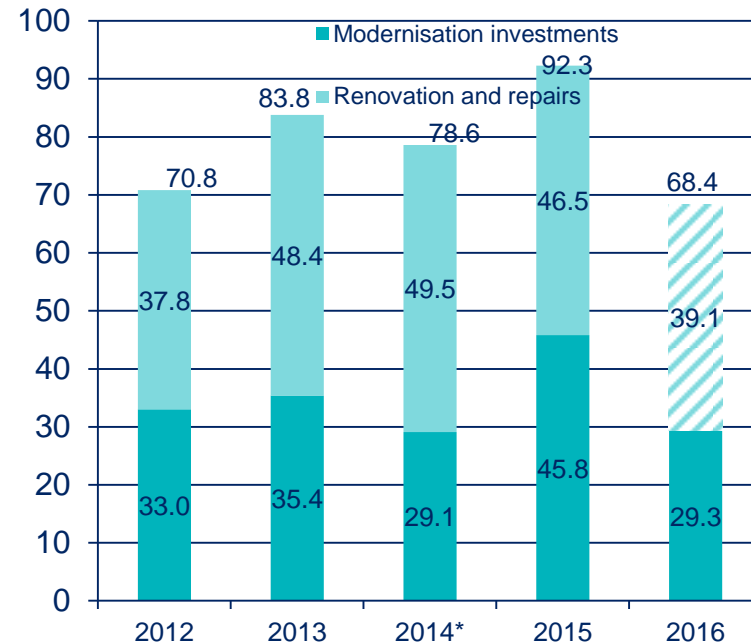


\*As of 2014, the Group adopted IFRS for its financial reporting.

\*\*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.

Renovations

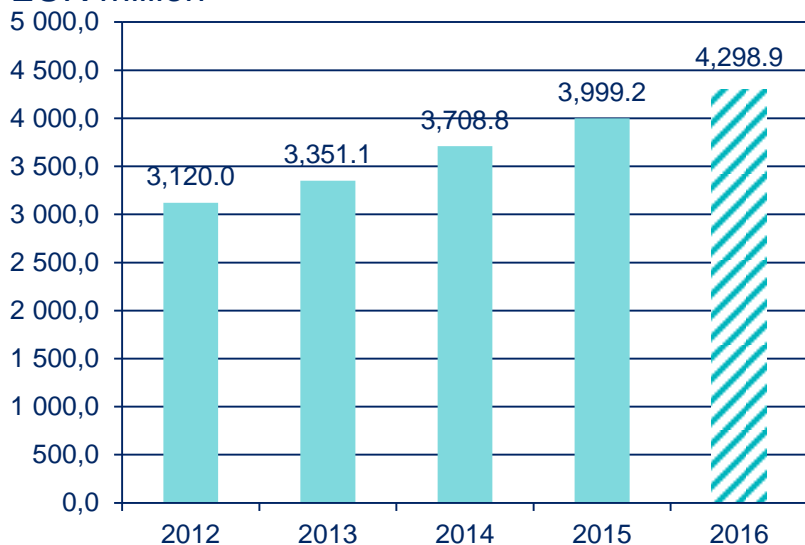
EUR million



# Housing stock developed in line with strategy

Fair value

EUR million

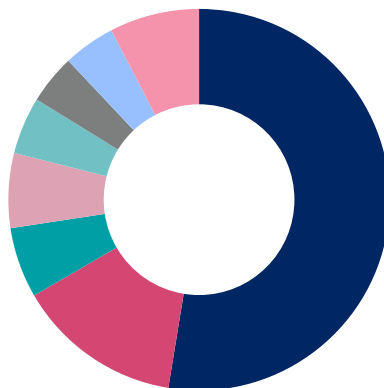
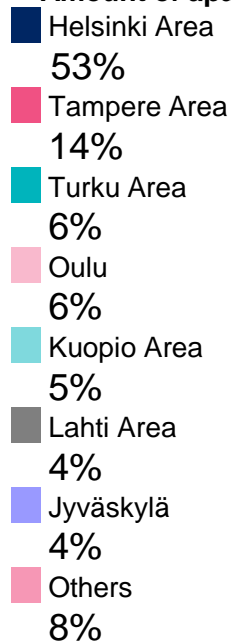


(EUR million)	2015	2016	Change
Investment properties	3,464.9	4,228.3	763.4
Investment property held for sale	534.3	70.6	
Fair value, total	3,999.2	4,298.9	299.7
Fair value measurement	70.3	163.3	

# Regional distribution of apartments

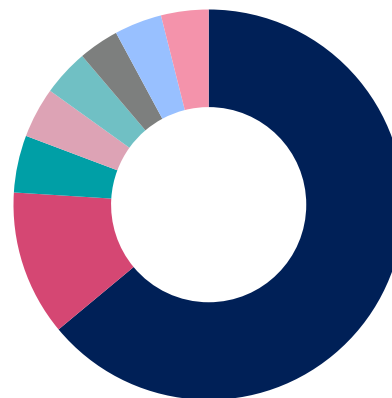
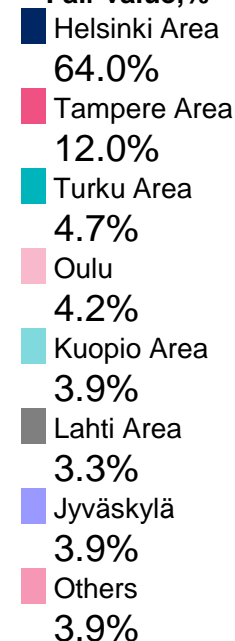
## 31 Dec. 2016

**Amount of apartments,%**



Apartments, total 34,974

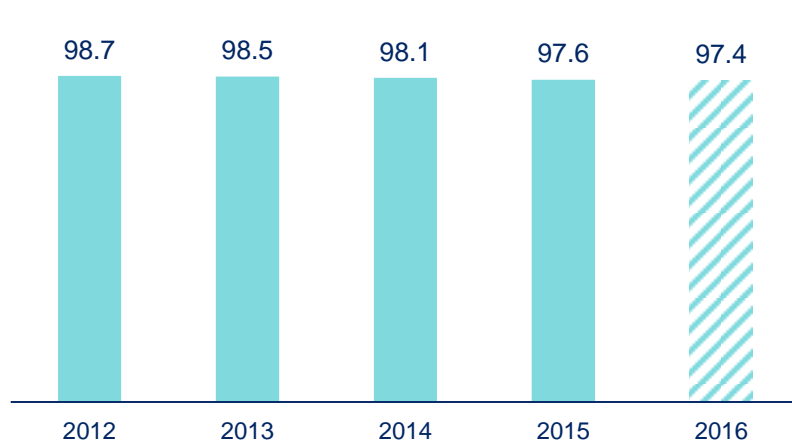
**Fair value,%**



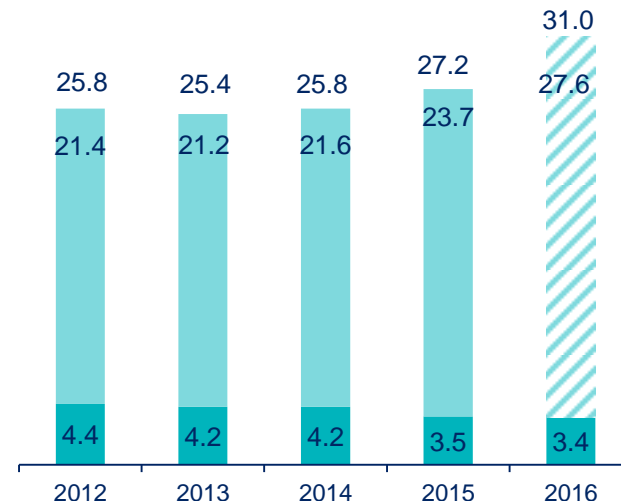
Fair value EUR 43 billion.

# The financial occupancy rate remained high

Financial occupancy rate, %



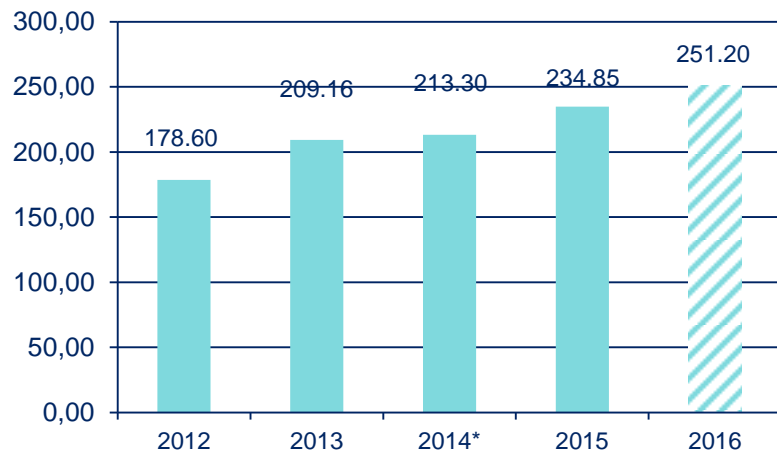
Tenant turnover, %  
Internal turnover, %



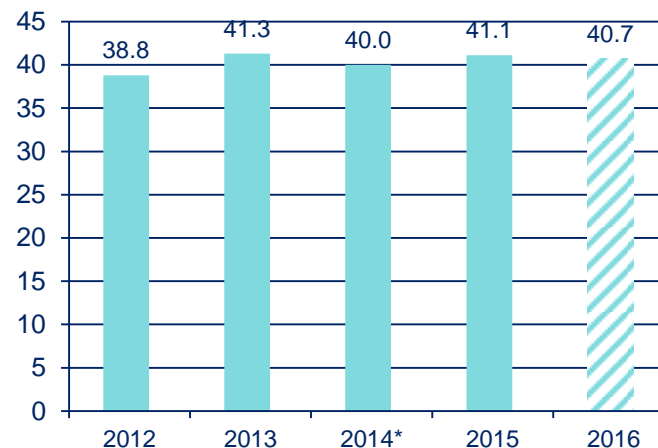


# Equity ratio remained strong

Equity per share, EUR



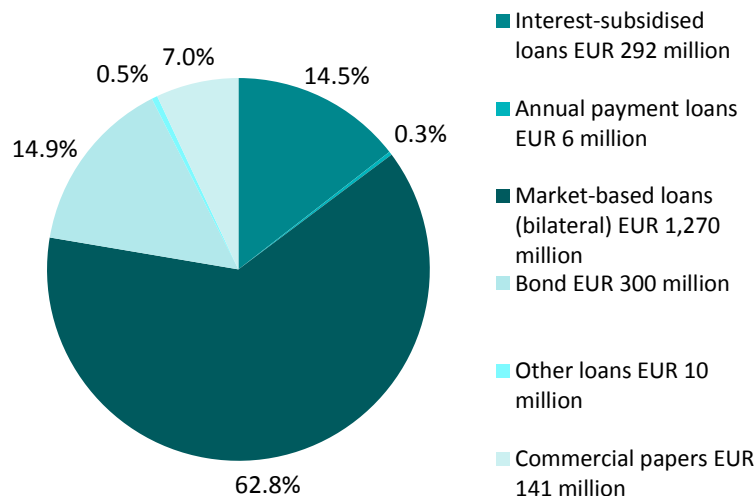
Equity ratio, %



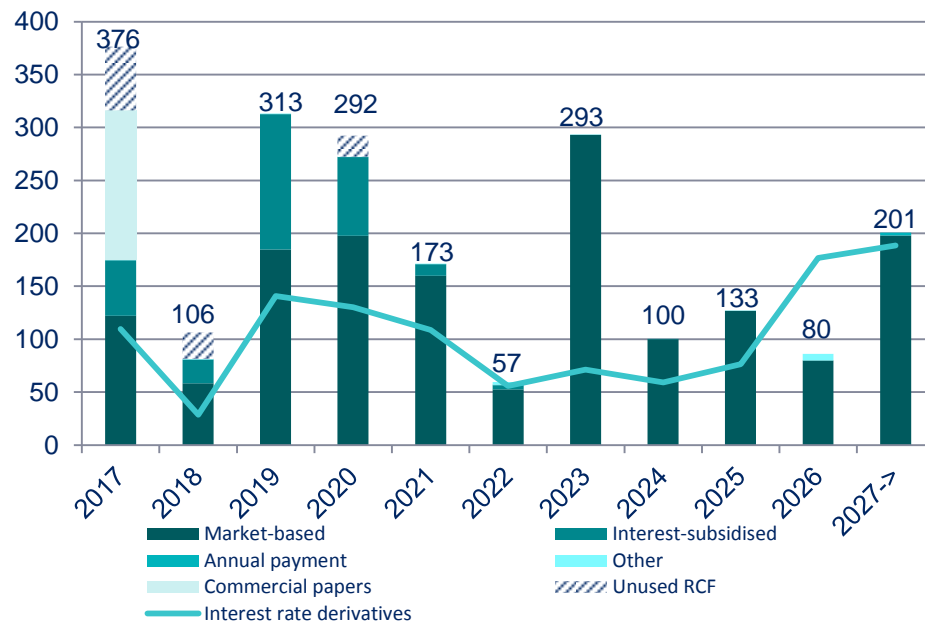
\*As of 2014, the Group adopted IFRS for its financial reporting.

# We diversified our financing sources and maintained a balanced distribution of maturities

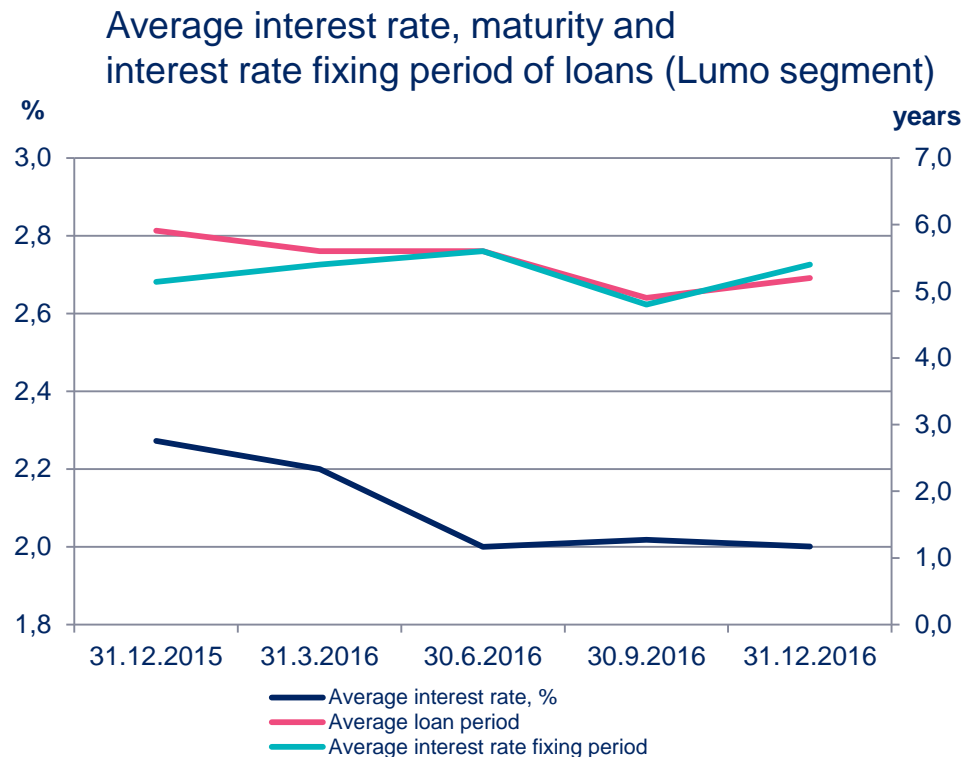
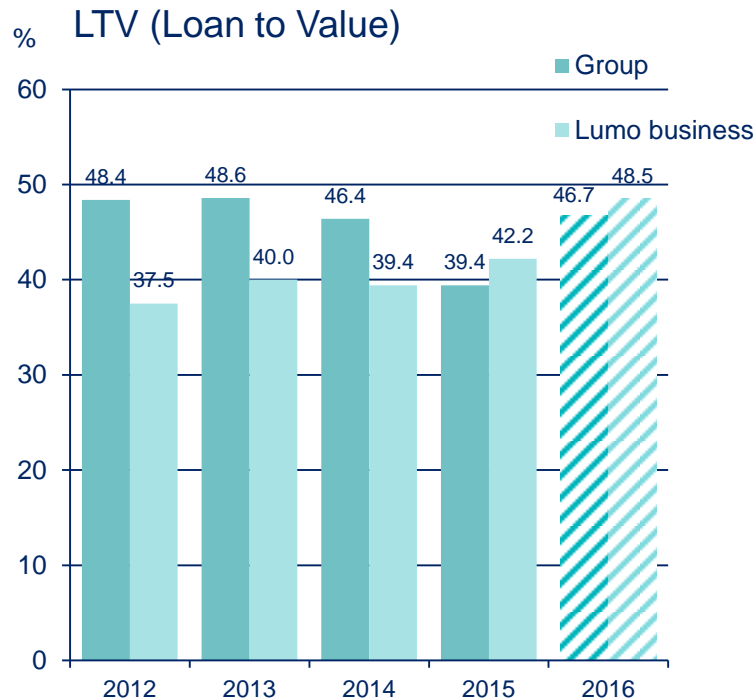
Loan portfolio structure, EUR 2,019 million (Lumo)



Distribution of loan maturities (Lumo)



# Moderate LTV and strong key indicators



# Strategic key indicators

Key indicator	Actual result 2016	Goal 2021
Apartment assets	EUR 4.3 billion 34,974 apartments	EUR 5.8 billion 38,000 apartments
Operative result of the Lumo business as a percentage of turnover	34.7	32.0
Equity ratio of the Lumo business, %	40.0	40.0
Net promoter score	35	40

# Outlook

## Market outlook

- The Finnish economy is resuming growth.
- 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 in 2017

- Net rental income is estimated to amount to EUR 208–220 million.
- Investments are forecast to exceed EUR 300 million.
- The operative result is estimated to be EUR 96–107 million.
- The outlook takes into account the effects of both the significant housing divestments carried out in 2016 and the housing divestments and acquisitions planned for 2017, the estimated occupancy rate 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. Its mission is: We create better urban housing. 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 4.3 (4.0) billion. At the end of the review period, VVO Group owned 34,974 (41,153) 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

18,388

Tampere Area

4,914

Turku Area

2,092

Oulu

2,217

Kuopio Area

1,697

Lahti Area

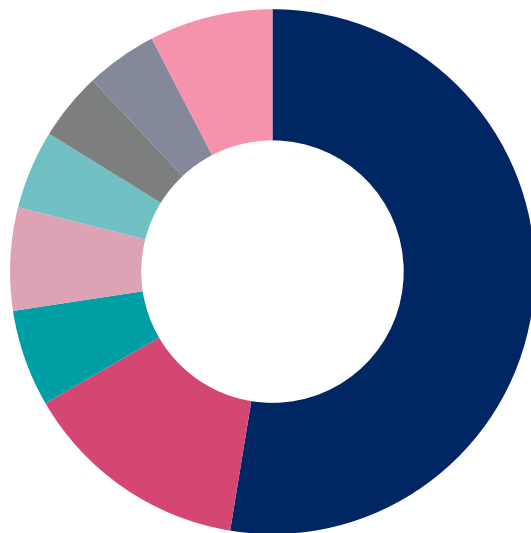
1,464

Jyväskylä

1,541

Other

2,661



Apartments

34,974



Average area  
of apartments

56.0 m<sup>2</sup>



Properties

1,418



Residents  
numbering nearly

55,000



Average age of  
buildings

31.4 yrs

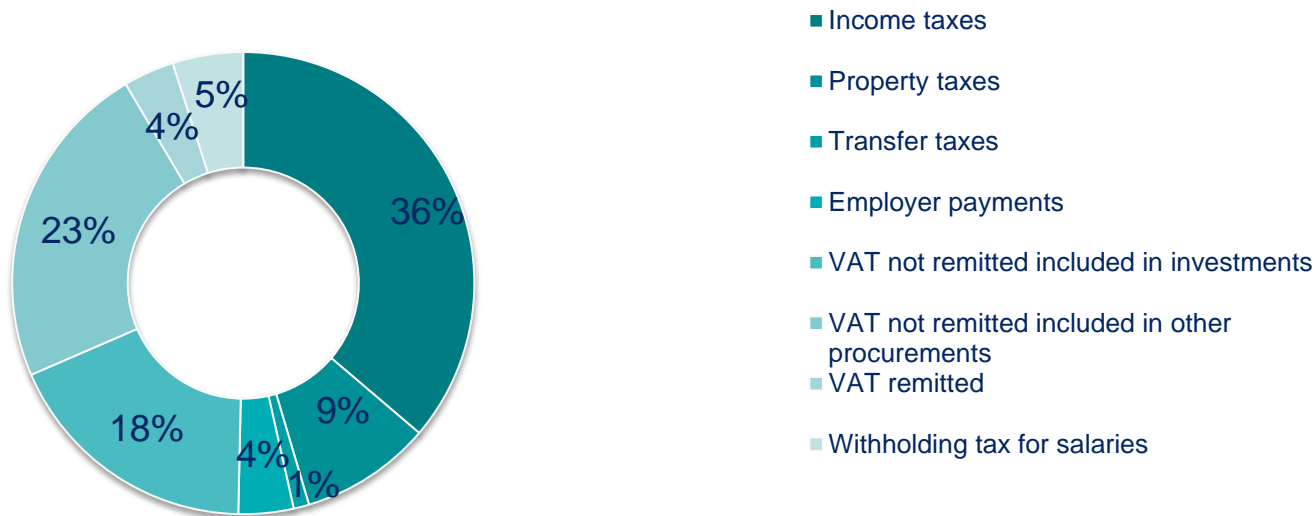


Apartments

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

# EUR 100 million in paid taxes in Finland

## VVO Group's tax footprint in 2016



Indirect employment effect in person-years 5,111.



# Responsibility is part of our operations

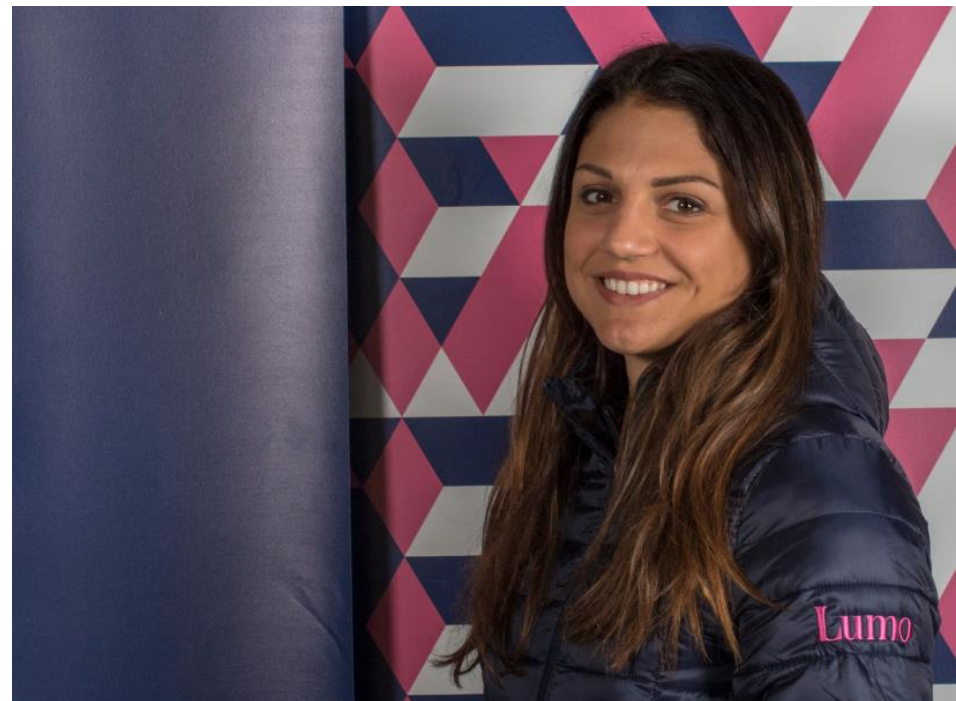
- The anti-grey economy models exceed legislative requirements. The Rental Property Action Plan (VAETS) targets for 2016 have already been achieved and, with regard to property electricity consumption, have even been exceeded.
- During the VAETS II agreement period, the housing investment company pursues energy savings of 7.5 per cent by 2025.
- VVO Group seeks to alleviate the environmental impacts of energy consumption by using carbon-neutral energy for property electricity. District heating is used in 99 per cent of VVO's properties.
- VVO Group is the only Finnish real estate company in the Climate Leadership Council.
- VVO Group was recognised as one of Finland's most inspiring places to work (Suomen innostavimmat työpaikat 2017).



SUOMEN  
INNOSTAVIMMAT  
TYÖPAIKAT 2017

# Virkeä spurs young athletes to success

- The following persons were chosen as Virkeä athletes: **Anna Haataja** (orienteering), **Riikka Honkanen** (alpine skiing), **Joona Kangas** (ski slopestyle), **Henry Manni** (wheelchair racing), **Oskari Möro** (hurdles), **Nooralotta Neziri** (athletics) and **Emmi Parkkisenniemi** (snowboarding).
- The Virkeä programme covers not only individual sports but also team sports. The recipients of Virkeä team sponsorship for the 2016–2017 season are the FC Honka women's championship team and four girls' teams.
- In addition, sponsorships under the Virkeä programme were awarded to 50 promising athletes in 2016.



# Consolidated income statement

EUR 1,000	10–12/2016	10–12/2015	1–12/2016	1–12/2015
<b>Turnover</b>	<b>84,619</b>	<b>94,687</b>	<b>351,454</b>	<b>370,944</b>
Property maintenance costs	-23,320	-25,745	-90,322	-96,989
Renovation and repairs	-11,679	-12,054	-39,098	-46,541
<b>Net rental income</b>	<b>49,620</b>	<b>56,888</b>	<b>222,034</b>	<b>227,413</b>
Administrative costs	-11,403	-10,340	-37,450	-39,696
Other operating income and costs	-5	636	-797	1,676
Profit/loss on sales of investment properties	9,905	1,261	-10,422	2,707
Profit/loss on sales of trading properties		5	135	-4
Change in the fair value of investment properties	94,778	17,855	163,338	70,317
Amortisations and depreciation	-286	-294	-1,216	-1,178
<b>Operating profit</b>	<b>142,610</b>	<b>66,012</b>	<b>335,623</b>	<b>261,235</b>
Financial income and expenses	-7,337	-9,170	-45,972	-37,090
Share in profits of associated companies	90	555	90	555
<b>Profit before taxes</b>	<b>135,363</b>	<b>57,397</b>	<b>289,740</b>	<b>224,701</b>
Current tax	-9,306	-11,402	-35,375	-22,103
Change in deferred taxes	-18,130	-577	-22,080	-23,183
<b>Profit for the period</b>	<b>107,927</b>	<b>45,418</b>	<b>232,285</b>	<b>179,415</b>

# Balance sheet

EUR 1,000	Group 31 December 2016	Group 31 December 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	751	1,136
Investment properties	4,228,297	3,464,944
Property, plant and equipment	30,972	31,242
Share in associated companies	1,159	1,039
Financial assets	553	543
Non-current receivables	5,581	2,199
Deferred tax assets	15,429	11,966
Derivative instruments	2,013	
<b>Non-current assets, total</b>	<b>4,284,755</b>	<b>3,513,069</b>
Non-current assets held for sale	70,705	541,003
<b>Current assets</b>		
Inventories	857	954
Current tax assets	7,728	1,740
Derivative instruments	342	
Sales receivables and other receivables	6,759	8,759
Financial assets	69,019	54,579
Cash and cash equivalents	131,986	116,017
<b>Current assets</b>	<b>216,691</b>	<b>182,049</b>
<b>ASSETS</b>	<b>4,572,150</b>	<b>4,236,120</b>

# Balance sheet

EUR 1,000

	Group 31 December 2016	Group 31 December 2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders of the parent company</b>		
Share capital	58,025	58,025
Share premium	35,786	35,786
Contingency fund	17	17
Fair value reserve	-40,202	-32,613
Reserve for invested unrestricted equity	17,856	17,856
Retained earnings	1,788,029	1,659,401
<b>Parent company shareholders' interest</b>	<b>1,859,512</b>	<b>1,738,472</b>
Non-controlling interest	0	583
<b>Equity, total</b>	<b>1,859,512</b>	<b>1,739,055</b>
<b>Non-current liabilities</b>		
Loans	1,796,071	1,259,823
Deferred tax liabilities	453,428	429,782
Derivative instruments	68,316	48,378
Statutory provisions	953	929
Other non-current liabilities	7,095	7,131
<b>Non-current liabilities, total</b>	<b>2,325,863</b>	<b>1,746,042</b>
Non-current liabilities held for sale	968	467,083
<b>Current liabilities</b>		
Loans, current	326,770	234,730
Derivative instruments	853	1,289
Profit-based tax liabilities	9,864	9,885
Trade payables and other debts	48,322	38,036
<b>Current liabilities, total</b>	<b>385,809</b>	<b>283,940</b>
<b>Liabilities, total</b>	<b>2,712,639</b>	<b>2,497,065</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,572,150</b>	<b>4,236,120</b>



# Business operations

	Lumo 1–12/2016	Lumo 1–12/2015	VVO 1–12/2016	VVO 1–12/2015	Group 1–12/2016	Group 1–12/2015
Turnover, EUR million	291.1	208.8	61.5	165.8	351.5	370.9
Operating profit, EUR million	316.8	145.1	18.1	116.7	335.6	261.2
Profit before taxes, EUR million	278.2	128.8	10.9	96.7	289.7	224.7
Balance sheet, EUR million	4,338.4	3,561.2	319.7	856.5	4,572.2	4,236.1
Equity, EUR million	1,735.0	1,625.4	124.7	114.4	1,859.5	1,739.1
Equity ratio, %	40.0	45.7	39.1	13.4	40.7	41.1
Apartments	31,108	28,716	3,866	12,437	34,974	41,153
Rental occupancy rate, %	96.2	95.5	98.2	98.3	96.4	96.3
Financial occupancy rate, %	97.3	97.2	98.5	98.6	97.4	97.6
Tenant turnover, %	32.2	29.4	21.6	22.2	31.0	27.2
Average number of personnel	248	214	50	150	298	364

# Financial key figures

	Lumo segment				VVO Group	
	31 Dec. 2016	30 Sep. 2016	30 June 2016	31 Mar. 2016	31 Dec. 2015	31 Dec. 2016
Equity ratio, %	40.0	38.8	43.0	44.4	45.7	40.7
Interest cover	4.7	5.0	4.9	4.6	4.4	4.8
Hedging ratio, %	77.0	71.0	74.0	72.0	72.0	77.0
Average interest rate, %	2.0	2.0	2.0	2.2	2.3	2.0
Average loan period, years	5.2	4.9	5.6	5.6	5.9	5.7
Average interest rate fixing period, years	5.4	4.8	5.6	5.4	5.1	5.2

## Contact details:

**CEO Jani Nieminen, tel. +358 (0)20 508 3201**

**CFO Erik Hjelt, tel. +358 (0)20 508 3225**

