

**1) Product
development!**

Total
- * ** * **, ** €
cash flow

Financial statements 2010

VVO





Contents

- 04 Board of Director's Report
- 11 Shares and shareholders
- 12 Proposal for profit distribution
- 14 Income statements
- 15 Balance sheets
- 16 Cash flow statements
- 17 Notes to the consolidated
financial statements
- 23 Notes to the financial statements
- 26 Notes to the balance sheet
- 41 Calculation formulas for key figures
- 42 Key indicators depicting
financial development
- 43 Signatures
- 43 Auditor's report
- 44 WO Group plc's Corporate
Governance Statement

Turnover and result

VVO Group's turnover amounted to EUR 328.6 million (EUR 342.9 million in 2009 and EUR 327.2 million in 2008). 88.6 percent (81.7) of the turnover came from rental housing and 11.4 percent (18.3) from housing construction.

The Group's operating profit was EUR 100.6 million (2009: 98.2, 2008: 91.5), i.e. 30.6 percent of turnover (2009: 28.6, 2008: 28.0). Profit before taxes amounted to EUR 57.5 million (41.0). The result includes EUR 1.6 million (3.3) in sales gains from fixed assets. Interest rate costs amounted to EUR 45.6 million (61.4) with an increase of 26 percent on the previous year.

VVO Rakennuttaja Oy's profit before non-recurring items and taxes was EUR -0.5 million (-11.0). The ramp down of the housing development has been quicker than anticipated. The decision to give up owner-occupied housing construction and service construction was made in January 2009.

Solvency

The consolidated balance sheet total was EUR 2,184.2 million (2,170.6). Growth from the previous year amounted to 0.6 percent (1.0). The Group's shareholders' equity rose to EUR 372.1 million (322.0). The conversion percentage into shares of the EUR 18 million convertible subordinated loan that expired in November was 99.1. Return on equity (ROE) was 11.3 percent (2009: 9.2, 2008: 8.0) and the equity ratio was 17.7 percent (2009: 15.3, 2008: 14.5).

When assessing the Group's solvency one must consider the

financing system for housing construction, which does not require a lot of equity. A considerable share of the Group's assets consists of government housing loans and state-subsidized loans as well as interest subsidy loans guaranteed by the state. The share of the above-mentioned loans of the entire loan portfolio is 56.8 percent (51.7).

Financing

The Group's cash, cash in bank and securities stood at EUR 127.7 million (132.9) at the end of the year. The Group's liquidity was good throughout the year. The need for short-term financing decreased constantly during the year as the portfolio of unsold owner-occupied apartments decreased. The amount of credit limits and other loans that ensure liquidity was EUR 7.0 million (32.4) at the end of the year. Of the EUR 80 million commercial paper programme, EUR 43.5 million (41.6) had been issued by year end. A total of EUR 99.7 million (85.6) in long-term loans was withdrawn during the year and EUR 67.9 million (48.4) was made in repayments.

Interest-bearing debt stood at EUR 1,654.9 million (1,682.9) at the end of the financial year. The average interest rate cost for the loans was 2.8 percent (3.6). The Group's entire loan stock is euro denominated.

There was a total of EUR 348.0 million (356.3) of annuity loans at year end. In 2010, the average interest rate of annuity loans was 2.7 percent (4.2) and the remaining maturity with the current inflation was 23 years.

VVO Group's loans and interest rate hedges by loan group

| <i>EUR million</i> | <i>31.12.2010</i> | <i>31.12.2009</i> |
|---|-------------------|-------------------|
| Interest subsidy loans | 546.4 | 472.9 |
| Annuity and mortgage loans | 353.6 | 364.8 |
| Other real estate loans | 625.6 | 647.7 |
| Loans for owner-occupied housing production | 48.7 | 92.0 |
| Capital loans | 2.4 | 20.3 |
| Credit limits | 7.0 | 24.0 |
| Commercial papers | 43.5 | 41.6 |
| Other loans and debts | 27.7 | 19.6 |
| Total | 1,654.9 | 1,682.9 |
| Market-based loans | 606.7 | 622.8 |
| With fixed interest | 117.0 | 130.3 |
| With floating rates | 489.7 | 492.6 |
| Interest rate derivative agreements | 288.0 | 294.6 |
| Value of interest rate derivatives | -16.1 | -16.9 |
| Degree of hedging, % | 67 | 68 |

At year end the Group had EUR 546.4 million (472.9) in interest subsidy loans guaranteed by the state. The average interest of interest subsidy loans was 2.0 percent (2.8) in 2010. The remaining maturity was 7 years for interest subsidy loans withdrawn before 2002, which amounted to EUR 275.3 million (282.8) and 32 years for interest subsidy loans withdrawn later than this, which amounted to EUR 271.1 million (190.1).

There was a total of EUR 2.4 million (20.3) in subordinated loans at year end.

There was a total of EUR 606.7 million (622.8) in market-based loans at year end. Their average interest rate in 2010 was 3.5 percent (3.8) and EUR 288.0 million (294.6) of the loan capital was hedged. The average maturity of the hedging was 2.6 years (2.8). Of the market-based loans EUR 117.0 million (130.3) were tied to a fixed rate. The remaining average maturity is 9.6 years (11.1). There is

a total of EUR 12.5 million (26.0) in corporate loans related to unsold owner-occupied apartments. In addition, there is EUR 36.2 million (60.6) in loans related to the plot reserve.

Maturity analysis

The cash flow from loan instalments and interest rates based on the loan agreements were as follows on 31 December 2010:

| <i>EUR million</i> | <i>within 1 year</i> | <i>within 1–5 years</i> | <i>within 6–10 years</i> | <i>within 10–15 years</i> | <i>within 15 years</i> |
|-------------------------|--------------------------|-----------------------------|------------------------------|-------------------------------|----------------------------|
| Housing loan | 1.6 | 3.6 | 0.4 | | |
| Primary loans | 2.7 | 4.0 | | | |
| Third level loans | 0.5 | 2.8 | 2.1 | 0.8 | 3.6 |
| Interest subsidy loans | 20.7 | 136.4 | 320.1 | 63.8 | 289.3 |
| Credit limits | 7.1 | | | | |
| Other non-current loans | 50.1 | 176.6 | 234.3 | 242.9 | 92.2 |
| Documentary loans | 43.4 | | | | |
| Annuity loans | 21.4 | 81.5 | 102.8 | 95.2 | 269.6 |
| Total | 147.3 | 404.9 | 659.7 | 402.7 | 654.7 |

Customer management

The demand for rental apartments continued to be good in nearly all operating locations. The strongest demand was directed at smaller apartments. The utilisation rate of the apartments has remained high. The cumulative utilisation rate was 98.1 percent (98.2). Tenant turnover decreased from last year and was 20.5 percent (22.6). Rents increased by an average of 2.3 percent (6.4) from the beginning of March. The average rent stood at EUR 10.87 per square metre per month (10.57) at year end.

Due to a weaker general economic situation the tenants' paying capacity decreased and the amount of rent receivables increased by 17 percent compared to the previous year.

During the operating year the real estate maintenance costs increased more moderately than in the year before. The harsh winter increased,

in particular, the servicing and energy costs of the properties. Thanks to operational efficiency measures the maintenance costs of VVO's rental properties increased less than average and the result targets set for rental operations were reached.

The renting and inspection process in line with the renewed customer-based strategy is in use across the country. Our own personnel inspect and show the free apartments.

Electronic services for tenants increased and their use grew steadily. The chance for tenants to view their rent payment information online was launched.

VVO's tenant administration was active. The tenant board audited its own operations and decided on strategic policies. During the operating year VVO continued developing its loyal customer programme.

Investment and real estate management

The total number of rental apartments owned by VVO grew and stood at 38,747 (38,519) at year end. The balance sheet value of the rental apartments owned by VVO remained unchanged and was EUR 1.9 billion (1.9).

During the year VVO completed six new rental properties that were interest subsidized. These have a total of 347 apartments. Nine new constructions with a total of 660 apartments were started. Six of these are financed with long-term interest subsidy loans. Three new properties were started with intermediate financing and these have a total of 293 apartments, and two new objects with 277 apartments are non-subsidized. The purchase value of the new properties whose construction began during the year is approximately EUR 98.3 million and they are mainly located in the Helsinki region.

During the year, 93 apartments of the rental housing stock were sold and 26 apartments were emptied for renovations.

The Group's investments in fixed assets amounted to EUR 137.1 million (96.3) during the financial period. EUR 108.8 million (74.5) of the investments was directed at new construction and EUR 28.3 million (21.8) at renovation costs. New construction investments include EUR 17.0 million in transfers from current assets to non-current assets.

Total renovation costs amounted to EUR 58.6 million (47.7). Renovations with earnings effect amounted to EUR 30.3 million (25.8). The energy saving targets were reached and, at the end of the year, VVO committed to new tighter saving targets.

Lower contract prices and the properly dimensioned state support enabled higher construction startups than usual.

VVO Rakennuttaja Oy

VVO Rakennuttaja Oy's balance sheet contains the objects related to the Group's owner-occupied property development and part of the plot reserve. The company's owner-occupied property development has been closed down in accordance with a decision made by VVO Group plc's Board of Directors in January 2009. The plot reserve has been adjusted to the new strategy.

VVO Rakennuttaja Oy's turnover decreased by 40.8 percent (2.3) compared to the previous year and was EUR 37.8 million (63.8). The company's profit before non-recurring items and taxes was EUR 0.5 million (11.0) in the red.

During 2010, a total of 108 (223) owner-occupied apartments were sold. There was a total of 91 (199) completed unsold apartments at the end of the year, of which 71 (113) were rented.

The plot reserve owned by VVO Rakennuttaja Oy amounted to 140,000 floor square meters at the beginning of the year and 90,000 floor square meters at the end of the year. The plot reserve decreased both due to sales and through transfers to VVO Group's own rental housing production.

Personnel

The year 2010 was characterised by an extensive project to develop personnel management and well-being at work, Investors in People (IIP), which was coordinated by

Excellence Finland. The basic idea behind IIP is to utilize the best practices in personnel management when developing managerial work in particular, as well as internal communication, personnel knowledge, the ability for personnel to have an influence and the innovativeness of the organization. The project ends in early autumn 2011, but development work based on the IIP model will continue after this.

The annual personnel survey was carried out in September. The overall results were slightly weaker than in last year's survey, but clearly better than the average of the comparison sectors.

At the end of 2010, VVO employed a total of 339 (332) people of which 312 (319) were employed permanently and 27 (13) temporarily. The average number of personnel during the year was 341 (2009: 346, 2008: 388).

The total amount of salaries, wages and fees in 2010 was EUR 15.4 million (2009: 16.2, 2008: 16.8).

The average years of service were 9.6 year (9.3). The personnel turnover in 2010 was 6.3 percent (11.5).

Environmental impact

In 2010 VVO's overall heat energy usage was 452 GWh (424), overall property electricity consumption was 51.3 GWh (51.0) and overall water consumption was 3.6 million cubic metres (3.6). Normalized heat energy usage decreased to 3.6 percent (4.3) compared to 2009. During 2009 and 2010 the normalized heat energy consumption has decreased in total by nearly 8 percent. The saving has been reached by sharpening the usage and maintenance operations of existing properties.

The indirect carbon monoxide emissions caused by energy use amounted to approximately 99,000 tCO₂ (93,000). VVO decrease the environmental impacts caused by energy use by using carbon free produced energy for property electricity. The use of carbon free electricity means approximately a 10,000 ton saving in carbon monoxide emissions. District heating is used in 99 percent of VVO's properties.

Risk management and internal auditing

The aim of systematic risk management is to ensure that strategic and operational objectives are achieved by recognizing and assessing the main risks related to VVO's operations, and by integrating risk management as a permanent part of VVO's strategy process as well as operational and financial planning and monitoring systems. Risks are reported to the management and Board of Directors quarterly.

Internal auditing assesses the Group's risk management annually and reports on the level of risk management to the Board of Directors' Audit Committee.

Risk management in 2010

- The Board of Directors approved VVO's risk management policy that defines the basic terminology, objectives, operating principles and responsibilities of risk management.
- The main risks related to VVO's operations have been recognised and assessed, and control measures have been defined.
- The implementation of the risk management process continued in the organisation. The aim

is to make risk management part of the business areas' daily operations and part of daily management at VVO Group.

Considerable risks and uncertainty factors and risk management measures

Operational risks

Customer management

Changes in the operating environment are reflected in the rental housing markets both on national and local levels. This requires continuous monitoring and reactions. Locally VVO Home Centres are responsible for necessary marketing and renting measures. The 2011 capacity utilisation rate is estimated to remain at the 2010 level. During 2011 several rental housing properties that have been launched with the help of State subsidies will be completed by several players. VVO has invested in planning and resourcing the marketing of over 900 new apartments to be completed mainly in the Helsinki region.

During 2010, the amount of rent receivables increased considerably, which reflects the weaker paying capacity among tenants. The situation is monitored and, if necessary, active and pre-emptive measures are taken to dissolve the problem situations related to individual tenants.

Investment and real estate management

In the long-term, the main risk for investment operations is that property assets are located in areas where demand weakens. The risk can be avoided by directing investments

to locations where demand is sufficient in the long-term and by ensuring that the apartments in different cities are located in desired areas. By centralising the apartment portfolio and through systematic divestments the risk can also be reduced considerably.

A majority of VVO's property portfolio has been built in the 1970's or earlier. Reducing the energy consumption of the properties to correspond with the stricter requirements is challenging both technically and financially. The risk is that people looking for an apartment may in the future increasingly make their decisions based on ecology and thus focus on energy efficient properties. The risk can be reduced by directing development and renovation activities more heavily towards energy efficiency repairs and by continuing to implement future construction methods in new construction.

Long-term responsibilities related to owner-occupied housing

VVO Rakennuttaja Oy's owner-occupied housing properties include a long-term responsibility (10 years) in accordance with the Housing Transactions Act. The responsibility can be higher than expected for the construction company if the main contractor goes bankrupt. The company has prepared for these responsibilities when planning the shutdown of the operations.

Financial risks

The objective of risk management is to cushion the effects of negative financial market changes for VVO. Financing and related risk management is reported to the

Board of Directors in accordance with the financing policy. VVO's main financial risks are related to the interest rate levels and the availability of financing required for investments.

Interest rate risk

Financial costs are the biggest cost item for VVO Group, on average 20 percent of all costs in the income statement. Changes in market rates affect VVO's financial costs and the income from financial investments. The biggest interest rate risk is directed at the interest rate fluctuations of the loan portfolio, which is managed by balancing interest rate tying between variable and fixed rates and with interest rate derivatives. The loans with the highest interest rate risk are market-based loans, but also interest subsidy loans and state-subsidized loans involve a certain amount of interest rate risk.

The management of the interest rate risks of market-based loans is described with degree of hedging. The degree of hedging is the share of loans considered fixed rate loans, loans turned into fixed rate loans with interest hedging agreements and loans hedged in other manners of all market-based loans, and the targeted level is 50–80 percent. At the end of 2010 the degree of hedging was 67 percent (68). Some of the loans are tied to a fixed rate at withdrawal and usually these have a five year fixed rate. At the end of 2010 the share of such loans was 19.2 percent (20.7) of market-based loans. The use of interest rate derivatives aims at balancing the effects of market rate fluctuations on the loan portfolio. This is only done for hedging purposes. The longest

effective hedging methods stretch to 2018. The amount of interest rate derivatives was 58.8 percent (58.7) of variable rate loans.

The interest income and costs caused by derivative agreements are allocated over the agreement period and they are used to adjust the interest rates of the hedged object. Changes in the value of the hedging agreement are presented in the notes to the financial statements. VVO Group has separate operating instruction for the use of interest rate derivatives.

No hedging measures are directed at other loans exposed to interest rate risks. The interest rate risk of interest subsidy loans is low due to the State's interest subsidy that exceeds the own risk rate. Of the interest subsidy loans, 38.3 percent (42.3) are tied to longer reference rates.

The interest rate of state-subsidized loans is tied to the Finnish CPI which can cause large fluctuations in annual interest rate costs. Some loans have an interest rate ceiling that reduces the interest rate risk caused by increased inflation. Interest rate costs are taken into consideration when determining rent levels.

Liquidity risk

Cash flow from rental operations is stable. In managing liquidity the cash flow from non-profit and free enterprises are separated. Liquidity is constantly monitored and reported in order for financing to be sufficient in all situations. Liquidity risks are mainly related to investment operations. There is still refinancing needs in owner-occupied housing production due to unsold apartments and the accumulated plot reserve.

The liquidity of investment operations is managed with a EUR 80

million commercial paper programme available to the parent company. Of this programme, EUR 43.5 million (41.6) was in use at the end of 2010. In addition, the company has a total of EUR 20.0 million (38.7) in non-binding credit limits. At the end of the financial year EUR 7 million (24) of this had been withdrawn.

Risk related to the availability of financing

The effects of the international financial crisis are still visible in the availability and terms of long-term financing. As maturities are short, the refinancing risk related to the financing of real estate investments increases.

The allocation and sufficiency risks related to the guarantee portfolio are low after the Group restructuring carried out in 2010.

Currency risk

The Group's cash flows are euro denominated and there is no currency risk related to the operations.

Credit risk

A credit risk materialises if the counterparty is unable to fulfil its contractual obligations. As a result of the global financial crisis the importance of credit risks has increased to some extent. VVO tries to reduce the risk by selecting reliable contracting parties when making derivative, investment and loan agreements.

The risk related to sales receivables is relatively low. Rent receivables are secured by efficient rent control and security deposit systems. Credit losses in 2010 amounted to 0.6 percent (0.7) of the net sales from rental housing.

Damage risks

The main damage risks are water damage and fires. Damage risks are controlled with appropriate security measures and with insuring the properties against damage. VVO Group regularly reviews its insurance policies as part of overall risk management. Insurance policies are used to reduce the effects of all risks that are financially or otherwise sensible to handle through insurance protection. The main insurances are property, liability, loss of profits, accident, travel and vehicle insurance.

Internal auditing

The company's internal auditing is an independent function with no operative responsibility. Internal auditing consists of one person; the services of external partners have been used in completing the inspections. The job description, authorisations and responsibilities of internal auditing are defined in the operating instruction for internal auditing approved by the Board of Directors. Internal auditing is responsible for inspecting internal supervision and risk management.

Group structure and changes to it

The following changes have taken place in VVO's Group structure during the financial year:

VVO Kiinteistökehitys Oy has, on 1 April 2010, been divided into three new companies. The new companies are VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy and VVO Kiinteistö Oy that merged with VVO Kodit Oy on 1 December 2010.

On 1 June 2010, VVO Group plc transferred its rental service to a newly established company

called VVO Kodit Oy, as a business transfer in accordance with Section 52 of the Act on Business Taxation. The Group's entire restriction free property portfolio will be included in this company. On 1 October 2010, Suomen Vuokralat Oy merged with VVO Kodit Oy.

This change increases the efficiency in the management of the property portfolio and ensures optimal usage of the real property. The change also simplifies the Group structure.

At the end of the financial period, the Group consisted, in addition to the parent company, of 158 (136) subsidiaries and 34 (39) affiliates. The Group's parent company VVO Group plc owns the following subsidiaries fully: the construction company VVO Rakennuttaja Oy, VVO Palvelut Oy that handles the internal and external invoicing of real estate operations, and VVO Asunnot Oy, VVO Korkotukikiinteistöt Oy, VVO Vuokralat Oy, VVO Vuokra-asunnot Oy, VVO Kodit Oy and Volaria Oy that own rental apartments. VVO Group plc also owns over 50 percent in 3 (54) limited companies or real estate corporations and 50 percent of Suomen Asumisoikeus Oy's and SV-Asunnot Oy's shares.

The Group structure is divided into sub groups as follows:

| <i>Group structure</i> | <i>Subsidiaries,</i> | <i>Affiliates,</i> |
|--|----------------------|--------------------|
| <i>31 December 2010</i> | <i>amount</i> | <i>amount</i> |
| VVO Group plc | ¹⁾ 11 | 3 |
| <u>Sub groups' parent companies</u> | | |
| VVO Asunnot Oy | 27 | ²⁾ 15 |
| VVO Korkotukikiinteistöt Oy | 3 | 5 |
| VVO Kodit Oy | 89 | ²⁾ 11 |
| VVO Vuokra-asunnot Oy | 9 | |
| VVO Vuokralat Oy | 15 | ²⁾ 7 |
| <u>Parking and maintenance companies</u> | | |
| VVO Rakennuttaja Oy | 3 | 2 |
| VVO Palvelut Oy | 1 | |
| Volaria Oy | | |
| Total | 158 | 34 |

¹⁾ Includes the parent companies of sub groups and other presented subsidiaries excluding parking and maintenance companies

²⁾ 9 of the affiliates are subsidiaries in the remaining group

Events after the review period

On 17 February 2011 Deputy CEO Urpo Piilo was appointed the CEO of VVO Group.

Future outlook

The growth outlook for the Finnish economy is positive even though the growth figures seen in the past may not be reached. Unemployment is predicted to decrease. Industrial

jobs will continue to be lost but new workforce is needed in the service sector.

Immigration and emigration will continue, which creates demand in growth centres also for rental apartments. The low interest rate level increased the demand for owner-occupied housing further, which means that the resources of construction companies focus on founder contracting. The contract prices for rental housing projects increase while eco efficiency requirements also raise construction costs. It is difficult to maintain rental housing production that corresponds with demand in a situation where the government cuts its subsidies. In growth centres, the demand for small reasonably priced rental apartments continues.

As the recovery policy continues it seems that the interest rate levels will remain unusually low for some time. Therefore the income level of the real estate sector that operates with a large share of loan financing will remain good. The Group's result was record high in 2010 and in 2011 the result is expected to remain close to last year's level.

Administration 2010

Board of Directors

Chairman

Riku Aalto, Chairman

Deputy Chairman

Risto Murto, Director

Members

Tomi Aimonen, Real Estate Manager

Matti Harjuniemi, Chairman

Erkki Kangasniemi, Chairman

Antti Rinne, Chairman

Jani Salenius, Finance Manager

Ann Selin, Chairman

Board committees

Nomination Committee

Jarkko Eloranta, Chairman

Timo Ritakallio

Anders Rusk

Hannu Tarvonen

Remuneration Committee

Riku Aalto, Chairman

Erkki Kangasniemi

Risto Murto

Audit Committee

Riku Aalto, Chairman

Tomi Aimonen

Jani Salenius

CEO

Olli Salakka

Auditor

KPMG Oy Ab

with APA Kai Salli as the responsible auditor

Annual General Meeting

The Annual General Meeting was held on 25 March 2010. During the meeting the issues that are the Annual General Meeting's responsibility as outlined in Article 12 of the Articles of Association were resolved:

- The financial statement and consolidated financial statement for 2009 were confirmed.
- A dividend of EUR 0.20 per A share, i.e. a total of EUR 8,240,904.00 was decided to be paid on 7 April 2010.
- The members of the Board of Directors and the CEO were discharged from liability for the financial year that ended on 31 December 2009.
- It was resolved that the attendance allowance for Board meetings is confirmed as EUR 600 per meeting and that the annual fees for the term that begins on 25 March 2010 are as follows: Chairman EUR 17,000, Deputy Chairman EUR 9,500 and members EUR 6,500.
- The following persons were elected as members of the Board of Directors for the term that begins on 25 March 2010:
 - Aalto, Riku (Chairman)
 - Aimonen, Tomi
 - Harjuniemi, Matti
 - Kangasniemi, Erkki
 - Murto, Risto
 - Rinne, Antti
 - Salenius, Jani
 - Selin, Ann
- KPMG Oy Ab was selected as the auditor with APA Kai Salli as the responsible auditor.

In addition, the following issues were discussed at the Annual General Meeting:

- The company's Board of Directors' updated proposal dated 19 February 2010 to authorise the Board within one year of the AGM to decide on one or several share issues and/or issuing of option rights in accordance with Chapter 10, Section 1, paragraph 2 of the Limited Liability Companies Act so that a maximum of 1,201,956 new A series shares can be issued in the share issue or subscribed for with the option rights and that a maximum of 600,978 A series shares held by the company can be transferred in the share issue.
- The proposal by the company's shareholders that jointly own 44.71 percent of the company's shares to the AGM on the Nomination Committee. The committee is for instance responsible for preparing a proposal on the members of the Board and their fees to the AGM. The term of the Nomination Committee lasts until the end of the next Annual General Meeting.
- The Board of Directors proposal dated on 19 February 2010 to transfer the rental operation of VVO Group plc as a business transfer in accordance with Section 52 of the Business Tax Act to a newly established subsidiary VVO Kodit Oy from 1 June 2010.

- The following persons were selected to the Nomination Committee:
 - Jarkko Eloranta, Business Director, JHL ry
 - Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company
 - Anders Rusk, Director, Trade Union of Education in Finland OAJ
 - Hannu Tarvonen, Director, Varma Mutual Pension Insurance Company
- In addition, the Chairman of the Board Riku Aalto has the right to attend the meetings.

Share capital and shares

According to the Articles of Association of VVO Group plc the company's minimum capital is EUR 30,000,000 and the maximum capital is EUR 120,000,000 and the share capital can be raised or lowered within these limits without changing the Articles of Association. Based on the Articles of Association the company's shares are divided into A and B series shares. There is a minimum of 1,000,000 and a maximum of 100,000,000 A series shares. There is a maximum on 100,000,000 B series shares.

The company's paid share capital registered in the trade register was EUR 58,025,136.00 on 31 December 2010. The company has only issued A series shares. The share has no nominal value. In the Annual General Meeting an A series share has 20 votes and a B series share has one vote. On 31 December 2010 the number of shares was 7,402,560.

Board authorisations

The Annual General Meeting held on 25 March 2010 authorised the Board of Directors to within one year of the AGM decide on one or several share issues and/or issuing of option rights in accordance with Chapter 10, Section 1, paragraph 2 of the Limited Liability Companies Act so that a maximum of 1,201,956 new

A series shares can be issued in the share issue or subscribed for with the option rights and that a maximum of 600,978 A series shares held by the company can be transferred in the share issue.

The authorisation permits disapplying of the shareholders' pre-emption right when subscribing for new shares or transferring the company's own shares or issuing option rights in accordance with Chapter 10, Section 1, paragraph 2 of the Limited Liability Companies Act, and to decide on subscription prices and other subscription terms, the terms of transfer including the transfer price which must, however, be the market value at the time of transfer, and on the terms of the option rights.

The pre-emption right can be disappplied, if the company has a weighty financial reason to do so, such as developing the capital structure of the company, financing real estate purchases and company acquisitions, enabling mergers and acquisitions or other company development.

When the share capital is raised by issuing new shares, the Board of Directors is entitled to decide that the shares can be subscribed for against apport property or otherwise under certain terms.

The company's Board of Directors have not used the authorisation by 31 December 2010.

| | <i>31.12.2010</i> | <i>31.12.2009</i> | <i>31.12.2008</i> | <i>31.12.2007</i> | <i>31.12.2006</i> |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Share capital (EUR) | 58,025,136.00 | 58,025,136.00 | 58,025,136.00 | 50,782,641.00 | 50,782,641.00 |
| Shares, A series (amount) | 7,402,560 | 6,867,420 | 6,866,880 | 6,009,780 | 6,009,780 |

Distribution of shareholdings

VVO Group plc's shareholders (share register per 31 December 2010).

There are a total of 65 shareholders in VVO Group plc and the 10 largest are:

| <i>Shareholder</i> | <i>Shares, amount</i> | <i>% of shares</i> |
|--|-----------------------|--------------------|
| Ilmarinen Mutual Pension Insurance Company | 1,332,330 | 18.00 |
| Varma Mutual Pension Insurance Company | 857,040 | 11.58 |
| The Finnish Metalworkers' Union | 717,780 | 9.70 |
| The Finnish Construction Trade Union | 615,300 | 8.31 |
| Trade Union for the Public and Welfare Sectors JHL | 605,520 | 8.18 |
| Service Union United PAM | 554,180 | 7.49 |
| Trade Union of Education in Finland OAJ | 552,408 | 7.46 |
| Union of Salaried Employees | 492,440 | 6.65 |
| Union of Industrial Employees TEAM | 443,270 | 5.99 |
| Etera Mutual Pension Insurance Company | 257,180 | 3.47 |
| Other | 975,112 | 13.2 |
| Total | 7,402,560 | 100.00 |

| <i>Division of shareholding</i> | <i>Shareholders, amount</i> | <i>% share</i> | <i>Shares, amount</i> | <i>% of shares</i> |
|---------------------------------|-----------------------------|----------------|-----------------------|--------------------|
| 1-1,000 | 12 | 18.46 | 7,560 | 0.10 |
| 1,001-2,000 | 5 | 7.69 | 8,040 | 0.11 |
| 2,001-20,000 | 23 | 35.38 | 184,580 | 2.49 |
| 20,001-100,000 | 14 | 21.54 | 672,372 | 9.08 |
| 100,001-200,000 | 1 | 1.54 | 102,560 | 1.39 |
| 200,001- | 10 | 15.38 | 6,427,448 | 86.83 |
| Total | 65 | 100.00 | 7,402,560 | 100.00 |

The members of VVO Group plc's Board of Directors, the active management and employees do not own company shares.

| <i>Sector division of shares</i> | <i>% of shares</i> | <i>% of owners</i> |
|------------------------------------|--------------------|--------------------|
| Private companies | 0.67 | 1.54 |
| Finance and insurance institutions | 33.74 | 9.23 |
| Non-profit organizations | 65.15 | 64.62 |
| Public corporations | 0.44 | 24.62 |
| Total | 100.00 | 100.00 |

Proposal for profit distribution

The parent company VVO Group plc's distributable funds per 31 December 2010 are EUR 42,746,944.91 of which the profit for the period is EUR 11,143,287.03. No significant changes have taken place in the company's financial situation since the end of the financial year. The

proposed dividend distribution does not, according to the Board of Directors' view, endanger the company's liquidity.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows: a dividend of EUR 1.50 per share

will be distributed for every A share, i.e. a total of EUR 11,103,840.00, and EUR 31,643,104.91 is kept in unrestricted shareholders' equity.



Income statements, balance sheet and cash flow statements

Income statements

| <i>1,000 €</i> | <i>Group 1.1.–31.12.2010</i> | <i>Group 1.1.–31.12.2009</i> | <i>Parent company 1.1.–31.12.2010</i> | <i>Parent company 1.1.–31.12.2009</i> |
|---|----------------------------------|----------------------------------|---|---|
| Turnover | 328,647 | 342,879 | 19,843 | 37,268 |
| Other operating income | 4,625 | 6,162 | 929 | 1,814 |
| Materials and services | -33,664 | -59,722 | -132 | -65 |
| Personnel costs | -19,036 | -20,409 | -3,404 | -4,164 |
| Amortizations and depreciation | -47,193 | -45,050 | -1,380 | -2,354 |
| Share of income and expenses of associates | 443 | -119 | | |
| Other operating costs | -133,205 | -125,510 | -13,698 | -24,470 |
| Operating profit | 100,616 | 98,228 | 2,158 | 8,028 |
| Financial income and expenses | -43,106 | -57,263 | 2,427 | 303 |
| Profit before non-recurring items | 57,509 | 40,964 | 4,585 | 8,331 |
| Non-recurring items | | | 10,528 | 2,965 |
| Profit before appropriations and taxes | 57,509 | 40,964 | 15,114 | 11,296 |
| Appropriations | | | 17 | -839 |
| Income tax on operational income | -7,532 | -3,185 | -3,988 | -2,159 |
| Change in deferred tax liability | -9,345 | -8,256 | | |
| Minority interest | -153 | -173 | | |
| Profit for the period | 40,478 | 29,349 | 11,143 | 8,298 |

| <i>1,000 €</i> | <i>Group 31.12.2010</i> | <i>Group 31.12.2009</i> | <i>Parent company 31.12.2010</i> | <i>Parent company 31.12.2009</i> |
|---|-----------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 2,743 | 2,485 | 652 | 1,089 |
| Tangible assets | 1,948,844 | 1,867,460 | 6,139 | 77,466 |
| Investments | 19,142 | 16,301 | 79,655 | 132,063 |
| Non-current assets total | 1,970,730 | 1,886,247 | 86,448 | 210,619 |
| Current assets | | | | |
| Inventories | 75,428 | 135,254 | | 2,992 |
| Non-current receivables | 1,291 | 1,115 | 61,724 | 85,528 |
| Current receivables | 8,971 | 14,995 | 29,254 | 49,183 |
| Financial securities | 32,516 | 24,481 | 12,046 | 14,941 |
| Cash and cash equivalents | 95,213 | 108,464 | 69,905 | 84,361 |
| Current assets total | 213,421 | 284,312 | 172,931 | 237,006 |
| TOTAL ASSETS | 2,184,152 | 2,170,559 | 259,379 | 447,625 |
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 58,025 | 58,025 | 58,025 | 58,025 |
| Share premium | 35,786 | 35,786 | 35,786 | 35,786 |
| Revaluation reserve | 1,568 | 1,568 | 2,119 | 2,119 |
| Contingency fund | 16 | 16 | 16 | 16 |
| Reserve for invested unrestricted equity | 17,856 | 18 | 17,856 | 18 |
| Retained earnings | 218,382 | 197,273 | 13,747 | 13,690 |
| Profit for the period | 40,478 | 29,349 | 11,143 | 8,298 |
| Total equity | 372,112 | 322,037 | 138,694 | 117,953 |
| Minority interests | 12,766 | 9,507 | | |
| Accumulated appropriations | | | 12 | 2,648 |
| Statutory provisions | | | | |
| Other statutory provisions | 1,910 | 1,607 | | |
| Liabilities | | | | |
| Non-current liabilities | 1,637,951 | 1,618,336 | 11,466 | 157,642 |
| Current liabilities | 159,411 | 219,071 | 109,205 | 169,380 |
| Total liabilities | 1,797,362 | 1,837,407 | 120,672 | 327,023 |
| TOTAL LIABILITIES | 2,184,152 | 2,170,559 | 259,379 | 447,625 |

Cash flow statements

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Cash flows from operating activities | | | | |
| Profit before non-recurring items | 57,509 | 40,964 | 4,585 | 8,331 |
| Adjustments: | | | | |
| Depreciation according to plan and impairment | 47,193 | 45,050 | 1,380 | 2,354 |
| Other income and expenses not including payments | -240 | -469 | -381 | -1,334 |
| Financial income and expenses | 43,208 | 58,816 | -2,041 | 801 |
| Other adjustments | -1,030 | -3,053 | -45 | 273 |
| Cash flow before change in working capital | 146,640 | 141,308 | 3,497 | 10,427 |
| Change in working capital: | | | | |
| Change in sales receivables and other receivables | 4,532 | 7,307 | 4,981 | 6,832 |
| Change in inventories | 42,871 | 57,676 | -33 | -148 |
| Change in accounts payable and other liabilities | -14,659 | -30,388 | -118 | -1,318 |
| Change in developer's liability for debts | -24,544 | -21,454 | | |
| Cash flows from operating activities before financial items provisions and taxes | 154,840 | 154,449 | 8,326 | 15,792 |
| Interest paid and payments on other operational financial costs | -48,729 | -64,668 | -7,133 | -10,655 |
| Financial income from operating activities | 1,214 | 2,688 | 1,451 | 2,574 |
| Direct taxes paid | -3,753 | -3,866 | -2,609 | -2,304 |
| Cash flows from operating activities (A) | 103,573 | 88,603 | 34 | 5,407 |
| Cash flows from investing activities | | | | |
| Investments in non-current assets | -119,688 | -106,284 | -629 | -1,579 |
| Capital gains on non-current assets | 8,834 | 6,645 | 160 | 1,264 |
| Shares in subsidiaries | | | -34 | -5,352 |
| Granted long-term loans | | -13 | -0 | -17,432 |
| Repayments of loans receivable | 6 | 449 | 9,763 | 27,517 |
| Granted short-term loans | | | -431 | |
| Other changes in liability for debts | | 855 | | |
| Interest and dividends received on investments | 514 | 657 | 4,597 | 8,000 |
| Cash flows from investing activities (B) | -110,333 | -97,687 | 13,424 | 12,416 |
| Cash flows from financing activities | | | | |
| Repayment of capital loans | -144 | -10,000 | -144 | -10,000 |
| Withdrawals of long-term loans | 99,701 | 85,623 | 3,400 | 16,332 |
| Repayments of long-term loans | -67,791 | -38,355 | -14,359 | -3,408 |
| Change in short-term loans | -22,083 | 662 | -28,718 | 19,682 |
| Acquired financial securities | -22,151 | -7,698 | -3,408 | -2,624 |
| Capital gains from financial securities | 10,762 | 4,047 | 3,165 | 3,322 |
| Dividends paid | -8,240 | -4,120 | -8,240 | -4,120 |
| Group contribution paid | | | | -18,500 |
| Group contribution received | | | 17,465 | 5,000 |
| Cash flows from financing activities (C) | -9,947 | 30,159 | -30,840 | 5,682 |
| Change in cash and cash equivalents (A+B+C) | -16,707 | 21,074 | -17,381 | 23,507 |
| Cash and cash equivalents at the beginning of the period | 113,168 | 92,094 | 89,752 | 66,244 |
| Affect of business transfer on cash and cash equivalents | | | 922 | |
| Cash and cash equivalents at the end of the period | 96,461 | 113,168 | 71,448 | 89,752 |



Notes to the consolidated financial statements

Accounting policies

Basic information

VVO is a housing service Group. The rental housing service consists of non-subsidized and state-subsidized housing stock.

The Group's parent company, VVO Group plc, is a publicly listed company domiciled in Helsinki. Its registered address is Mannerheimintie 168a, 00300 Helsinki. A copy of the consolidated financial statements is available at www.vvo.fi or from the parent company's head office.

Consolidation policies

The consolidated financial statements have been compiled as a combination of the Group companies' income statements and balance sheets and their notes. The Group's accounting policies have been uniformly applied to the individual financial statements of the Group companies. The consolidated financial statements include, in addition to VVO Group plc, the companies in which the parent company directly or indirectly owns over 50 percent of votes or exercises actual control. Housing companies included in inventories, whose ownership is short-term and that are intended to be sold are not consolidated in full in the financial statements. The loan shares of these inventory companies have been consolidated in the financial statements.

Mutual shareholdings have been eliminated using the cost method. The difference between subsidiaries' acquisition cost and the equity corresponding with the holding and the deferred tax liability based on this has been allocated to land areas and buildings. Companies acquired during the financial year are consolidated in

the financial statements from the day of acquisition or from the moment when the Group has gained control in the company, and divested subsidiaries have been excluded from the financial statements when control has ceased.

Intra Group transaction, receivable and liabilities, and considerable internal margins and internal profit distribution have been eliminated in the consolidated financial statements. The distribution of the profit for the period between the parent company shareholders and the minority is presented in the income statement, the minority interest of shareholders' equity is presented as a separate item in the balance sheet.

Affiliates are companies that do not belong to the Group but in which the parent company directly or indirectly has considerable influence. Considerable influence materialises when the Group owns at least 20 percent of the votes produced by the company's shares or when the Group otherwise has considerable influence but not control in the company. Affiliates have been consolidated using the equity method. The share of the affiliates' profit for the period corresponding with the Group's holding is presented as a separate item in the income statement.

Some affiliates have different fiscal periods, the latest financial statements or any newer intermediate report if available have been used when consolidating such affiliates. VVO Group plc's 50 percent holding in Suomen Asumisoikeus Oy and SV-Asunnot Oy is not consolidated in the financial statements. Due to the current right-of occupancy housing legislation the owners cannot in practice expect any return on their investment in the company.

Revenue recognition

Income related to rental services

The income from rental services is recognised on accrual basis during the renting period.

Revenue recognition of long-term projects

The income and expenses of long-term projects are recognised as income and expenses based on the stage of completion. The stage of completion is determined based on the technical stage of completion at the time of reporting. If the estimated total costs allocated to a long-term project exceeds the estimated allocated total income the expected loss is immediately recognised independent of the stage of completion as a cost in the income statement. Revenue recognition of long-term projects is partially based on estimates. If the outcome of a long-term project is expected to change, the recognised sales and profit for the financial year in which the change is initially known and can be estimated is revised.

Partial recognition was no longer used in 2010 because there are no founder construction projects ongoing and no new projects will be launched. For the comparison period in 2009, the income and costs from founder construction have been recognised in accordance with the percentage corresponding with the stage of completion and degree of sales.

Valuation of fixed assets

Tangible and intangible assets are recognised in the balance sheet at original purchase cost less depreciation according to plan and possible impairment. Contributions related to the acquisition of tangible

assets are deducted from the purchase cost of the object. The contributions are recognised through smaller depreciation during the assets' useful life. Depreciation according to plan are calculated as straight-line depreciation based on the assets estimated useful life (prior to 1996 some of the depreciation was based on maximum amounts approved in taxation).

The depreciation periods according to plan based on the useful life are:

| | |
|--------------------------------------|-------------|
| Residential buildings | 67 years |
| Machinery and equipment in buildings | 15–50 years |
| Computer devices and software | 4–5 years |
| Office equipment and fixtures | 4 years |
| Cars | 4 years |

Costs that are generated later are included in the book value of a tangible asset only if it is likely that the future economic benefit related to the asset will benefit the Group. Other repair and maintenance costs are recognised through profit or loss when they materialise.

Positive and negative goodwill allocated to fixed asset items is written off in accordance with the depreciation rules of the item group in question. Sales gains from fixed assets are recorded in other operational income and sales losses in other operational costs.

Development costs

Development costs are recognised as expenses in the income statement in the financial year in which they are generated.

Valuation of inventories

The Group's inventories consist of the following items:

- completed apartments unsold at the closing date

- land areas that include acquisition costs for projects that have not yet been started
- other inventories that primarily include planned projects

In the comparison period inventories also included shares of construction projects under constructions that had not been recognised as costs.

Inventories are recognised at acquisition cost or disposal price if it is likely to be lower.

Valuation of financial assets

Financial securities are recognised at purchase price or market price if it is lower.

Statutory provisions

Future costs and apparent losses that will no longer generate future income and which the Group is obliged and committed to perform and whose monetary value can be reasonably estimated are recognised as losses in the income statement and as statutory provisions in the balance sheet.

Accumulated appropriations

Appropriations consist of residential building provisions and accumulated depreciation differences. The change in the difference between depreciation according to plan and book depreciation in subsidiaries' individual financial statements is presented as appropriations in the income statements and accumulated appropriations in the balance sheet. In the consolidated balance sheet the accumulated appropriations are divided into shareholders' equity, minority interest and deferred tax liabilities. The difference in residential building provisions and

depreciation difference generated during the financial year is divided in the income statement into changes in deferred tax liability, minority interest in the profit for the period, and profit for the period.

Accrual of pension costs

Group companies' pension cover is handled by external pension insurance companies. Pension costs are recognised as costs in the income statement.

Deferred tax assets and liabilities

Deferred tax assets or liabilities have been calculated on the temporary differences between taxation and the financial statement using the tax rate confirmed for the coming years on the closing date. From 2006 a deferred tax liability has also been calculated on allocated goodwill from acquisitions, no tax liability has been recognised for acquisitions made prior to this.

The balance sheet includes the entire deferred tax liability and the deferred tax asset at the estimated amount. The deferred tax asset has been deducted from the tax liability and the net amount is presented as a separate item in non-current liabilities.

Distributable funds

Of the Group companies VVO Asunnot Oy and VVO Korkotukikiinteistöt Oy are companies subject to profit sharing limitations in accordance with the housing legislation revisions made at the beginning of year 2000. They can at most pay their owner, VVO Group plc, an eight percent return on the original investment made by

the owner. When determining the basis for the return, i.e. the original investment, and also in paying the return, VVO Group's companies subject to profit sharing limitations can be reviewed as one group. This does not have an effect on the parent company's distributable profits.

Accounting principles for the cash flow statement

The Consolidated cash flow statement has been compiled based on the information in the consolidated income statement and balance sheet and any supplementary information. Changes in the Group structure have primarily been taken into consideration based on the difference of the balance sheet total in the opening and closing balance sheets.

Cash and cash equivalents include bank accounts, liquid deposit notes and certificates of deposits.

Foreign currency denominated items

At the closing date the Group had no foreign currency denominated receivables or liabilities.

Derivative agreements

Interest rate swaps made in order to hedge against the interest rate risks of long-term loans have not been entered in the balance sheet, they are reported in the notes to the financial statements.

The interest income and costs based on derivative agreements are allocated over the agreement period and they are used to adjust the interest rates of the hedged object.

Segment reporting

The financial entity that VVO Group forms is reported in two segments. The basis for the segment division is the profit distribution limitation defined by the Act on State-subsidized Housing Loans (ARAVA Act).

VVO Non-subsidized segment includes privately financed rental

housing and the state subsidized housing that are subject to property specific limitations based on the ARAVA Act and state-subsidy extension limitations that will mainly end in 2014 and by 2025 at the latest. The plot reserve included in inventories and the apartments for sale are included in VVO Non-subsidized segment.

VVO state-subsidized segment will include rental housing that is subject to more long-term property specific limitation based on the ARAVA Act and interest subsidy legislation.

| <i>Key indicators for VVO Non-subsidized segment</i> | <i>1.1.–31.12.2010</i> | <i>1.1.–31.12.2009</i> |
|---|-------------------------------|-------------------------------|
| Number of apartments | 18,843 | 18,880 |
| Turnover, EUR million | 184.1 | 206.0 |
| Operating result, EUR million | 49.2 | 46.3 |
| Operating result % | 26.7 | 22.5 |
| Profit before tax, EUR million | 37.0 | 26.9 |
| Balance sheet total, EUR million | 1,119.3 | 1,157.3 |
| Interest-bearing debt, EUR million | 748.6 | 804.6 |
| Capital expenditure, EUR million *) | 66.7 | 32.6 |
| Gearing, % | 24.4 | 20.7 |
| Return on equity, % (ROE) | 8.2 | 6.4 |
| Return on investment, % (ROI) | 5.3 | 5.0 |

| <i>Key indicators for VVO State-subsidized segment</i> | <i>1.1.–31.12.2010</i> | <i>1.1.–31.12.2009</i> |
|---|-------------------------------|-------------------------------|
| Number of apartments | 19,904 | 19,639 |
| Turnover, EUR million | 154.9 | 148.1 |
| Operating result, EUR million | 51.2 | 51.6 |
| Operating result % | 33.1 | 34.8 |
| Profit before tax, EUR million | 20.7 | 14.1 |
| Balance sheet total, EUR million | 1,146.7 | 1,097.3 |
| Interest-bearing debt, EUR million | 976.7 | 948.1 |
| Capital expenditure, EUR million *) | 70.4 | 63.8 |
| Gearing, % | 9.7 | 8.5 |
| Return on equity, % (ROE) | 18.8 | 16.0 |
| Return on investment, % (ROI) | 4.8 | 5.2 |

*) Repair and new production investments and transfers from current assets to non-current assets.

Income statement by segment

| <i>1,000 €</i> | <i>VVO Non- subsidised 1–12/2010</i> | <i>VVO State- subsidised 1–12/2010</i> | <i>Eliminations and group items</i> | <i>Group Actual 1–12/2010</i> | <i>VVO Non- subsidised 1–12/2009</i> | <i>VVO State- subsidised 1–12/2009</i> | <i>Eliminations and group items</i> | <i>Group Actual 1–12/2009</i> |
|--|--|--|---|---------------------------------------|--|--|---|---------------------------------------|
| External turnover | 176,101 | 152,546 | | 328,647 | 197,299 | 145,580 | | 342,879 |
| Internal turnover | 8,003 | 2,344 | -10,347 | | 8,703 | 2,481 | -11,184 | |
| Total turnover | 184,104 | 154,891 | -10,347 | 328,647 | 206,002 | 148,061 | -11,184 | 342,879 |
| Other operating income | 4,137 | 506 | -17 | 4,625 | 5,670 | 547 | -55 | 6,163 |
| Amortizations and depreciation | -24,087 | -23,153 | 46 | -47,193 | -23,916 | -21,191 | 56 | -45,050 |
| Share in profits of associated companies | 165 | 334 | -56 | 443 | -136 | 2 | 14 | -120 |
| External operating costs | -112,546 | -73,360 | | -185,906 | -137,876 | -67,767 | | -205,643 |
| Internal operating costs | -2,541 | -7,991 | 10,532 | | -3,494 | -8,103 | 11,598 | |
| Total other operating costs | -115,087 | -81,351 | 10,532 | -185,906 | -141,370 | -75,870 | 11,598 | -205,643 |
| Operating profit | 49,232 | 51,227 | 158 | 100,616 | 46,250 | 51,550 | 429 | 98,229 |
| External financial income and expenses | -21,302 | -21,805 | | -43,107 | -28,108 | -29,156 | | -57,264 |
| Internal financial income and expenses | 5,234 | -4,873 | -361 | | 4,904 | -4,514 | -390 | |
| Financial income and expenses | -16,068 | -26,678 | -361 | -43,107 | -23,204 | -33,670 | -390 | -57,264 |
| Profit before non-recurring items and taxes | 33,164 | 24,549 | -203 | 57,510 | 23,046 | 17,880 | 39 | 40,965 |

Balance sheet by segment

| <i>1,000 €</i> | <i>VVO Non- subsidiised</i> | <i>VVO State- subsidiised</i> | <i>Eliminations and group items</i> | <i>Group 12/31/2010</i> | <i>VVO Non- subsidiised</i> | <i>VVO State- subsidiised</i> | <i>Eliminations and group items</i> | <i>Group 12/31/2009</i> |
|-------------------------------------|---------------------------------|-----------------------------------|---|-----------------------------|---------------------------------|-----------------------------------|---|-----------------------------|
| Non-current assets | | | | | | | | |
| Intangible assets | 848 | 1,895 | | 2,743 | 1,274 | 1,212 | | 2,486 |
| Tangible assets | 872,055 | 1,074,908 | 1,881 | 1,948,845 | 833,551 | 1,031,884 | 2,025 | 1,867,460 |
| Equity investments | 18,909 | 9,490 | -9,255 | 19,143 | 18,458 | 8,076 | -10,233 | 16,302 |
| | 891,811 | 1,086,294 | -7,374 | 1,970,731 | 853,284 | 1,041,172 | -8,208 | 1,886,248 |
| Current assets | | | | | | | | |
| Inventories and advance payments | 75,429 | | | 75,429 | 135,255 | | | 135,255 |
| Receivables | 82,718 | 2,086 | -74,541 | 10,263 | 89,497 | 2,454 | -75,840 | 16,111 |
| Other liquid assets | 18,399 | 12,869 | | 31,268 | 18,752 | 5,026 | | 23,778 |
| Liquid assets | 50,968 | 45,494 | | 96,462 | 60,505 | 48,664 | | 109,169 |
| | 227,513 | 60,449 | -74,541 | 213,421 | 304,009 | 56,144 | -75,840 | 284,312 |
| TOTAL ASSETS | 1,119,324 | 1,146,743 | -81,915 | 2,184,152 | 1,157,293 | 1,097,316 | -84,049 | 2,170,560 |
| Equity | | | | | | | | |
| Equity and funds | 116,331 | 2,859 | -5,938 | 113,252 | 98,493 | 2,859 | -5,938 | 95,414 |
| Retained earnings | 160,277 | 98,588 | -4 | 258,860 | 143,258 | 83,271 | 95 | 226,623 |
| | 276,608 | 101,447 | -5,943 | 372,113 | 241,751 | 86,130 | -5,843 | 322,037 |
| Minority interest | | | | | | | | |
| Interest free liabilities | 5,312 | 9,460 | -2,005 | 12,766 | 5,153 | 7,336 | -2,980 | 9,508 |
| Liabilities | | | | | | | | |
| Interest free liabilities | 88,758 | 59,159 | -3,566 | 144,350 | 105,797 | 55,752 | -5,439 | 156,110 |
| Interest-bearing liabilities | | | | | | | | |
| Non-current | 643,889 | 953,403 | -69,504 | 1,527,789 | 668,346 | 917,113 | -67,922 | 1,517,537 |
| Current, loan repayments | 26,527 | 23,274 | -897 | 48,904 | 51,025 | 29,339 | -218 | 80,147 |
| Current, other | 78,231 | | | 78,231 | 85,221 | 1,646 | -1,646 | 85,221 |
| | 748,647 | 976,677 | -70,401 | 1,654,923 | 804,593 | 948,098 | -69,786 | 1,682,905 |
| | 837,405 | 1,035,835 | -73,967 | 1,799,273 | 910,389 | 1,003,851 | -75,225 | 1,839,015 |
| TOTAL LIABILITIES | 1,119,324 | 1,146,743 | -81,915 | 2,184,152 | 1,157,293 | 1,097,316 | -84,049 | 2,170,560 |

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Turnover by business unit | | | | |
| Rental housing | 291,134 | 280,063 | 12,027 | 27,223 |
| Housing construction | 37,493 | 62,796 | | 228 |
| Other operations | 18 | 19 | 7,816 | 9,816 |
| Total | 328,647 | 342,879 | 19,843 | 37,268 |
| Other operating income | | | | |
| Sales gains from fixed assets | 1,570 | 3,346 | 45 | 19 |
| Income from debt collection | 949 | 1,830 | 533 | 1,518 |
| Sales gains from construction planning projects | 1,109 | | | |
| Other | 996 | 984 | 350 | 277 |
| Total | 4,625 | 6,162 | 929 | 1,814 |
| Materials and services | | | | |
| Purchases during the period | | | | |
| Purchases on plots and equities | 3,663 | 7,046 | 166 | 214 |
| Change in inventories | 30,000 | 52,675 | -33 | -148 |
| Total | 33,664 | 59,722 | 132 | 65 |
| As a result of shutting down external construction there is no longer unfinished production in inventories. The plot reserve previously presented in unfinished production and activated planning costs are included in inventories in the 2010 financial statements. | | | | |
| Personnel costs | | | | |
| Wages, salaries and fees | 15,369 | 16,241 | 2,671 | 3,203 |
| Pension costs | 3,084 | 2,937 | 632 | 696 |
| Other employer's contributions | 583 | 1,231 | 99 | 265 |
| Total | 19,036 | 20,409 | 3,404 | 4,164 |

Wages, salaries and fees**Board of Directors and auditors**

The Annual General Meeting decides on the remuneration of the Board of Directors and the auditors. The Annual General Meeting decided on 25 March 2010 that the Chairman of the Board will be paid EUR 17,000.00 in remuneration, the Vice Chairman EUR 9,500.00 and the members of the Board EUR 6,500.00 for the term. In addition, the AGM decided that the Chairman of the Board and the Board members would be paid EUR 600.00 per meeting. The Chairman and members of the Committees will be paid EUR 600.00 per meeting. It was decided that the fee for the auditors will be paid according to invoices.

The fees paid to the members of the Board are as follows:

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|-----------------------------------|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Members of the Board of Directors | 108 | 131 | 108 | 117 |

The members of the Board have not received shares or share derivative rights during the financial year.

CEO and Management Group

The company's Board of Directors decides on the wages of the CEO and members of the Management Group and on the principles and payment of their merit pay. When people employed by the company act as Board members or managing directors of companies belonging to the Group, no separate compensation is paid. The salary including benefits in kind of the CEO and deputy CEO totals EUR 443,923.27.

The retirement age for the members of the Management Group is 63 years. So-called old Management Group members are entitled to defined benefit pension, which is 60% of the pensionable earnings. For new members of the Management Group a defined contribution principle is adopted, where an insurance premium corresponding with two months' taxable income is paid annually to a group pension insurance.

The termination period for the CEO's employment relationship is six months. If the company terminates the CEO's employment relationship before the retirement age, the CEO is entitled to severance pay corresponding with the total wages of six months in addition to the notice period pay.

Members of the Management Group are included in the annual bonus system that is based on a balanced score card.

Members of the Management Group belong to a long-term incentive plan from the beginning of 2010. The incentive plan is based on the Group's performance and consists of three year periods. The first period ends in 2012.

| 1,000 € | Group 2010 | Group 2009 | Parent company 2010 | Parent company 2009 |
|--|----------------|----------------|------------------------|------------------------|
| During the financial year the Group and parent company employed an average of | 341 | 346 | 42 | 51 |
| Amortizations and depreciation | | | | |
| Amortization on tangible and intangible assets | 47,193 | 45,050 | 1,380 | 2,354 |
| Total | 47,193 | 45,050 | 1,380 | 2,354 |
| Other operating costs | | | | |
| Property management expenses | | | | |
| Group administration | 2,565 | 2,379 | 55 | 124 |
| Use and maintenance | 9,506 | 10,463 | 88 | 217 |
| Maintenance of outdoor areas | 6,174 | 4,691 | 69 | 109 |
| Cleaning | 6,894 | 6,778 | 75 | 175 |
| Heating | 24,628 | 23,463 | 318 | 554 |
| Water and sewage | 11,290 | 11,057 | 107 | 281 |
| Electricity and gas | 6,390 | 5,916 | 70 | 129 |
| Waste management | 4,939 | 4,735 | 66 | 130 |
| Indemnity insurance | 1,054 | 1,069 | 10 | 26 |
| Real estate tax | 6,511 | 5,193 | 305 | 358 |
| Repairs | 30,287 | 25,845 | 382 | 765 |
| Other management costs | 16 | 2 | | |
| Rents | 8,133 | 9,358 | 5,806 | 14,982 |
| Credit losses | 1,687 | 1,847 | 252 | 423 |
| Other expenses | 13,125 | 12,708 | 6,088 | 6,192 |
| Total | 133,205 | 125,510 | 13,698 | 24,470 |

Total Electricity procurement was hedged on the Nordic electricity exchange Nordpool with rated hedging products in accordance with the approved risk policy. The market value of the hedging for 2010–2014 was EUR 1.7 million (-0.6) at the closing date.

Unrealised value changes have not been taken into consideration in the consolidated result or balance sheet.

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|--|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Auditor's fees | | | | |
| Chartered accounting firm KPMG Oy Ab | | | | |
| Audit fees | 126 | 119 | 20 | 19 |
| Tax advise | 20 | 14 | 20 | 14 |
| Other fees | 86 | 87 | 86 | 87 |
| Financial income and expenses | | | | |
| Dividend income | | | | |
| From joint ventures | 47 | 47 | 47 | 47 |
| From others | 98 | 89 | 94 | 65 |
| Total dividend income | 145 | 136 | 141 | 112 |
| Interest income from long-term investments | | | | |
| From others | 273 | 266 | 186 | 196 |
| Total income from long-term investments | 273 | 266 | 186 | 196 |
| Other interest and financial income | | | | |
| From Group companies | | | 5,888 | 8,313 |
| From others | 1,940 | 2,208 | 1,167 | 1,839 |
| Total other interest and financial income | 1,940 | 2,208 | 7,056 | 10,152 |
| Dividend income, interest income from long-term investments and other interest and financial income, total | 2,360 | 2,611 | 7,385 | 10,461 |
| Value adjustments in investments | | | | |
| Reversal of impairment in securities | 101 | 1,552 | 385 | 1,104 |
| | 101 | 1,552 | 385 | 1,104 |
| Interest and other financial expenses | | | | |
| To Group companies | | | -6 | -134 |
| To others | -45,568 | -61,427 | -5,337 | -11,127 |
| | -45,568 | -61,427 | -5,343 | -11,262 |
| Total financial income and expenses | -43,106 | -57,263 | 2,427 | 303 |
| Non-recurring items | | | | |
| Non-recurring income | | | | |
| Group contribution | | | 11,528 | 17,465 |
| | | | 11,528 | 17,465 |
| Non-recurring costs | | | | |
| Group contribution | | | -1,000 | -14,500 |
| | | | -1,000 | -14,500 |
| Direct taxes | | | | |
| Income tax on operational income | 7,532 | 3,185 | 3,988 | 2,159 |
| Change in deferred tax assets and liabilities | 9,345 | 8,256 | | |
| | 16,877 | 11,442 | 3,988 | 2,159 |

Notes to the balance sheet

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| NON-CURRENT ASSETS | | | | |
| Intangible assets | | | | |
| Intangible rights | | | | |
| Acquisition cost 1 January | 3,734 | 2,819 | 2,526 | 2,449 |
| Increases | 62 | 20 | 62 | 20 |
| Decreases | | -83 | -1 | |
| Transfers between items | 340 | 977 | 1 | 57 |
| Acquisition cost 31 December | 4,137 | 3,734 | 2,590 | 2,526 |
| Accumulated depreciation and impairment losses 1 January | | | | |
| | -2,526 | -2,378 | -2,306 | -2,169 |
| Accumulated depreciation in decreases | | 83 | 0 | |
| Depreciation for the period | -309 | -230 | -122 | -136 |
| Accumulated depreciation and impairment losses 31 December | -2,835 | -2,526 | -2,427 | -2,306 |
| Carrying amount 31 December | 1,301 | 1,207 | 162 | 220 |
| Other expense with long-term effects | | | | |
| Acquisition cost 1 January | 6,555 | 6,377 | 5,259 | 5,086 |
| Increases | 697 | 108 | 7 | 108 |
| Decreases | -1 | | -49 | |
| Transfers between items | 33 | 68 | 6 | 63 |
| Acquisition cost 31 December | 7,284 | 6,555 | 5,223 | 5,259 |
| Accumulated depreciation and impairment losses 1 January | | | | |
| | -5,285 | -4,406 | -4,398 | -3,696 |
| Accumulated depreciation in decreases | 1 | | 18 | |
| Accumulated depreciation in transfers | -6 | | | |
| Depreciation for the period | -652 | -879 | -453 | -701 |
| Accumulated depreciation and impairment losses 31 December | -5,942 | -5,285 | -4,832 | -4,398 |
| Carrying amount 31 December | 1,341 | 1,269 | 390 | 860 |
| Advance payments | | | | |
| Acquisition cost 1 January | 8 | 165 | 8 | 165 |
| Increases | 99 | | 99 | |
| Transfers between items | -8 | -157 | -8 | -157 |
| Acquisition cost 31 December | 99 | 8 | 99 | 8 |
| Carrying amount 31 December | 99 | 8 | 99 | 8 |

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Tangible assets | | | | |
| Land and water areas | | | | |
| Acquisition cost 1 January | 206,940 | 179,614 | 27,742 | 28,617 |
| Increases | 3,020 | 23,599 | 31 | 1 |
| Decreases | -2,127 | -1,037 | -22,391 | -876 |
| Transfers between items | 16,917 | 4,764 | | |
| Acquisition cost 31 December | 224,751 | 206,940 | 5,382 | 27,742 |
| Appreciations | 84 | 84 | | |
| Carrying amount 31 December | 224,835 | 207,025 | 5,382 | 27,742 |
| The difference between subsidiaries' acquisition cost and the equity corresponding with the acquired share has been allocated to non-current assets. EUR 34.2 million (34.4) has been allocated to land areas. | | | | |
| Entry fees | | | | |
| Acquisition cost 1 January | 22,968 | 22,517 | 455 | 398 |
| Increases | 10 | 141 | | 7 |
| Decreases | -33 | -27 | -501 | |
| Transfers between items | 561 | 337 | 46 | 49 |
| Carrying amount 31 December | 23,507 | 22,968 | | 455 |
| Buildings and structures | | | | |
| Acquisition cost 1 January | 1,943,322 | 1,880,570 | 53,089 | 39,356 |
| Increases | 42,809 | 40,211 | 75 | 1,460 |
| Decreases | -5,601 | -2,821 | -53,164 | |
| Transfers between items | 30,200 | 25,411 | | 12,272 |
| Acquisition cost 31 December | 2,010,730 | 1,943,372 | | 53,089 |
| Accumulated depreciation and impairment losses 1 January | -366,392 | -324,506 | -5,218 | -4,103 |
| Accumulated depreciation in decreases | 1,629 | 408 | 5,697 | |
| Accumulated depreciation in transfers | 51 | | | |
| Depreciation for the period | -44,066 | -42,344 | -479 | -1,114 |
| Accumulated depreciation and impairment losses 31 December | -408,777 | -366,442 | | -5,218 |
| Appreciations | 2,035 | 2,035 | | |
| Carrying amount 31 December | 1,603,988 | 1,578,964 | | 47,871 |

The difference between subsidiaries' acquisition cost and the equity corresponding with the acquired share has been allocated to non-current assets.
EUR 136.6 million (142.5) has been allocated to buildings.

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Machinery and equipment | | | | |
| Acquisition cost 1 January | 12,649 | 12,326 | 2,330 | 2,253 |
| Increases | 455 | 320 | 210 | 58 |
| Decreases | -1,327 | -107 | -335 | -38 |
| Transfers between items | 206 | 109 | | 55 |
| Acquisition cost 31 December | 11,983 | 12,649 | 2,205 | 2,330 |
| Accumulated depreciation and impairment losses | | | | |
| Accumulated depreciation and impairment losses 1 January | -9,766 | -8,769 | -1,665 | -1,320 |
| Accumulated depreciation in decreases | 1,322 | 71 | 295 | 38 |
| Depreciation for the period | -1,088 | -1,067 | -313 | -383 |
| Accumulated depreciation and impairment losses 31 December | -9,531 | -9,766 | -1,683 | -1,665 |
| Carrying amount 31 December | 2,451 | 2,883 | 521 | 664 |
| Other tangible assets | | | | |
| Acquisition cost 1 January | 5,893 | 5,280 | 427 | 333 |
| Increases | 415 | 180 | | 6 |
| Decreases | -8 | 0 | -114 | |
| Transfers between items | 675 | 433 | -46 | 87 |
| Acquisition cost 31 December | 6,976 | 5,893 | 267 | 427 |
| Accumulated depreciation and impairment losses | | | | |
| Accumulated depreciation and impairment losses 1 January | -2,568 | -2,057 | -44 | -26 |
| Accumulated depreciation in decreases | 7 | 0 | 25 | |
| Accumulated depreciation in transfers | 5 | | | |
| Depreciation for the period | -557 | -511 | -12 | -18 |
| Accumulated depreciation and impairment losses 31 December | -3,113 | -2,568 | -31 | -44 |
| Carrying amount 31 December | 3,862 | 3,325 | 235 | 383 |
| Advance payments and acquisitions in progress | | | | |
| Acquisition cost 1 January | 52,293 | 40,152 | 349 | 12,461 |
| Increases | 73,172 | 45,377 | 580 | 532 |
| Decreases | -2,567 | -1,292 | -930 | -214 |
| Transfers between items | -32,698 | -31,944 | | -12,429 |
| Carrying amount 31 December | 90,199 | 52,293 | | 349 |
| A majority of the parent company's decreases in fixed assets in 2010 were caused by business transfers. | | | | |
| Appreciations | | | | |
| Land and water areas | | | | |
| Value 1.1. / 31.12 | 84 | 84 | | |
| Buildings and structures | | | | |
| Value 1.1. / 31.12 | 2,035 | 2,035 | | |

Value increases have been recognised in the 1970's.
The value increases made do not exceed the estimated market prices.

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|-------------------------------------|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Investments | | | | |
| Shares in subsidiaries | | | | |
| Acquisition cost 1 January | | | 123,043 | 117,691 |
| Increases | | | 56,826 | 5,360 |
| Decreases | | | -103,999 | -8 |
| Acquisition cost 31 December | | | 75,871 | 123,043 |
| Appreciations | | | 2,119 | 2,119 |
| Carrying amount 31 December | | | 77,990 | 125,162 |
| Joint venture shares | | | | |
| Acquisition cost 1 January | 7,715 | 8,916 | 4,114 | 4,114 |
| Increases | 1,561 | 15 | | |
| Decreases | -444 | -1,690 | -3,343 | |
| Transfers between items | -329 | 473 | | |
| Acquisition cost 31 December | 8,502 | 7,715 | 770 | 4,114 |
| Carrying amount 31 December | 8,502 | 7,715 | 770 | 4,114 |
| Other securities and shares | | | | |
| Acquisition cost 1 January | 8,586 | 10,274 | 2,785 | 4,273 |
| Increases | 382 | 58 | 330 | 50 |
| Decreases | -339 | -1,460 | -2,222 | -1,538 |
| Transfers between items | 328 | -286 | | |
| Acquisition cost 31 December | 8,957 | 8,586 | 894 | 2,785 |
| Carrying amount 31 December | 8,957 | 8,586 | 894 | 2,785 |
| Other receivables, advance payments | | | | |
| Acquisition cost 1 January | | | | |
| Increases | | 167 | | |
| Transfers between items | 1,682 | -167 | | |
| Acquisition cost 31 December | 1,682 | | | |
| Carrying amount 31 December | 1,682 | | | |

| | <i>Domicile</i> | <i>Parent company's holding %</i> | <i>Group's holding %</i> |
|--|-----------------|-----------------------------------|--------------------------|
| Subsidiaries | | | |
| Mummunkujan Pysäköinti Oy | Tampere | | 53.01 |
| Katajapysäköinti Oy | Tampere | | 50.93 |
| Hatanpäänhovin Pysäköinti Oy | Tampere | | 62.51 |
| VVO Group plc | | | |
| Kiinteistö osakeyhtiö Pikkuhirvas | Inari | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Lauri Korpisen katu 6 | Vantaa | 100.00 | 100.00 |
| VVO Asumisoikeus Oy | Helsinki | 100.00 | 100.00 |
| VVO Asunnot Oy | Helsinki | 100.00 | 100.00 |
| VVO Kodit Oy | Helsinki | 100.00 | 100.00 |
| VVO Korkotukikiinteistöt Oy | Helsinki | 100.00 | 100.00 |
| VVO Palvelut Oy | Helsinki | 100.00 | 100.00 |
| VVO Rakennuttaja Oy | Helsinki | 100.00 | 100.00 |
| VVO Vuokra-asunnot Oy | Helsinki | 100.00 | 100.00 |
| VVO Vuokratilat Oy | Helsinki | 100.00 | 100.00 |
| VVO Kodit Oy | | | |
| As Oy Kuopion Havuketo | Kuopio | 100.00 | 100.00 |
| As Oy Turun Puistokatu 12 | Turku | 100.00 | 100.00 |
| As Oy Vantaan Junkkarinkaari 7 | Vantaa | 100.00 | 100.00 |
| As. Oy Heinolan Korvenkaarre | Heinola | 100.00 | 100.00 |
| As. Oy Kuopion Kaarenkulma | Kuopio | 100.00 | 100.00 |
| As. Oy Malski 3 | Lahti | 100.00 | 100.00 |
| As. Oy Pihavaahtera | Hollola | 100.00 | 100.00 |
| AsOy Helsingin Vuorenpeikontie 5 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Espoon Klariksenkallio | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Matinniitty | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Matinniitynkuja 7 | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Soukanrinne | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Suurpellon Puistokatu G | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Suurpellon Puistokatu H | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Vihreätikka | Espoo | 100.00 | 100.00 |
| Asunto Oy Helsingin Haapaniemenkatu 11 | Helsinki | 53.74 | 53.74 |
| Asunto Oy Helsingin Hopeatie 9 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Katariinankartano | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Katariinankoski | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Koskikartano | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Maasälväntie 5 ja 9 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Marjatanportti | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Posetiivari | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Ratarinne | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Risupadontie 6 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Tilketori 2 | Helsinki | 77.46 | 77.46 |
| Asunto Oy Helsingin Tuulastus | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Valanportti | Helsinki | 100.00 | 100.00 |
| Asunto Oy Hilapellontie 2 b | Helsinki | 100.00 | 100.00 |
| Asunto Oy Hämeenlinnan Kajakulma | Hämeenlinna | 73.97 | 73.97 |
| Asunto Oy Hämeenlinnan Turuntie 38 | Hämeenlinna | 100.00 | 100.00 |
| Asunto Oy Hämeenlinnan Uusi-Jukola | Hämeenlinna | 100.00 | 100.00 |
| Asunto Oy Hämeentie 48 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Joensuun Rantakylänkatu 17 | Joensuu | 100.00 | 100.00 |
| Asunto Oy Jyväskylän maalaiskunnan Käpytikka | Jyväskylä | 100.00 | 100.00 |
| Asunto Oy Jyväskylän Tellervonkatu 8 | Jyväskylä | 80.00 | 80.00 |

| | <i>Domicile</i> | <i>Parent company's holding %</i> | <i>Group's holding %</i> |
|--|-----------------|-----------------------------------|--------------------------|
| Asunto Oy Kauniaisten Asematie 10 | Kauniainen | 100.00 | 100.00 |
| Asunto Oy Kauniaisten Asematie 12–14 | Kauniainen | 100.00 | 100.00 |
| Asunto Oy Kauniaisten Bredantie 8 | Kauniainen | 100.00 | 100.00 |
| Asunto Oy Kauniaisten Thurmaninpuistotie 2 | Kauniainen | 100.00 | 100.00 |
| Asunto Oy Keravan Palopolku 3 | Kerava | 80.00 | 80.00 |
| Asunto Oy Kivivuoreнкуja 1 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Kivivuoreнкуja 3 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Kuopion Sompatie 7 | Kuopio | 100.00 | 100.00 |
| Asunto Oy Kuopion Sompatie 9 | Kuopio | 100.00 | 100.00 |
| Asunto Oy Lappeenrannan Gallerianpolku | Lappeenranta | 100.00 | 100.00 |
| Asunto Oy Lappeenrannan Upseeritie 12 | Lappeenranta | 100.00 | 100.00 |
| Asunto Oy Oulun Tervahanhi | Oulu | 80.00 | 80.00 |
| Asunto Oy Pirtinketosato | Kuopio | 63.55 | 63.55 |
| Asunto Oy Pohtolan Kynnys | Tampere | 100.00 | 100.00 |
| Asunto Oy Pohtolan Kytö | Tampere | 100.00 | 100.00 |
| Asunto Oy Pohtolan Pohja | Tampere | 100.00 | 100.00 |
| Asunto Oy Porin Kansankulma | Pori | 100.00 | 100.00 |
| Asunto Oy Rautamasuuni | Oulu | 100.00 | 100.00 |
| Asunto Oy Rientolanhovi | Tampere | 100.00 | 100.00 |
| Asunto Oy Riihimäen Mäkiraitti 17 | Riihimäki | 100.00 | 100.00 |
| Asunto Oy Rovaniemen Koskikatu 9 | Rovaniemi | 100.00 | 100.00 |
| Asunto Oy Rovaniemen Pohjolankatu 11 | Rovaniemi | 100.00 | 100.00 |
| Asunto Oy Rovaniemen Tukkipartio | Rovaniemi | 100.00 | 100.00 |
| Asunto Oy Salamankulma | Turku | 66.18 | 66.18 |
| Asunto Oy Tampereen Tuomiokirkonkatu 32 | Tampere | 100.00 | 100.00 |
| Asunto Oy Toppilan Tuulentie 2 | Oulu | 100.00 | 100.00 |
| Asunto Oy Tuuran Komuntalo | Oulu | 100.00 | 100.00 |
| Asunto Oy Turun Ketokaunokki | Turku | 100.00 | 100.00 |
| Asunto Oy Turun Niittyvilla | Turku | 100.00 | 100.00 |
| Asunto Oy Turun Värikinkatu 2 | Turku | 100.00 | 100.00 |
| Asunto Oy Vantaan Hirvihaukka | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Keikarinkuja 3 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Kilterinaukio 4 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Kilterinkaari 2 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Krassitie 8 | Vantaa | 80.00 | 80.00 |
| Asunto Oy Vantaan Neilikkapolku | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Pyhtäänkorvenkuja 4 ja 6 | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vantaan Tammistonvuori | Vantaa | 100.00 | 100.00 |
| Asunto Oy Verkkotie 3 | Hämeenlinna | 100.00 | 100.00 |
| Asunto Oy Vähäntuvantie 6 | Helsinki | 100.00 | 100.00 |
| Kiint. Oy Taivaskero 2 | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Kavallinterassit | Kauniainen | 100.00 | 100.00 |
| Kiinteistö Oy Rappulanharju | Salu | 100.00 | 100.00 |
| Kiinteistö Oy Reki-Valko | Järvenpää | 100.00 | 100.00 |
| Kiinteistö Oy Saarensahra | Tampere | 100.00 | 100.00 |
| Kiinteistö Oy Satonkaarre | Kaarina | 90.00 | 90.00 |
| Kiinteistö Oy Siilinjärven Kirkkorinne | Siilinjärvi | 100.00 | 100.00 |
| Kiinteistö Oy Tuureporin Liiketalo | Turku | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Pyhtäänpolku | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Vilhelmiina | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Viola | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Ylä-Malmintori | Helsinki | 100.00 | 100.00 |
| Kiinteistöosakeyhtiö Näsinlänkkäkatu 40 | Tampere | 100.00 | 100.00 |
| Volaria Oy | Helsinki | 100.00 | 100.00 |

| | <i>Domicile</i> | <i>Parent company's holding %</i> | <i>Group's holding %</i> |
|--|-----------------|-----------------------------------|--------------------------|
| VVO Asunnot Oy | | | |
| Asunto Oy Espoon Klariksentie 2 | Espoo | 92.74 | 92.74 |
| Asunto Oy Espoon Piilipuuntie 11 | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Piilipuuntie 7 | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Piilipuuntie 9 | Espoo | 100.00 | 100.00 |
| Asunto Oy Helsingin Helminauha | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Plyymi | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Puuhka | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Silkkinauha | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Soittajantie 2 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Viuhka | Helsinki | 100.00 | 100.00 |
| Asunto Oy Kouvolan Viirikaari | Kouvola | 100.00 | 100.00 |
| Asunto Oy Kuopion Papinkuja 3 | Kuopio | 100.00 | 100.00 |
| Asunto Oy Kuopion Papinkuja 7 | Kuopio | 100.00 | 100.00 |
| Asunto Oy Päivöläntie 25 | Helsinki | 93.86 | 93.86 |
| Asunto Oy Turun Aurinkorinne | Turku | 81.50 | 81.50 |
| Asunto Oy Vantaan Kilterinmännikkö | Vantaa | 100.00 | 100.00 |
| Asunto Oy Vihdin Pajuniitty | Vihti | 100.00 | 100.00 |
| Kiinteistö Oy Espoon Lyhtykuja | Espoo | 100.00 | 100.00 |
| Kiinteistö Oy Lappeenrannan Koulukatu 1 | Lappeenranta | 75.55 | 100.00 |
| Kiinteistö Oy Loviisanlinna-Lovisaborg Fastighets Ab | Loviisa | 100.00 | 100.00 |
| Kiinteistö Oy Mannerheimintie 168 | Helsinki | 51.46 | 82.61 |
| Kiinteistö Oy Tampereen Täija | Tampere | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Kilterinaukio 1 | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Kilterinhovi | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Kilterinkartano | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Kilterinpiha | Vantaa | 100.00 | 100.00 |
| Kiinteistö Oy Vantaan Viktorija | Vantaa | 100.00 | 100.00 |
| VVO Vuokra-asunnot Oy | | | |
| Asunto Oy Helsingin Kauppakartanonkuja 3 | Helsinki | 100.00 | 100.00 |
| Asunto Oy Jyväskylän maalaiskunnan Pohjantikka | Jyväskylä | 100.00 | 100.00 |
| Asunto Oy Jyväskylän maalaiskunnan Vihertikka | Jyväskylä | 100.00 | 100.00 |
| Kiinteistö Oy Malminhaka | Tampere | 90.00 | 90.00 |
| Kiinteistö Oy Nurmelanpirtti | Lappeenranta | 100.00 | 100.00 |
| Kiinteistö Oy Rekiatro | Järvenpää | 100.00 | 100.00 |
| Kiinteistöosakeyhtiö Aerolan A-talot | Vantaa | 100.00 | 100.00 |
| Kiinteistöosakeyhtiö Aerolan B-talot | Vantaa | 100.00 | 100.00 |
| Äyhönjärven Autopaikoitus Oy | Rauma | 58.13 | 58.13 |
| VVO Vuokratalot Oy | | | |
| Asunto Oy Espoon Asemakuja 1 | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Piilipuuntie 25 | Espoo | 100.00 | 100.00 |
| Asunto Oy Espoon Piilipuuntie 31 | Espoo | 100.00 | 100.00 |
| Asunto Oy Helsingin Harmaatikka | Helsinki | 100.00 | 100.00 |
| Asunto Oy Helsingin Vihertikka | Helsinki | 100.00 | 100.00 |
| Fastighets Ab Lovisa Ulrikaborg Kiinteistö Oy | Loviisa | 97.33 | 97.33 |
| Kiinteistö Oy Hovirinnan Luumu | Kaarina | 80.00 | 80.00 |
| Kiinteistö Oy Kanavanpirtti | Lappeenranta | 100.00 | 100.00 |
| Kiinteistö Oy Nummenpirttu | Hämeenlinna | 100.00 | 100.00 |
| Kiinteistö Oy Oulun Kortkankynsi | Oulu | 65.00 | 65.00 |
| Kiinteistö Oy Puotipuksu | Jyväskylä | 100.00 | 100.00 |
| Kiinteistö Oy Tuiranjama | Oulu | 58.67 | 58.67 |
| Kiinteistö Oy Vaakamestarinpolku 2 | Helsinki | 100.00 | 100.00 |

| | <i>Domicile</i> | <i>Parent company's holding %</i> | <i>Group's holding %</i> |
|---|-----------------|-----------------------------------|--------------------------|
| Kiinteistö Oy Vehnäpelto | Vantaa | 100.00 | 100.00 |
| Tikantupa Oy | Jyväskylä | 100.00 | 100.00 |
| VVO Korkotukikiinteistöt Oy | | | |
| Asunto Oy Kuopion Vilhelmiina | Kuopio | 78.38 | 100.00 |
| Kiinteistö Oy Tampereen Kyllikinkatu 15 | Tampere | 76.50 | 100.00 |
| Kiinteistö Oy Vantaan Karhunkierros 1 C | Vantaa | 86.58 | 86.58 |
| VVO Palvelut Oy | | | |
| Koy Mannerheimintie 168a | Helsinki | 100.00 | 100.00 |
| Joint ventures | | | |
| VVO Group plc | | | |
| Asunto Oy Nilsian Ski | Nilsia | 28.33 | 28.33 |
| Suomen Asumisoikeus Oy | Helsinki | 50.00 | 50.00 |
| SV-Asunnot Oy | Helsinki | 50.00 | 50.00 |
| VVO Asunnot Oy | | | |
| Asunto Oy Ikaalisten Päiväniitty | Ikaalinen | 23.20 | 23.20 |
| As. Oy Järvenpään Jampanpaju | Järvenpää | 41.35 | 41.35 |
| Kiinteistö Oy Ahdinluoto | Espoo | 34.50 | 34.50 |
| Kiinteistö Oy Jyrkkälänpolku | Turku | 28.85 | 28.85 |
| Fastighets Ab Lovisa Stenborg Kiinteistö Oy | Loviisa | 45.50 | 45.50 |
| Kiinteistö Oy Silkkirivi | Ikaalinen | 33.33 | 33.33 |
| Kanniston Huolto Oy | Kerava | 20.51 | 20.51 |
| Mummunkujan pysäköinti Oy | Tampere | 26.51 | 53.01 |
| Popinniemen Lämpö Oy | Kotka | 34.00 | 34.00 |
| Ristikedonkadun Lämpö Oy | Salo | 49.90 | 49.90 |
| SKIPA Kiinteistöpalvelut Oy | Espoo | 20.63 | 20.63 |
| Tamppi Pysäköinti Oy | Tampere | 23.21 | 23.21 |
| Veturitallin Parkki Oy | Jyväskylä | 45.31 | 45.31 |
| Kiinteistö Oy Vantaan Puunhaltijakujan Parkki | Vantaa | 45.00 | 45.00 |
| Hatanpäänhovin Pysäköinti Oy | Tampere | 20.63 | 62.51 |
| VVO Vuokratalot Oy | | | |
| Asunto Oy Laitilan Mirjaminpuisto | Laitila | 49.63 | 49.63 |
| As Oy Laitilan Tanhuanatie | Laitila | 35.90 | 35.90 |
| Fastighets Ab Bärvägen | Finström | 33.33 | 33.33 |
| Kiinteistö Oy Ahjolansato | Iisalmi | 25.00 | 25.00 |
| Kiinteistö Oy Keinulaudantie 4 | Helsinki | 41.62 | 41.62 |
| Pajalan Huolto Oy | Järvenpää | 37.93 | 44.06 |
| Hatanpäänhovin Pysäköinti Oy | Tampere | 41.88 | 62.51 |
| VVO Korkotukikiinteistöt Oy | | | |
| Kiinteistö Oy Myllytullin Autotalo | Oulu | 24.39 | 24.39 |
| Lintulammenkadun Pysäköintilaitos Oy | Kerava | 39.19 | 39.19 |
| Paavolan Parkki Oy | Lahti | 24.93 | 24.93 |
| Ruukuntekijäntien paikoitus Oy | Vantaa | 26.24 | 26.24 |
| Virvatulentien Pysäköinti Oy | Helsinki | 25.15 | 25.15 |
| VVO Kodit Oy | | | |
| Asunto Oy Kuopion Vilhelmiina | Kuopio | 21.68 | 100.00 |
| Katajapysäköinti Oy | Tampere | 34.26 | 50.93 |
| Kiinteistö Oy Helsingin Eliaksentalo 1 | Helsinki | 23.01 | 23.01 |

| | <i>Domicile</i> | <i>Parent company's holding %</i> | <i>Group's holding %</i> |
|---|-----------------|-----------------------------------|--------------------------|
| Kiinteistö Oy Jyväskylän Torikulma | Jyväskylä | 42.63 | 42.63 |
| Kiinteistö Oy Oulun Tullivahdin Parkki | Oulu | 33.78 | 33.78 |
| Kiinteistö Oy Lappeenrannan Koulukatu 1 | Lappeenranta | 24.45 | 100.00 |
| Kiinteistö Oy Mannerheimintie 168 | Helsinki | 31.15 | 82.61 |
| Kiinteistö Oy Tampereen Kyllikinkatu 15 | Tampere | 23.50 | 100.00 |
| Marin autopaikat Oy | Espoo | 21.00 | 21.00 |
| Mummunkujan pysäköinti Oy | Tampere | 26.51 | 53.01 |
| Pihlajapysäköinti Oy | Tampere | 30.56 | 30.56 |

Other joint ventures

VVO Group

| | | | |
|------------------------|-------------|-------|-------|
| Kirkkonummen Huolto Oy | Kirkkonummi | | 21.15 |
| VVO Vuokratalot Oy | | 17.88 | |
| VVO Asunnot Oy | | 3.27 | |

VVO Group

| | | | |
|-----------------------------|------|-------|-------|
| Ruukinpuiston Pysäköinti Oy | Oulu | | 23.49 |
| VVO Korkotukikiinteistöt Oy | | 9.93 | |
| VVO Kodit Oy | | 13.56 | |

All associates apart from Suomen Asumisoikeus Oy and SV-Asunnot Oy have been consolidated using the equity method.

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Inventories | | | | |
| Inventory shares | 34,948 | 64,374 | | 2,992 |
| Land areas and other inventories | 40,480 | 70,880 | | |
| Total inventories 31 December | 75,428 | 135,254 | | 2,992 |
| Receivables | | | | |
| Non-current | | | | |
| Loan receivables from Group companies | | | 61,546 | 83,357 |
| Receivables from joint ventures | | | | |
| Loan receivables | 591 | 598 | | 1,656 |
| Loan receivables | 517 | 517 | 177 | 513 |
| Other receivables | 98 | | | |
| Accrued income | 83 | | | |
| | 1,291 | 1,115 | 61,724 | 85,528 |
| Current | | | | |
| Accounts receivables | 4,333 | 4,588 | 0 | 206 |
| Receivables from Group companies | | | | |
| Accounts receivables | | | 102 | 633 |
| Loan receivables | | | 7,010 | 14,577 |
| Other receivables | | | 21,614 | 32,088 |
| Accrued income | | | | 33 |
| Loan receivables | 2,690 | 3,010 | 86 | 110 |
| Other receivables | 306 | 1,734 | 145 | 1,199 |
| Accrued income | 1,640 | 5,663 | 294 | 335 |
| | 8,971 | 14,995 | 29,254 | 49,183 |
| Financial securities | | | | |
| Securities and shares | | | | |
| Replacement value | 34,401 | 25,235 | 13,195 | 15,539 |
| Carrying amount | 32,516 | 24,481 | 12,046 | 14,941 |
| Difference | 1,885 | 754 | 1,148 | 598 |
| Financial securities include fund shares, bonds, securities and other similar publicly quoted investment objects. | | | | |
| Equity | | | | |
| Share capital 1 January | 58,025 | 58,025 | 58,025 | 58,025 |
| Share capital 31 December | 58,025 | 58,025 | 58,025 | 58,025 |
| Share premium 1 January | 35,786 | 35,786 | 35,786 | 35,786 |
| Share premium 31 December | 35,786 | 35,786 | 35,786 | 35,786 |
| Revaluation reserve 1 January | 1,568 | 1,568 | 2,119 | 2,119 |
| Revaluation reserve 31 December | 1,568 | 1,568 | 2,119 | 2,119 |
| Contingency fund 1.1. / 31.12. | 16 | 16 | 16 | 16 |
| Reserve for invested unrestricted equity 1 January | 18 | | 18 | |
| Increase | 17,838 | 18 | 17,838 | 18 |
| Reserve for invested unrestricted equity 31 December | 17,856 | 18 | 17,856 | 18 |

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Retained earnings 1 January | 226,623 | 204,294 | 21,988 | 17,810 |
| Dividend distribution | -8,240 | -4,120 | -8,240 | -4,120 |
| Adjustment for previous financial year *) | | -2 900 | | |
| Retained earnings 31 December | 218,382 | 197,273 | 13,747 | 13,690 |
| Profit for the period | 40,478 | 29,349 | 11,143 | 8,298 |
| Total equity | 372,112 | 322,037 | 138,694 | 117,953 |

*) Retained earnings have been adjusted in accordance with VVO Rakennuttaja Oy's degree of completion adjustment of EUR 0.0 million (-2.9).

Calculation on capital surplus 31 December

| | | | | |
|--|--|--|------------------------|------------------------|
| Reserve for invested unrestricted equity | | | 17,856 | 18 |
| Retained earnings | | | 13,747 | 13,690 |
| Profit for the period | | | 11,143 | 8,298 |
| Total | | | 42,746 | 22,006 |
| | | | <i>2010 shares</i> | <i>2009 shares</i> |

The parent company's share capital is divided by share class as follows:

| | | | | |
|---------------------------|--|--|-----------|-----------|
| A series (20 votes/share) | | | 7,402,560 | 6,867,420 |
|---------------------------|--|--|-----------|-----------|

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Accumulated appropriations | | | | |
| Accumulated depreciation difference 1 January | | | 2,022 | 1,182 |
| Change | | | -2,009 | 839 |
| Accumulated depreciation difference 31 December | | | 12 | 2,022 |
| Residential housing reserve 1 January | | | 626 | 626 |
| Change | | | -626 | |
| Residential housing reserve 31 December | | | | 626 |
| Total accumulated appropriations 31 December | | | 12 | 2,648 |

Statutory provisions

| | | | | |
|----------------------------|-------|-------|--|--|
| Other statutory provisions | 1,910 | 1,607 | | |
|----------------------------|-------|-------|--|--|

The statutory provisions include guarantee reserves for VVO Rakennuttaja Oy's founder construction based on experience in the amount of EUR 1.9 million (1.6).

Deferred tax assets and liabilities

| | | | | |
|---------------------------------------|---------------|---------------|--|--|
| Due to appropriations | | | | |
| Calculated on depreciation difference | | | | |
| Value 1 January | 19,160 | 14,481 | | |
| Increases | 5,609 | 4,679 | | |
| Decreases | -522 | | | |
| Value 31 December | 24,247 | 19,160 | | |

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|--|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Calculated on residential housing reserve | | | | |
| Value 1 January | 67,673 | 64,779 | | |
| Increases | 4,953 | 3,562 | | |
| Decreases | -500 | -668 | | |
| Value 31 December | 72,126 | 67,673 | | |
| Calculated on consolidation measures | | | | |
| Deferred tax liabilities | | | | |
| Value 1 January | 6,100 | 5,289 | | |
| Increases | | 923 | | |
| Decreases | -126 | -112 | | |
| Value 31 December | 5,973 | 6,100 | | |
| Deferred tax assets from consolidation measures and other scheduling differences between accounting and taxation | | | | |
| Value 1 January | -5,472 | -6,249 | | |
| Increases | -888 | -791 | | |
| Decreases | 821 | 1,568 | | |
| Value 31 December | -5,539 | -5,472 | | |
| Total deferred tax liabilities 31 December | 96,807 | 87,461 | | |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 96,807 | 87,461 | | |
| Capital loans | 2,354 | 2,354 | | |
| Loans from financial institutions | | | | |
| Primary loans | 3,888 | 7,897 | | |
| Mortgages | 4,187 | 6,664 | | |
| State-subsidised loans | 338,193 | 348,100 | | |
| Interest subsidy loans | 539,421 | 463,971 | | |
| Third sector loans | 5,857 | 8,209 | | 2,006 |
| Other non-current loans | 633,884 | 680,338 | 11,466 | 147,647 |
| Received advance payments | 40 | 60 | | 60 |
| Trade payables | 1 | 0 | | |
| Other loans and debts | 13,313 | 13,278 | | 7,928 |
| | 1,637,951 | 1,618,336 | 11,466 | 157,642 |
| Derivatives | | | | |
| Interest rate swaps *) | | | | |
| Nominal value | 145,102 | 117,434 | 3,600 | 49,715 |
| Valuation | -7,378 | -5,198 | -362 | -2,986 |
| *) The bank can in certain situations change the interest rate tying for some swaps | | | | |
| Interest rate swaps to be dissolved **) | | | | |
| Nominal value | 98,116 | 130,447 | | 126,188 |
| Valuation | -8,271 | -10,967 | | -10,546 |
| **) The bank can in certain situations dissolve the interest rate hedging | | | | |
| Interest rate options bought and written | | | | |
| Nominal value | 44,815 | 46,729 | | 18,196 |
| Valuation | -460 | -700 | | -272 |
| Total | | | | |
| Nominal value | 288,034 | 294,611 | 3,600 | 194,099 |
| Fair value | -16,110 | -16,865 | -362 | -13,805 |

In addition, some interest rate swaps have been complemented with Basis swap derivatives for EUR 0.0 million (41.1).
The average maturity of the derivatives is 2 years and 7 months (2 years and 8 months).

| 1,000 € | Group 2010 | Group 2009 | Parent company 2010 | Parent company 2009 |
|--|----------------|----------------|------------------------|------------------------|
| Current liabilities | | | | |
| Capital loans | | 17,982 | | 17,982 |
| Loans from financial institutions | | | | |
| Installments of primary loans in the next financial year | 2,485 | 3,760 | | |
| Installments of mortgages in the next financial year | 1,385 | 1,781 | | |
| Installments of state-subsidised loans in the next financial year | 9,827 | 8,206 | | |
| Installments of interest subsidy loans in the next financial year | 7,016 | 8,900 | | |
| Installments of third sector loans in the next financial year | 172 | 22 | | 13 |
| Installments of additional loans in the next financial year | 201 | 201 | | |
| Installments of other non-current loans in the next financial year | 24,664 | 25,766 | 660 | 4,510 |
| Overdraft limits | 7,000 | 24,000 | | 14,000 |
| Current bank loans | 3,150 | 13,526 | | |
| Received advance payments | 5,119 | 6,817 | | 460 |
| Trade payables | 6,626 | 3,520 | 540 | 209 |
| Liabilities to Group companies | | | | |
| Advance fees | | | | 35 |
| Trade payables | | | 1 | 203 |
| Other loans and debts | | | 56,707 | 65,813 |
| Accrued expenses | | | | 0 |
| Liabilities to joint ventures | | | | |
| Other loans and debts | | | | 129 |
| Accrued expenses | | 1 | | |
| Other loans and debts | 68,125 | 80,065 | 50,411 | 62,648 |
| Accrued expenses | | | | |
| Accrued interest payable | 10,958 | 14,353 | 41 | 2,539 |
| Wages including social security costs | 4,724 | 3,856 | 557 | 786 |
| Income taxes payable | 2,412 | 24 | 284 | 8 |
| Construction | 1,887 | 2,998 | | |
| Other accrued expenses | 3,651 | 3,288 | | 40 |
| | 159,411 | 219,071 | 109,205 | 169,380 |

Capital loans

Suomen Vuokratalot Oy's capital note 2001

Suomen Vuokratalot Oy has received a capital note from the City of Tampere in 2001 totaling EUR 2,354,630.97 with the following loan terms:

The loan will be repaid in twenty years. The interest rate is a fixed 5.5 percent annual interest for the first five years and after this six months euribor plus 0.75 percentage points. The loan interest is only to be paid if the amount paid can be used for distribution in accordance with the company's latest confirmed balance sheet. The interest rates are accrued in the financial statement. Suomen Vuokratalot Oy has merged with VVO Kodit Oy and the capital note has been transferred to VVO Kodit Oy under the same terms and conditions.

VVO Group plc's convertible subordinated capital note 2007

VVO Group plc has taken out a EUR 18,000,000.00 loan from its shareholders. A total of 6,000 promissory notes with a nominal value of EUR 3,000 each were issued for the loan amount. The loan period was 30 November 2007–30 November 2010. The interest rate for the loan was 6 percent. The loan capital could only be repaid to the extent that the amount of the company's unrestricted shareholders' equity and all capital notes at the time of payment exceeded the amount of loss in the balance sheet of the company's latest confirmed or a more recent financial statement.

The loan included the right to exchange the promissory notes to a maximum of 540,000 new A series shares in the company. Each EUR 3,000 promissory note entitled the holder to exchange the promissory note to 90 shares. The exchange rate for the share was EUR 33.33. The exchange period for the loan began on 2 January 2008 and ended on 25 November 2010. A total of EUR 17,838,000.00 of the promissory notes were exchanged for the reserve for invested unrestricted equity and a total of 535,140 new shares were subscribed. During 2009 EUR 18,000.00 of the capital loan was prematurely exchanged for the reserve for invested unrestricted equity and 540 new A series shares was subscribed.

Related party transactions

There were no related party transactions in 2010. During 2009 VVO Rakennuttaja Oy sold the entire stock (shares 1–8000) of a company called Asunto Oy Helsingin Tervapääskynen to the Trade Union for the Public and Welfare Sectors JHL and is committed to build a building for it. The Trade Union for the Public and Welfare Sectors JHL owns 8.18% of the Group's shares.

Guarantees and contingent liabilities

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|---|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Guarantees given | | | | |
| Loans that mature in over five years | | | | |
| Capital loans | 2,354 | 2,354 | | |
| Loans from financial institutions | | | | |
| Primary loans | 43 | 212 | | |
| Mortgages | 940 | 1,743 | | |
| State-subsidised loans | 303,503 | 301,701 | | |
| Interest subsidy loans | 461,886 | 418,007 | | |
| Third sector loans | 4,131 | 7,591 | | 1,953 |
| Other non-current loans | 481,135 | 494,810 | 7,423 | 111,941 |
| Total | 1,253,995 | 1,226,421 | 7,423 | 113,895 |
| Loans for which mortgage on property has been given as guarantee | | | | |
| Loans from financial institutions | 1,226,146 | 1,181,601 | 3,472 | 54,024 |
| Mortgages given | 1,948,995 | 1,861,417 | 5,045 | 48,358 |
| Total mortgages given as guarantees | 1,948,995 | 1,861,417 | 5,045 | 48,358 |
| Loans for which shares have been given as guarantee | | | | |
| Loans from financial institutions | 59,707 | 59,991 | 850 | 56,416 |
| Carrying amount of pledged shares | 69,115 | 68,877 | | 63,416 |
| Total pledged shares | 69,115 | 68,877 | | 63,416 |
| Loans for which mortgage on company assets has been given as guarantee | | | | |
| Other non-current loans | | 301 | | |
| Value of mortgaged company assets | | 1,124 | | |
| Total mortgaged company assets | | 1,124 | | |
| Loans for which several different types of guarantees have been given | | | | |
| Loans from financial institutions | 230,605 | 201,700 | 5,245 | 27,925 |
| Carrying amount of pledged shares | 57,372 | 68,238 | | 22,563 |
| Mortgages | 229,712 | 215,936 | | 19,790 |
| Shares | 6,014 | | | |
| Mortgages on company assets | 2,505 | 10,663 | | 8,157 |
| Total value of pledged guarantees | 295,605 | 294,837 | | 50,511 |

| <i>1,000 €</i> | <i>Group 2010</i> | <i>Group 2009</i> | <i>Parent company 2010</i> | <i>Parent company 2009</i> |
|--|-----------------------|-----------------------|--------------------------------|--------------------------------|
| Pledges given as guarantees for rent payment and street maintenance | | | | |
| Mortgages given | 7,406 | 7,324 | | 62 |
| Guarantees given | | | | |
| Absolute guarantee | 222,934 | 273,247 | | |
| Counterguarantee for received external guarantees | | | | |
| The city of Espoo and Vantaa | 4,022 | 22,757 | | 18,734 |
| Guarantees for companies belonging to the same Group | | | | |
| Guarantees given for companies belonging to the same Group | | | | |
| Mortgages on company assets | | | 2,505 | 3,145 |
| Shares | | | | 3,325 |
| Total | | | 2,505 | 6,470 |
| Guarantees | | | | |
| Guarantees given for companies belonging to the same Group | | | 215,343 | 265,355 |
| Other guarantees given | | | | |
| Guarantees given on behalf of others | | | | |
| Pledged deposits | 139 | 139 | | |
| Total | 139 | 139 | | |
| Guarantees given on behalf of others | | | | |
| Counterguarantees given | 7,884 | 9,900 | | |
| Guarantees given | 1,950 | 1,750 | | |
| Total | 9,834 | 11,650 | | |
| Other liabilities | | | | |
| Leasing liabilities | | | | |
| Cars | | | | |
| To be paid during the next financial year | 984 | 808 | 186 | 197 |
| To be paid later | 1,474 | 1,442 | 275 | 335 |
| Total | 2,458 | 2,250 | 461 | 533 |
| Phones | | | | |
| To be paid during the next financial year | 50 | 32 | 50 | 32 |
| To be paid later | 19 | 6 | 19 | 6 |
| Total | 69 | 39 | 69 | 39 |
| Rent liabilities | | | | |
| Rent liabilities directed at commercial premises | 1,435 | 1,650 | | |
| Rent liabilities directed at plots | 180,586 | | | |
| Presented for the first time in 2010, no comparison data for 2009 | | | | |
| Value added tax liabilities | | | | |
| Value added tax repayment liabilities | 4,020 | 4,574 | | |
| Land purchase liabilities | | | | |
| Unpaid deal prices in accordance with agreement | 1,630 | 1,630 | | |
| Deal prices based on target building rights | 5,500 | 5,500 | 3,812 | 3,812 |
| Liabilities to build public utility services | 2,920 | 7,480 | | |

Construction liability

The land use agreement related to Espoo's zoned areas Suurpelto I and II includes schedules for construction sanctioned with delayed penalties. The zoned areas are divided into three execution areas in the agreement. VVO owns building permits in these areas as follows: area 1 - 21,450 floor square meters, area 2 - 34,980 floor square meters and area 3 - 23,775 floor square meters. The agreement stipulates that all of the residential building rights in area 1 have to be built by November 2011, in area 2 by November 2013 and in area 3 by November 2016. The delayed penalty is graded based on the period of delay and can at most, if the delay has continued for at least five years, be half of the land use payments in accordance with the agreement. According to the agreement, the city can, if circumstances change, lower the penalty or not collect any delayed penalty.

The construction agreement for block 36118 located in Viikinmäki in Helsinki includes a schedule for construction sanctioned with delayed penalties.

The plot deed of a company called Asunto Oy Helsingin Harmaatikka located in Hermanni in Helsinki includes a schedule for construction sanctioned with delayed penalties.

The plot deed of a company called Asunto Oy Helsingin Vihertikka located in Hermanni in Helsinki includes a schedule for construction sanctioned with delayed penalties.

Plot 179-2-19-3 located in Jyväskylä includes a schedule for construction sanctioned with delayed penalties.

Calculation formulas for key figures

| | | |
|---------------------------|--|-------|
| Return on equity, % = | $\frac{\text{Profit before non-recurring items} - \text{Taxes}}{\text{Equity} + \text{Minority share, average for the year}}$ | x 100 |
| Return on investment, % = | $\frac{\text{Profit before non-recurring items} + \text{Financing costs}}{\text{Balance sheet total} - \text{Interest free debt, average for the year}}$ | x 100 |
| Current ratio = | $\frac{\text{Inventories and current assets}^{1})}{\text{Current liabilities}}$ | |
| Gearing, % = | $\frac{\text{Equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{advances received}}$ | x 100 |
| Earnings per share, EUR = | $\frac{\text{Profit before non-recurring items} - \text{Taxes}}{\text{Number of shares at the end of the financial year}}$ | |
| Equity per share, EUR = | $\frac{\text{Equity}}{\text{Number of shares at the end of the financial year}}$ | |
| Dividend per result, % = | $\frac{\text{Dividend per share}}{\text{Earnings per share}}$ | x 100 |

¹⁾ Inventories and current assets correspond with the total current assets in the balance sheet.

Key indicators depicting financial development

| 1,000 € | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Scope of operations | | | | | |
| Turnover | 328,647 | 342,879 | 327,221 | 356,651 | 328,764 |
| Change, % | -4.15 | 4.79 | -8.25 | 8.48 | 6.77 |
| Share of housing rental, % | 88.59 | 81.68 | 79.85 | 70.91 | 74.41 |
| Share of housing construction, % | 11.41 | 18.31 | 19.44 | 26.25 | 22.59 |
| Share of electricity, % | | | 0.60 | 2.68 | 2.77 |
| Share of other operations, % | | 0.01 | 0.11 | 0.16 | 0.23 |
| Non-recurring costs | | | | -748 | |
| Balance sheet total | 2,184,152 | 2,170,560 | 2,149,647 | 2,046,103 | 1,901,554 |
| Average number of personnel | 341 | 346 | 388 | 395 | 401 |
| Turnover/person | 964 | 991 | 843 | 903 | 820 |
| Profitability | | | | | |
| Operating result | 100,616 | 98,229 | 91,483 | 92,033 | 86,030 |
| % of turnover | 30.62 | 28.65 | 27.96 | 25.80 | 26.17 |
| Net rental income, % ²⁾ | 9.75 | 9.90 | | | |
| Profit before non-recurring items | 57,510 | 40,965 | 32,788 | 43,218 | 40,858 |
| Profit before appropriations and taxes | 57,510 | 40,965 | 32,788 | 42,471 | 40,858 |
| % of turnover | 17.50 | 11.95 | 10.02 | 11.91 | 12.43 |
| Total result | 40,478 | 29,349 | 22,826 | 28,910 | 27,368 |
| % of turnover | 12.32 | 8.56 | 6.98 | 8.11 | 8.32 |
| Return on equity, % (ROE) | 11.34 | 9.21 | 8.01 | 11.36 | 11.04 |
| Return on investment, % (ROI) ³⁾ | 5.08 | 5.13 | 4.99 | 5.49 | 5.33 |
| Financing and financial position | | | | | |
| Current ratio | 1.32 | 1.29 | 1.43 | 1.38 | 1.25 |
| Gearing, % | 17.66 | 15.32 | 14.47 | 13.06 | 13.75 |
| Interest-bearing liabilities ³⁾ | 1,654,923 | 1,682,905 | 1,669,619 | 1,613,355 | 1,465,283 |
| Liquid assets | 96,462 | 113,169 | 92,094 | 85,544 | 69,135 |
| Key ratios per share ¹⁾ | | | | | |
| Earnings per share, EUR | 5.49 | 4.30 | 3.34 | 4.94 | 4.61 |
| Equity per share, EUR | 50.27 | 46.89 | 43.64 | 42.24 | 41.48 |
| Dividend per share, EUR ⁴⁾ | 1.50 | 1.20 | 0.60 | 1.10 | 4.05 |
| Dividend per result, % ⁴⁾ | 27.33 | 27.91 | 17.95 | 22.29 | 87.80 |
| Number of shares at the end of the financial year | 7,402,560 | 6,867,420 | 6,866,880 | 6,009,780 | 6,009,780 |

¹⁾ Share specific indicators are calculated based on the number of shares during each year.

²⁾ The net rental income from rented apartments is calculated by subtracting the property's maintenance costs, renovation costs and rents and condominium charges from the rental income. The net rental income percentage is calculated as an average of the annual purchase value of the completed property stock.

³⁾ The loans from financial institutions for construction projects are treated as interest-bearing debt when calculating the key indicators. The interest expenses of these loans are mainly included in financial expenses.

⁴⁾ The Board of Directors proposes that a dividend of EUR 1.50 per share will be distributed.

In Helsinki, 17 February 2011

Riku Aalto
Chairman of the Board

Risto Murto
Deputy Chairman of the Board

Tomi Aimonen

Matti Harjuniemi

Erkki Kangasniemi

Antti Rinne

Jani Salenius

Ann Selin

Urpo Piilo
CEO

Auditor's note

An auditor's report has been issued today.

In Helsinki, 11 March 2011

KPMG Oy Ab

Kai Salli, APA

Auditor's report

To the Annual General Meeting of VVO Group plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of VVO Group plc for the period 1 January – 31 December 2010. The financial statements comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based

on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence, which may result in liability in damages towards the company, or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view. The auditor reviews the internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet and distribution of other unrestricted equity is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 11 March 2011
KPMG OY AB

Kai Salli,
APA

VVO Group plc's Corporate Governance Statement

VVO Group plc is a Finnish public limited company, which complies with the Finnish Companies Act, its Articles of Association, and other regulations concerning public companies in its decision-making and administration.

Annual General Meeting

The Annual General Meeting is VVO Group plc's supreme decision-making body where the shareholders participate in the governing and control of the company. The Annual General Meeting is arranged so that the shareholders can efficiently exercise their rights as owners. The CEO, the Chairman of the Board and a sufficient number of Board members are present at the AGM. A person that is in line for the Board for the first time must attend the Annual General Meeting where the election is made, unless there are weighty reasons for the absence.

The Annual General Meeting must, based on the Articles of Association, be arranged once a year on a date defined by the Board of Directors, at the latest six months after the fiscal period has ended. The Annual General Meeting decides on the matters stipulated in Section 12 of the Articles of Association and any possible proposals made to the AGM. In addition, the Annual General Meeting appoints the Nomination Committee to prepare the selection of the Chairman of the Board and/or its members, their fees and/or the number of Board members.

An Extraordinary General Meeting must be arranged when the previous General Meeting has decided on it or when the Board of Directors sees it as necessary. An Extraordinary General Meeting must also be arranged if the auditor or shareholders that hold at least one-tenth of all shares requests this in writing to discuss an issue they have raised.

Sufficient information concerning the issues to be discussed at the General Meeting must be made available to the shareholders before the meeting.

The shareholders shall be invited to the General Meeting at least two weeks before the meeting or the last day of registration for the meeting, with a registered letter that is sent to the address recorded in the share register for the shareholder in question. The registration deadline can end at the earliest ten days before the meeting.

Board of Directors

VVO Group plc's Board of Directors is elected by the Annual General Meeting based on the Nomination Committee's proposal. The Board of Directors consists of a minimum of five and a maximum of eight members that are elected for a one year term. A Board member must have the required qualifications for the task and the Board composition must correspond with the requirements set forth by the size, market position and industry of the company.

A majority of the Board members must be independent of the company. At least two of the members belonging to the above mentioned majority must be independent of the company's major shareholders. Independency refers to what is prescribed in the Finnish Corporate Governance code issued on 1 October 2010. People employed by the company cannot be elected as Board members and members of the Board cannot have an employment relationship with the company.

The term of the Board of Directors is one year and it ends at the end of the next Annual General Meeting held after the election.

The Board of Directors has compiled a written working order for its operations, which defines the

main tasks and operating principles of the Board. The Board assesses its operations and working methods annually. The results of the assessment are taken into account when preparing the proposal for the composition of the new Board of Directors. When looking for new members external expert help is used if needed.

The Board oversees the management and operations of the company in accordance with the Limited Liability Companies Act. The general task of the Board is to act as the representative of all shareholders by steering the company's operations in accordance with the Articles of Association, so that it generates the highest possible added value in the long term, while taking into account the expectations of different interest groups.

In addition the Board of Directors is responsible for:

- appointing the company's CEO and deputy CEO
- approving the financial statement and consolidated financial statements as well as interim reports
- making a proposal to the Annual General Meeting on the distribution of profits
- approving the Group's strategy, budget, and investment and divestment plan
- preparing the issues to be discussed at the Annual General Meeting
- granting and revoking rights to represent the company
- deciding on major and strategically important investments and divestments
- confirming the policies compiled by the Group, including HR, financing and risk management policies
- deciding on taking out loans for the Group, granting loans and guarantees to be given

- confirming organisational changes to be made in the Group presented by the CEO
- deciding on long-term investments in subsidiaries
- confirming the subsidiaries' Board members
- appointing the members of the Group's management group and confirming the terms of their employment
- electing the deputy chairman and secretary of the Board
- confirming the working order of the Audit Committee and Remuneration Committee, and appointing the Chairmen and members of these committees
- being responsible for appropriate organisation of risk management within the Group

Committees

General

The company has a Nomination Committee appointed by the Annual General Meeting and an Audit Committee and Remuneration Committee appointed by the Board of Directors. The Board of Directors can also appoint other committees and temporary workgroups for a particular task. These reports are discussed at the Board meetings.

The committees do not have independent decision making powers.

Nomination Committee

The Annual General Meeting appoints the Nomination Committee that consists of four members elected at the Annual General Meeting. In addition, the Chairman of the Board of Directors is permitted to attend the meetings as an expert. The Nomination Committee selects a Chairman among its members. The CEO or any other member of the company management

cannot be a member of the Nomination Committee.

The main task of the Nomination Committee before the next Annual General Meeting, where the members of the Board of Directors and/or the Chairman of the Board are elected and/or the fees and/or number of the members of the Board are decided on, is to prepare a proposal for the Annual General Meeting on these decisions.

Audit Committee

The Board of Directors appoints an Audit Committee amongst its members. The committee consists of three members. The CEO or any other member of the company management cannot be a member of the Audit Committee.

The Board of Directors confirms the committee's main tasks and operating principles in a written working order. The main tasks of the Audit Committee are:

- monitor the company's financial situation
- monitor financial reporting
- assess the sufficiency and adequacy of internal auditing and risk management
- handle the plans and reports of internal auditing
- assess the compliance with legislation and regulations
- communicate with the auditor and review the auditor's report
- assess the advice service of the auditors

The Audit Committee regularly reports on its work to the Board of Directors.

Remuneration Committee

The Board of Directors appoints a Remuneration Committee amongst its members. The committee consists of three members. The CEO or

any other member of the company management cannot be a member of the Remuneration Committee.

The Board of Directors confirms the committee's main tasks and operating principles in a written working order. The main tasks of the Remuneration Committee are:

- preparing the remuneration of the company CEO and deputy CEO and other benefits
- preparing the remuneration issues of other members of the company management
- preparing the appointment of the CEO, deputy CEO and other members of the company management and charting their successors
- preparing issues related to the company's bonus scheme

The Remuneration Committee regularly reports on its work to the Board of Directors.

CEO

The company has a CEO and deputy CEO appointed by the Board of Directors. The CEO's responsibility is to handle the day-to-day administration of the company in accordance with the instructions and regulations of the Board of Directors and to ensure that the organisation has the resources needed to achieve its goals. In addition, the CEO's responsibilities include:

- ensuring that the company carries out its business operations and implements its goals
- preparation and presentation of the company strategy, budget, and investment and divestment plan to the Board of Directors and also ensure that these are implemented in accordance with the Board's decision
- acting as the chairman of the management group

- ensuring that the company's operations and reporting are in accordance with the objectives outlined by the Board of Directors and report to the Board on
 - the company's actual operational and financial development
 - changes in the company's operating environment and their effects on the company's strategy and economy
 - on the operations of the subsidiaries and sub groups

The CEO cannot be a member of the Board of Directors. The terms of the CEO's employment are defined in writing in the CEO agreement which the Board of Director approves.

The Group's Management Group

The Group has a management group that convenes once a week. The tasks of the management group are:

- acting as a supporting body for the CEO
- discussing issues that are significant in terms of the Group entity and Group management
- headed by the CEO, implementing the measures decided by the Board of Directors
- analysing changes in the operating environment and preparing ways to react to these changes

Remuneration

The Annual General Meeting decides on the remuneration of the Board of Directors and the auditor. The company's Board of Directors decides on the wages of the CEO and members of the Management Group and on the payment and principles of their merit pay. People employed by the company do not receive separate compensation if they act as Board members or the CEO of a Group company.

The Board of Directors confirms the bonus scheme for the entire personnel. Members of the Management Group are included in the annual bonus system that is based on a balanced score card. Members of the Management Group also belong to a long-term incentive plan from the beginning of 2010. The incentive plan is based on the Group's performance and consists of three year periods. The first period ends in 2012. The Board of Directors approves the principles and maximum amounts of long-term incentive plans.

Internal control, risk management and internal audit

During the audit, the company's and Group's accounting, financial statements and administration are audited.

The company's operational and financial development, as well as the materialisation of goals are monitored monthly with reports that cover the entire Group. In addition to the materialisation of financial goals, reporting is used to monitor the materialisation of goals related to customers, operational efficiency and personnel.

The aim of the company's risk management is to recognise, assess and manage the material risks related to company operations. The aim is to ensure the objectives related to the company's financial development as well as customer and personnel. The company has a person that is responsible for risk management and ensures the efficiency of the risk management process and supports its development. The Board of Directors annually approves the Group's risk management policy. The Group's risk situation is reported regularly to the Audit Committee and the Board of Directors.

The operating principles of internal audits have been determined in the operating instructions approved by the Board of Directors. Internal auditing acts under the CEO and the Audit Committee and reports to them regularly on its operations and plans. Internal auditing consists of one person. If necessary the services of an external partner can be used for the internal auditing.

The findings, recommendations and monitoring of actions based on the audits are reported to the person responsible for the audited function, the CEO and the Audit Committee. The CEO and the Audit Committee approve the annual plan made by the internal audit and decide on the resources for the internal audit.

The Board of Directors confirms the euro limits of decisions-making authorisations for the management. In addition, the company has approved euro limits for checking and approving authorisations for invoices. Committing to legal transactions on the company's behalf always requires backing by two people.

Auditing

The audits are completed by the auditors selected by the Annual General Meeting. The company has 1-3 auditors and their deputies. If an auditing firm is selected as the auditor no deputy is required. All auditors and deputy auditors must be chartered accountants or accounting firms as stipulated in the auditing act. In addition one (1) auditor and one (1) deputy auditor must be an accountant or accounting firm approved by the Central Chamber of Commerce.

The term of the auditors is one (1) year and it ends when the next Annual General Meeting ends.

The Annual General Meeting decides on the auditors' fees.



VVO Group plc

Mannerheimintie 168a P.O. Box 40

FI-00300 Helsinki, Finland

Tel: +358 (0)20 508 3300

Fax: +358 (0)20 508 3290

firstname.lastname@vvo.fi

www.vvo.fi