ANNUAL REPORT

2013

Versatile rental housing

Main » VVO 2013

Strong profit performance boosted investment in 2013

Fair value EUR

3.4

billion

Investments EUR

220

million

VVO invested around EUR 220 million in renovation and new construction of rental apartments. Strong growth was reflected by the fact that we had 1,020 rental apartments under construction at the end of 2013.

VVO-group plc is a leading company in Finland specialising in investing in and renting real estate. VVO has more than 40,000 rental apartments in 43 communities. Most of them, some 62 per cent, have market-based rents. For the remaining apartments, rents are set in accordance with the cost principle. The fair value of VVO's housing asset is over EUR 3.4 billion.

According to our annual customer satisfaction survey, 92 per cent of customers recommend or would be willing to recommend VVO as a landlord. The average period of tenancy is 5.9 (5.8) years. Our long-term customer relationships are based on planned and systematic maintenance of houses, active residents' associations, good customer experience that gives guidance to our operations, and ease of doing business with us. VVO's mission is to be the most desirable and most efficient landlord in Finland.

CEO's review

Ease of service, safe residence and cooperation with residents helped us reach our targets

During the review period, demand for rental apartments was high and occupancy rates remained excellent. Our investments in new construction have met customer demand, and we will continue to invest in areas with long-term demand for rental housing. There is a need for more rental housing, especially in the Helsinki Metropolitan Area.

The Eurozone crisis and tighter solvency rules for banks were reflected in our sector during the period under review. However, VVO continued to attract investors, as shown by efficient bank financing and oversubscription of a secured bond last spring.

The level of our investments was approximately EUR 220 million in 2013. We increased the amount of privately financed rental housing in portfolio, both through property acquisition and new construction. We will continue to strengthen these investments in the future.

We will also be able to improve the future allocation of our repair construction resources with the help of regular maintenance checks introduced in 2013. The cost-efficiency of real estate maintenance and cleaning has improved through re-tendering and revised supplier contracts.

By the end of 2013, we had 1,020 rental apartments under construction in the Helsinki Metropolitan Area, Järvenpää, Hämeenlinna, Tampere, Turku, Oulu and Jyväskylä. During the review period, the construction of 252 privately financed apartments was completed in the Helsinki Metropolitan Area, Kerava and Hyvinkää. Our intention is to meet the demand for rental apartments in urban growth areas and increase the number of rental apartments in areas with good services and transport connections.

Despite the general economic downturn, we succeeded in taking significant steps towards our goal of becoming the most desirable and most efficient landlord in Finland. Our operations have been guided by our efforts to strengthen good customer experience and to boost customer satisfaction, along with continued development of customer service. As an example of this, we were the first company in our industry to launch a totally electronic lease agreement process, which has simplified and further improved our delivery at the customer service point.

One of our strategic steps was to establish a dedicated Customer Service Centre, enabling better and more consistent customer service. Our development efforts were guided by close communication and cooperation with residents and the Board of Residents. The strategic targets include continuous development of versatile services as part of our commitment to being a safe landlord.

The economic downturn seems to have levelled off, and low growth is expected to continue during 2014. The demand and occupancy rates for rental apartments are forecast to remain at a good level. We continue to develop our operations to increase customer focus as part of our mission to offer ease of doing business, flexible services and safe living.

Key factors in VVO's success are its involved and professional personnel and a fair corporate culture. I would like to express my warmest thanks to all VVO personnel and stakeholders. You have made this financial year a great success! I look forward to continuing the journey with you in the coming year.

Jani Nieminen

Financial and business development in 2013

VVO's turnover growth and profit performance remained stable and strong. Occupancy rate was high, and a significant number of apartments were under construction, 1,020 at year end. Along with new construction, our investment in the future was reflected in extensive repairs.

- Reported turnover was EUR 346.6 (335.4) million, with growth attributed to the revenue of rental business.
- Profit before taxes amounted to EUR 75.9 (62.5) million. Profit performance was particularly strong in the VVO Non-subsidised business, based on the management of maintenance costs, low resident turnover, good occupancy rate and low financing costs.
- Financial occupancy rate remained high at 98.5 (98.7) per cent.
- Resident turnover decreased slightly compared to the previous year, to 25.4 (25.8) per cent.
- A total of 1,020 (551) rental homes were under construction at year end.
- At 31 December 2013, the Group owned 40,194 (39,946) rental apartments.
- Fair value came to EUR 3.4 billion.
- The Group's gross investment in the period amounted to EUR 223.2 (74.8) million.

Key indicators 2009–2013

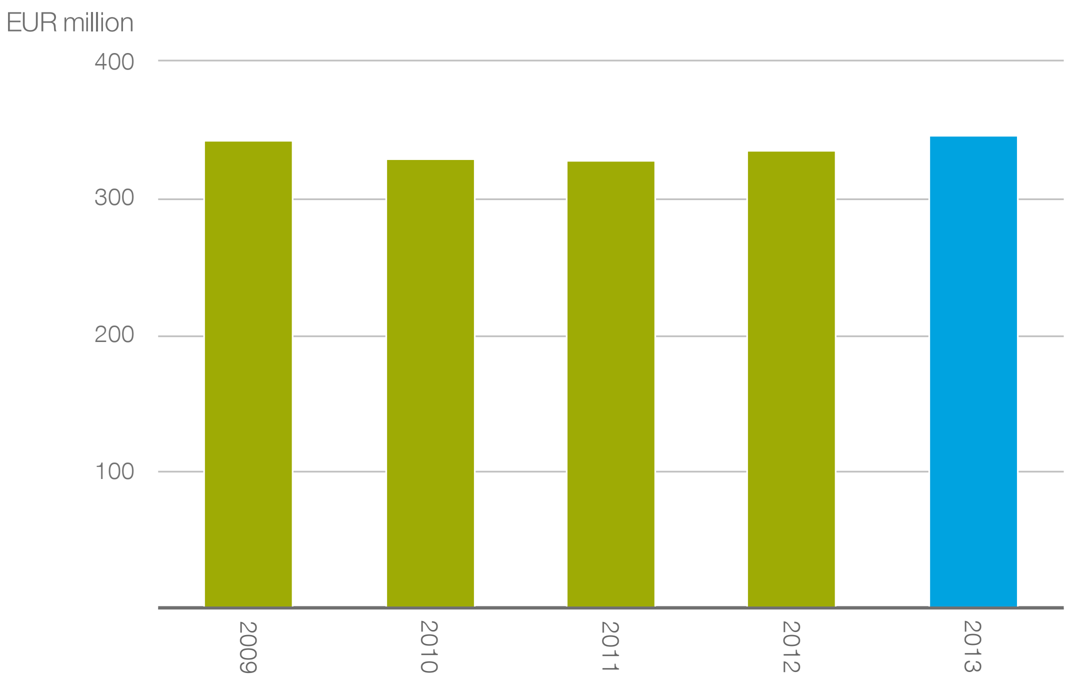
VVO Group

	2013	2012	2011	2010	2009
Turnover, EUR million	346.6	335.4	327.3	328.6	342.9
Operating profit, EUR million	116.2	112.7	105.7	100.6	98.2
% of turnover	33.5	33.6	32.3	30.6	28.7
Profit before appropriations and taxes, EUR million	75.9	62.5	55.8	57.5	41.0
% of turnover	21.9	18.6	17.1	17.5	12.0
Balance sheet total, EUR million	2,468.5	2,276.1	2,252.2	2,184.2	2,170.6

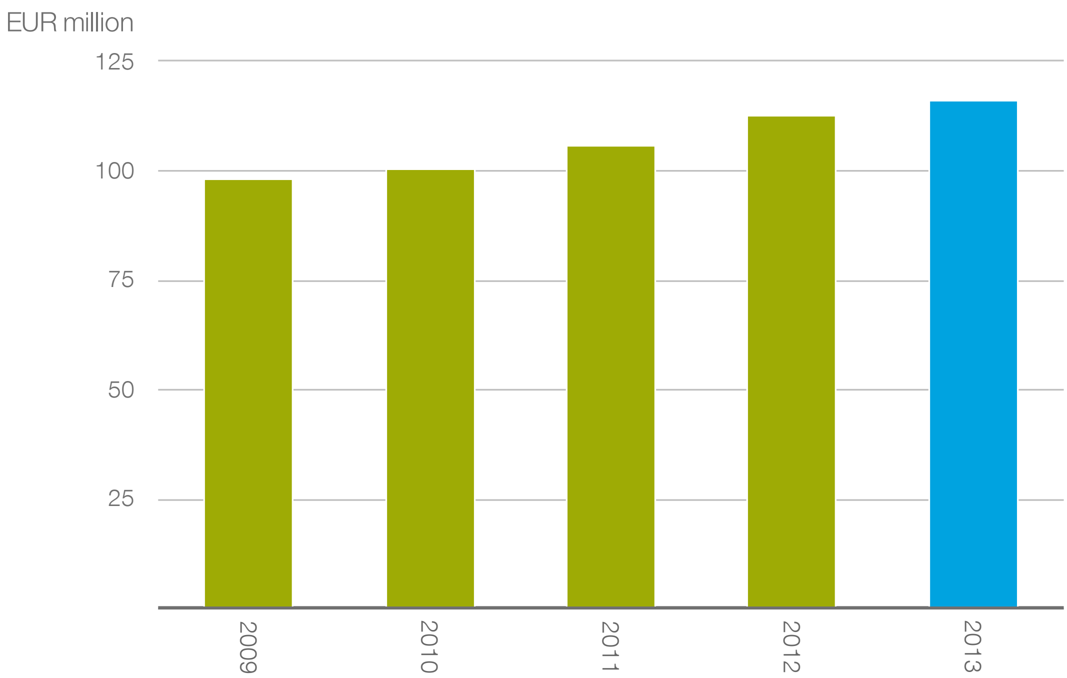
Return on equity (ROE), %	15.5	10.6	11.2	11.3	9.2
Return on investment (ROI), %	5.5	5.5	5.2	5.1	5.1
Equity ratio, book value, %	20.7	19.8	18.5	17.7	15.3
Equity ratio, fair value, %	41.3	38.8			
Apartments and commercial premises, fair value, EUR million	3,351.1	3,120.0			
Cash flow from investing activities, EUR million	208.2	74.8	121.5	119.7	106.3
Earnings per share, € 1)	10.07	6.19	6.07	5.49	4.30
Dividend/share, € 1) 2)	2.20	2.00	1.60	1.50	1.20
Dividend/earnings, % 2)	21.8	32.3	26.4	27.3	27.9
Housing stock, units	40,194	39,946	39,741	38,747	38,519
Average rent, €/sq m/month 3)	12.42	11.89	11.26	10.79	10.44
Employees at year end	324	335	338	339	332

1) Per-share figures and ratios are based on the number of shares each year.
2) The Board of Directors proposes that a dividend of EUR 2.20 per share be paid.
3) Average rent per year

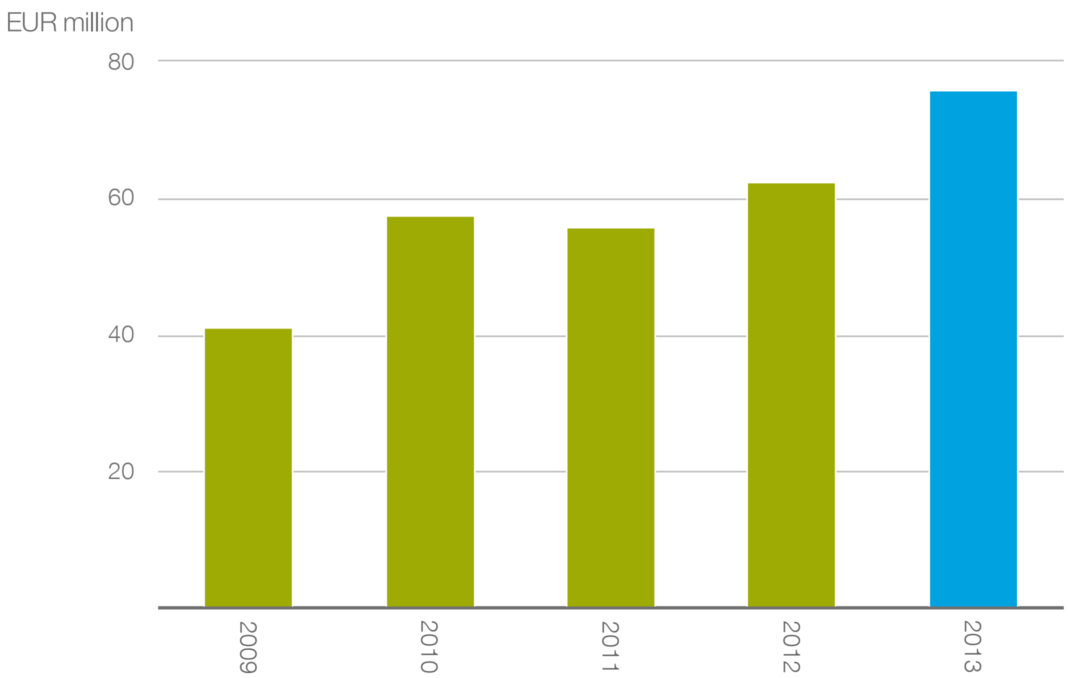
Turnover



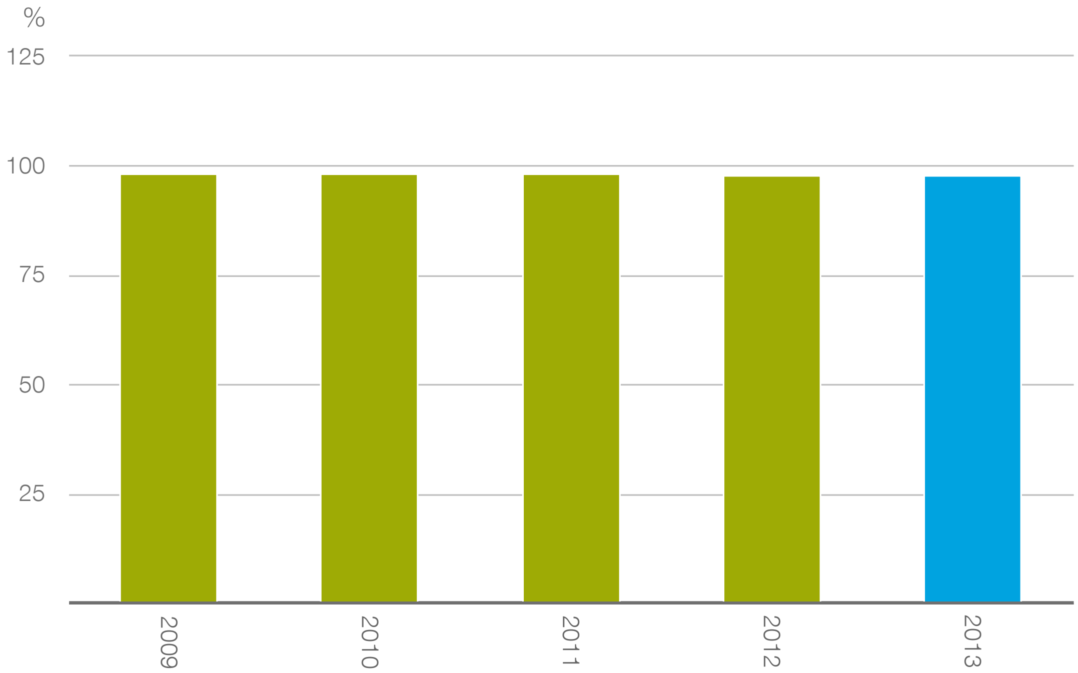
Operating profit



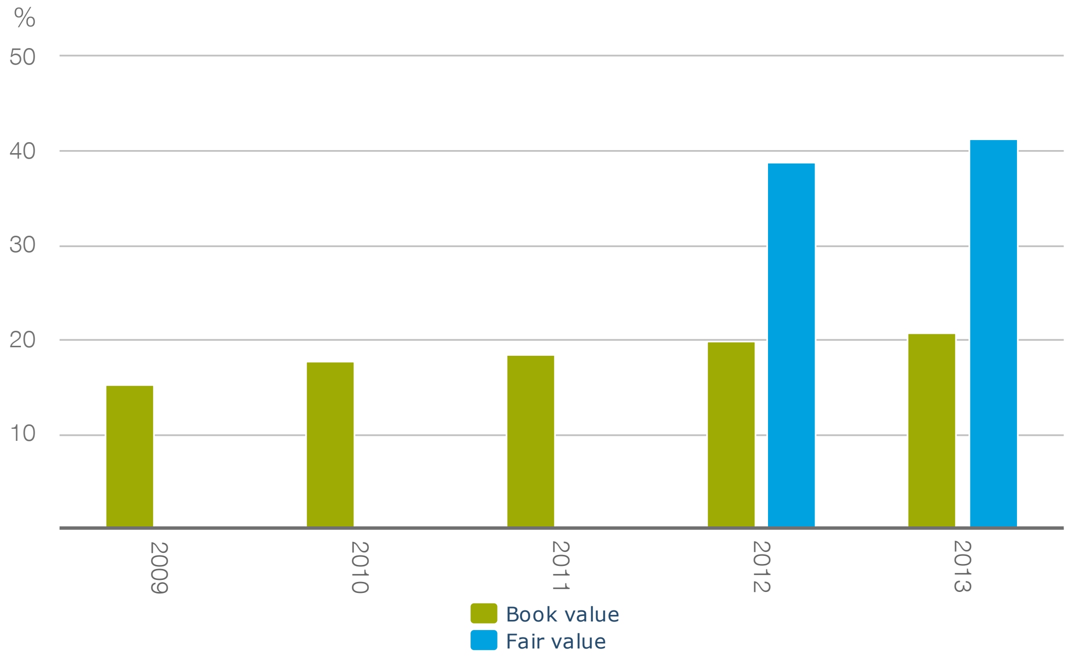
Profit trend



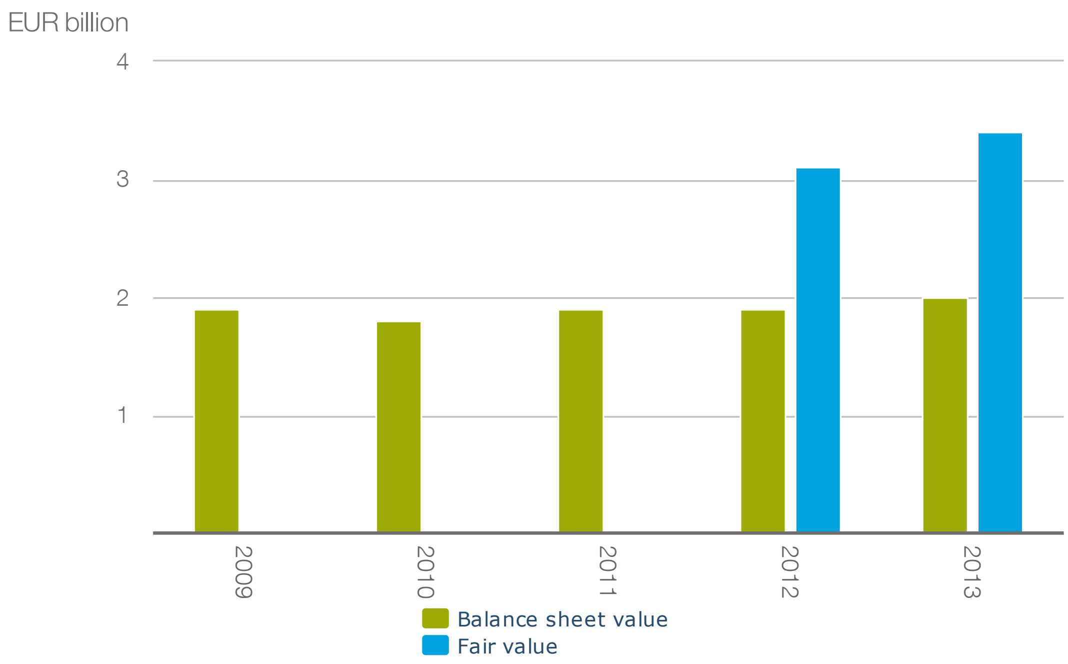
Financial occupancy rate



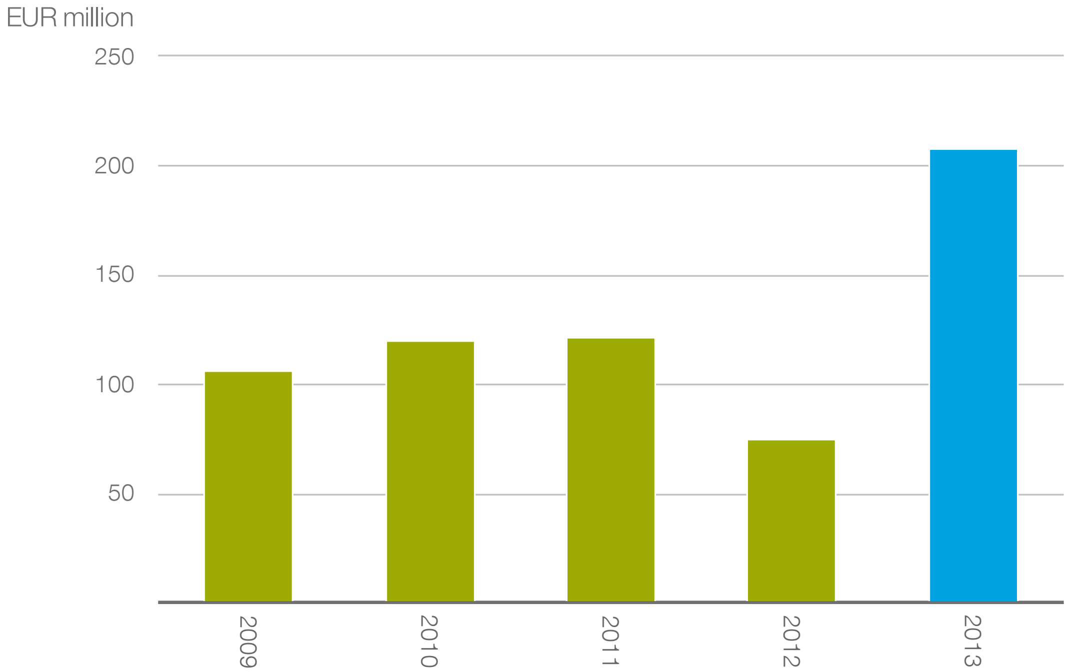
Equity ratio



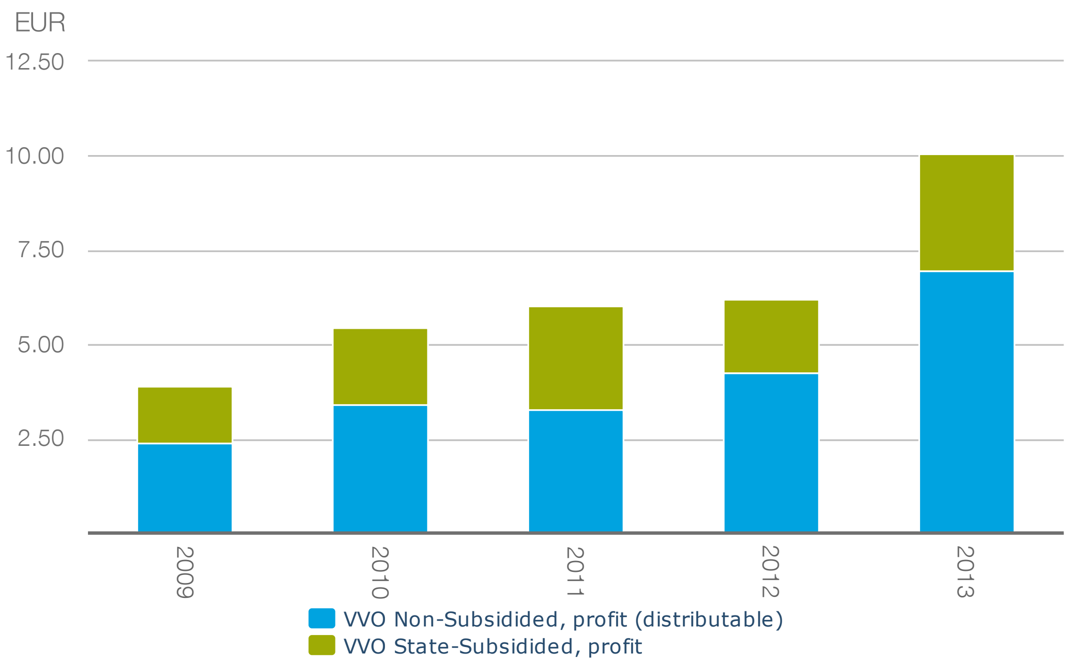
Value development



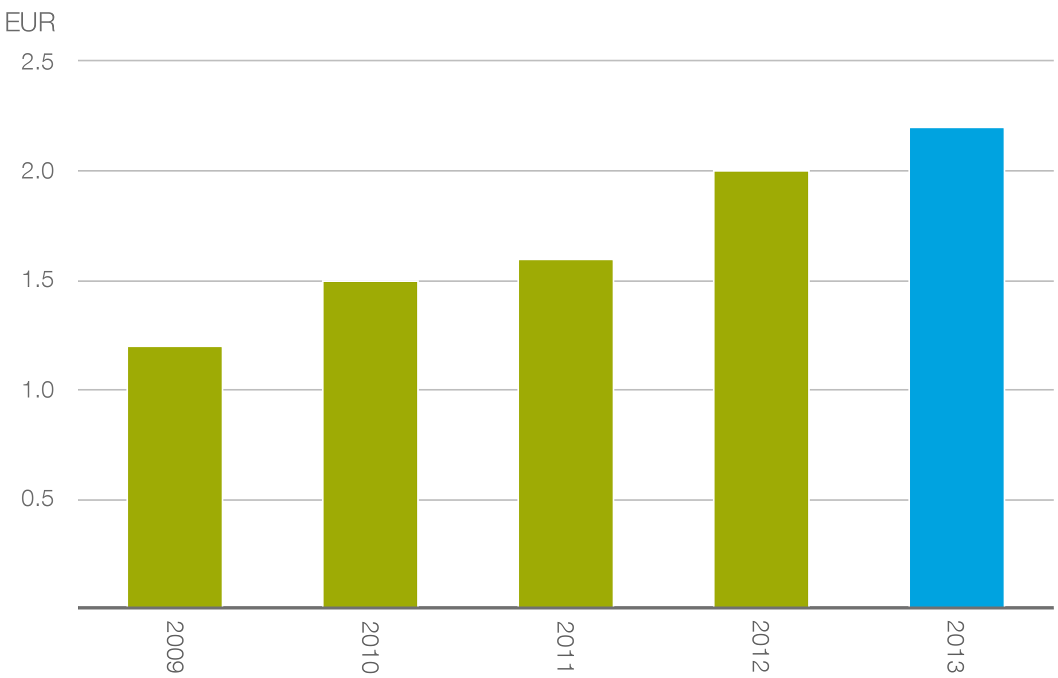
Cash flows from investment activities



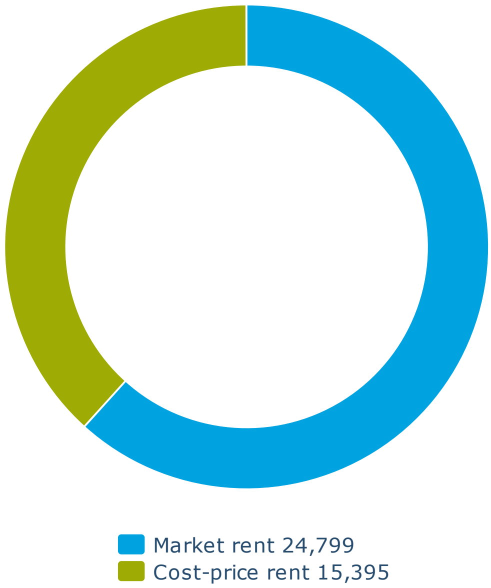
Earnings per share



Dividend per share



Rental housing stock



Shares and shareholders

VVO-group plc's 10 largest shareholders as at 31 December 2013

Shareholder	No. of A series shares	Share, %
Ilmarinen Mutual Pension Insurance Company	1,332,330	18.00
Varma Mutual Pension Insurance Company	1,256,820	16.98
Finnish Metalworkers' Union	717,780	9.70
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 PRO	553,320	7.47
Trade Union of Education in Finland OAJ	552,408	7.46
Union of Industrial Employees TEAM	443,270	5.99
Union of Health and Social Care Professionals TEHY	102,560	1.39
Other	669,072	9.04
Total	**7,402,560**	**100.00**

Proposal by the Board of Directors for distribution of profits

The parent company VVO-group plc's distributable unrestricted shareholders' equity at 31 December 2013 was EUR 45,419,404.86, of which the profit for the financial period was EUR 16,295,026.43. No significant changes have taken place in the company's financial situation since the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows: a dividend of EUR 2.20 per share to be paid for every A series share, a total of EUR 16,285,632.00, and EUR 29,133,772.86 to be retained in unrestricted shareholders' equity.

Main » Information for shareholders » Financial reporting in 2014

Financial reporting in 2014

21 March 2014
Annual Report 2013

5 May 2014
Interim Report January-March 2014

28 August 2014
Interim Report January-June 2014

29 October 2014
Interim Report January-September 2014

Market-led and cost principle rental

VVO's business comprises ownership and rental of apartments and residential properties.

VVO's operates both on privately financed and state-subsidised housing markets. The business is divided between market-led and cost principle rentals. The special features of these different finance methods have been taken into account in VVO's operating models.

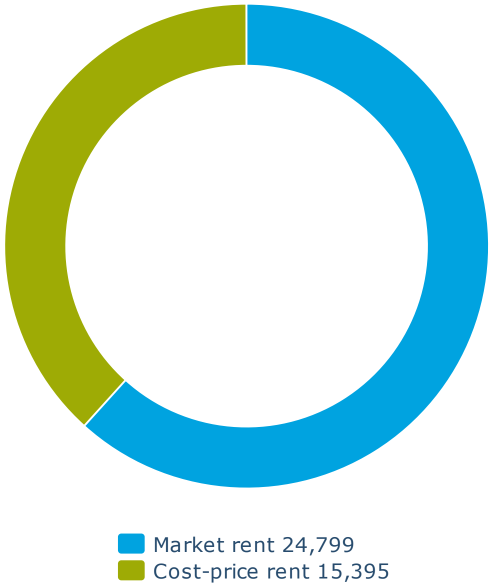
The management and rental of the apartments is taken care of by our own, dedicated personnel. Our operative business structure has been divided into three functions: Customers, Investments and Property Development.

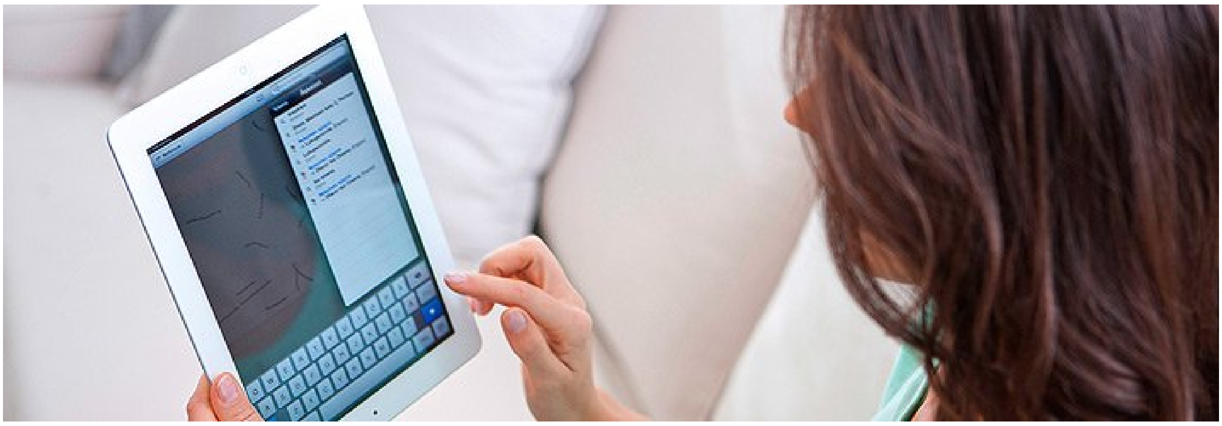
The Customers function is responsible for the management and development of VVO's rental business, customer satisfaction and cost efficiencies in customer management. The Customers function determines rents, controls the building management and rental operations and guides the cooperation with residents through the VVO Home Centre network.

The Investments function prepares, manages and executes corporate investments and divestments. It is also responsible for the corporate structure and company management.

The Property Development function manages the development of VVO's properties, both with regard to new construction and renovation, and, through long-term maintenance planning and identification of repair needs, the management of the technical life cycle of properties. It also covers property maintenance and site reservations.

Rental housing stock





Good customer experience and ease of service guide our operations

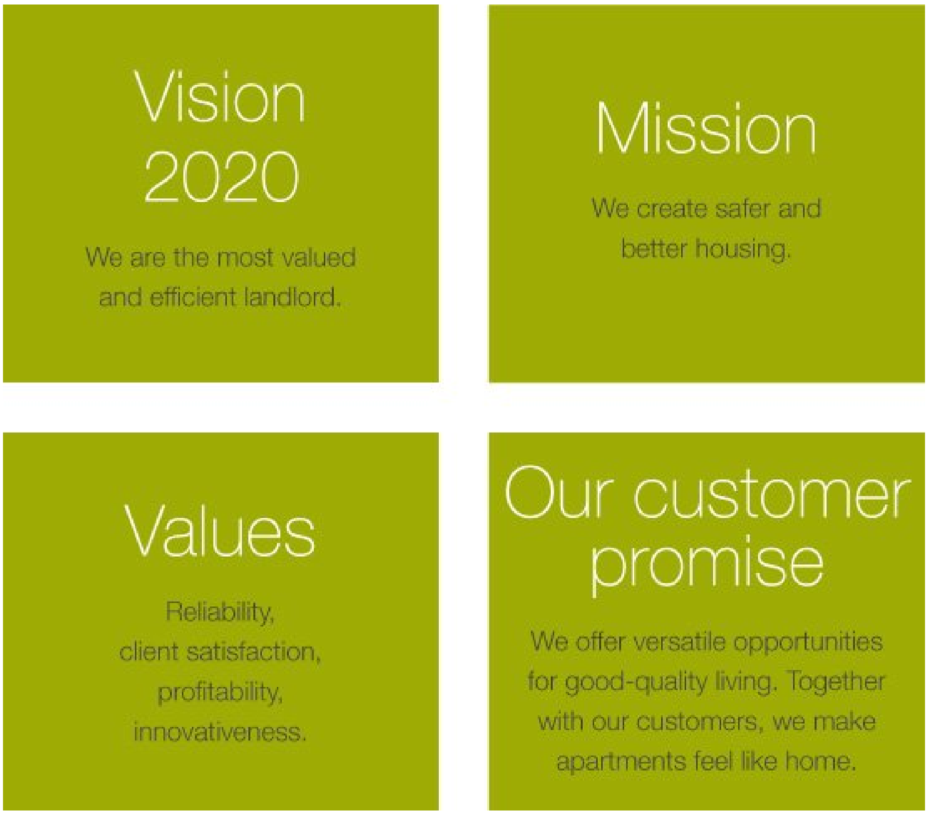
A good customer experience, encompassing easy and effortless service, is the guiding principle behind VVO's operations.

We provide versatile, reasonably priced rental housing that takes into consideration the changing needs of residents. Interaction with residents and close cooperation with residents' associations increases safety and living comfort.

We manage and develop our properties through cost-efficient maintenance and repairs, together with long-term investment. Our focus is on developing the value of our property portfolio and ensuring that the properties are fit to rent.

We strengthen the balance sheet by developing and steering financial, property portfolio and risk management and investing in HR management, skills and better innovation capability. By taking an active part in the public debate on Finnish housing policy, VVO seeks to promote an increase in the availability of rental housing.

Strategy implementation in 2013



In 2013, VVO implemented these strategic priorities as follows:

- We sought even closer cooperation with our residents.
- We updated our customer promise and integrated it throughout our operations.
- We improved cost efficiency, among others by re-tendering and revising maintenance and cleaning contracts.
- We introduced regular maintenance checks in apartments to ensure better targeting of repairs.
- We applied best practices in developing systems and processes.
- We promoted easy and effortless service by launching electronic signatures for tenancy agreements.

Outlook for 2014

Economic development in Finland will remain uncertain, even though low growth is forecast to continue in 2014.

Demand for rental housing is expected to remain high, while no changes are predicted in supply. New construction is focusing on privately financed rental apartments.

VVO's financial occupancy rate and resident turnover look to remain at the current high level. Compared to the general industry outlook, VVO's rent increases will remain moderate, as they were a year before. VVO's rents will increase at the beginning of March 2014 by approximately 1.5 per cent in the Cost Principle product group and by 3.25 per cent in the Market product group.

Group profit performance is expected to remain strong, particularly in the VVO Non-subsidised business.

Rental housing market

The rental housing market developed along the same lines as in the previous year, marked by a growing market disparity in 2013.

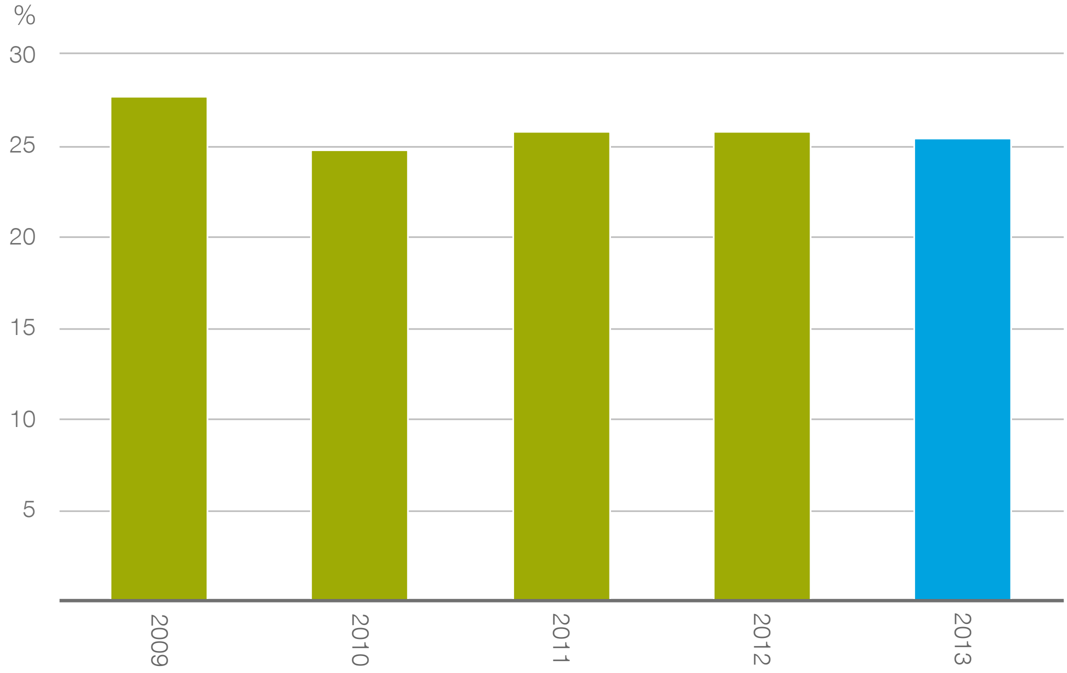
Demand for housing clearly exceeded supply in the national urban growth areas, particularly in the Helsinki Metropolitan Area, with highest demand for studios and one-bedroom apartments. In the areas where the economy is slowing down, the situation was reversed and, as supply was above demand, occupancy rates dropped.

Tough local markets were also reflected in resident turnover: the lowest turnover was experienced in the Helsinki Metropolitan Area and the highest in Oulu, both for privately financed and state-subsidised housing. According to statistics from the Housing Finance and Development Centre of Finland (ARA), resident turnover for state-subsidised rental apartments was three times higher in Southern Ostrobothnia than for the Helsinki Metropolitan Area.

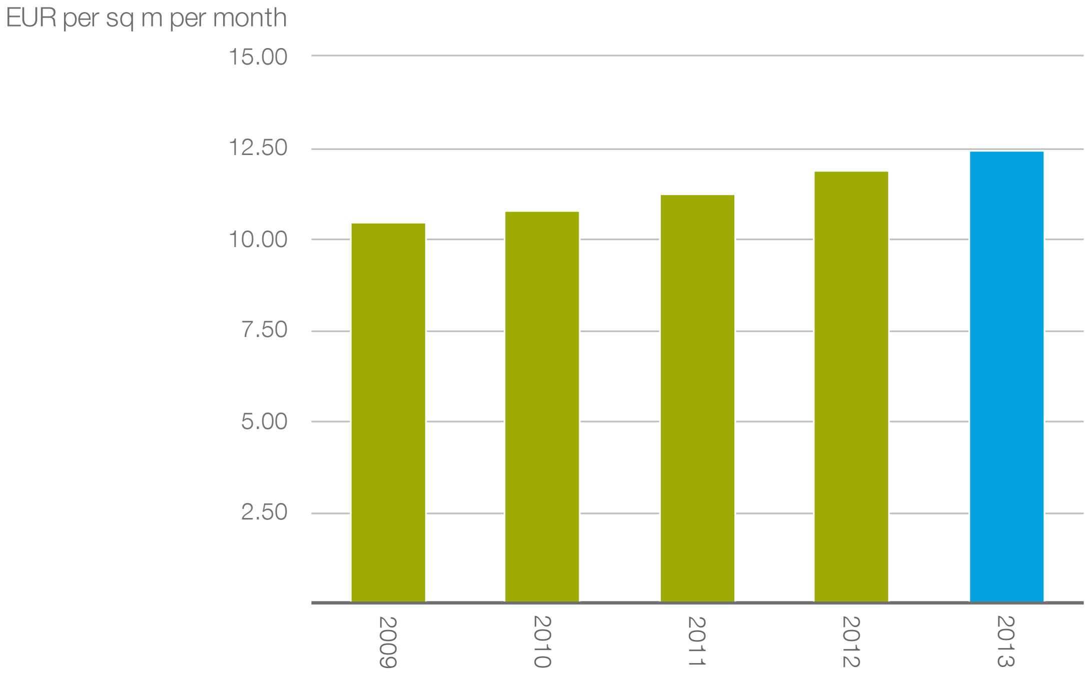
Rents across VVO's total apartment stock increased by approximately 3.5 per cent on average year on year. Rents in privately financed apartments increased by 3.7 per cent, while those in state-subsidised ARA apartments increased by 3.2 per cent, further widening the gap between the finance methods. This disparity in rents partly explains the lower resident turnover for state-subsidised housing. The most dramatic increases in rental amounts and rental disparity were observed in the Helsinki Metropolitan Area. Rent development was also reflected in higher demand for smaller apartments. With regard to VVO's rental apartments, the average year-on-year change in rental income was 4.5 per cent.

New construction is clearly focused on the privately financed sector, while state-subsidised housing suffered, remaining well below the long-term average construction rates. New construction was almost exclusively centred in the areas of highest demand: the Helsinki Metropolitan Area and other national growth areas.

Resident turnover



Average rent



Good service experience the goal in residential lettings

Recommended by

92%

VVO owned 40,194 rental apartments in 43 locations at the end of 2013. VVO's own personnel lets and manages VVO sites in 13 local VVO Home Centres.

The objectives of residential lettings include a diverse resident structure and a good service experience resulting in long tenancies and improved customer profitability. Cost efficiencies in customer management are sought by managing fixed expenses, benefiting from economies of scale, improving customer profitability and ensuring efficient operations.

Apartments are divided into two product groups in accordance with the set of norms regulating rent determination. The Market product group comprises 24,799 apartments, the rents for which are freely determined by the market under the Act on Residential Leases. The Cost Principle product group comprises 15,395 apartments and their rents are determined in accordance with the cost principle.

Case

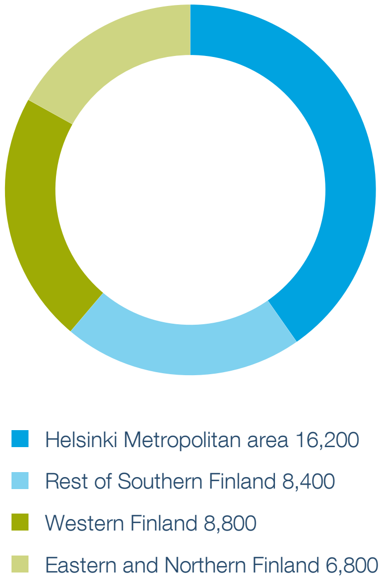
92 per cent of customers recommend VVO's apartments

We can maintain customer satisfaction only by focusing on long-term efforts and continued development of the service process and living conditions. We manage customer satisfaction by continuing to improve our electronic services, investing in repairs and increasing our efforts to engage with the residents.

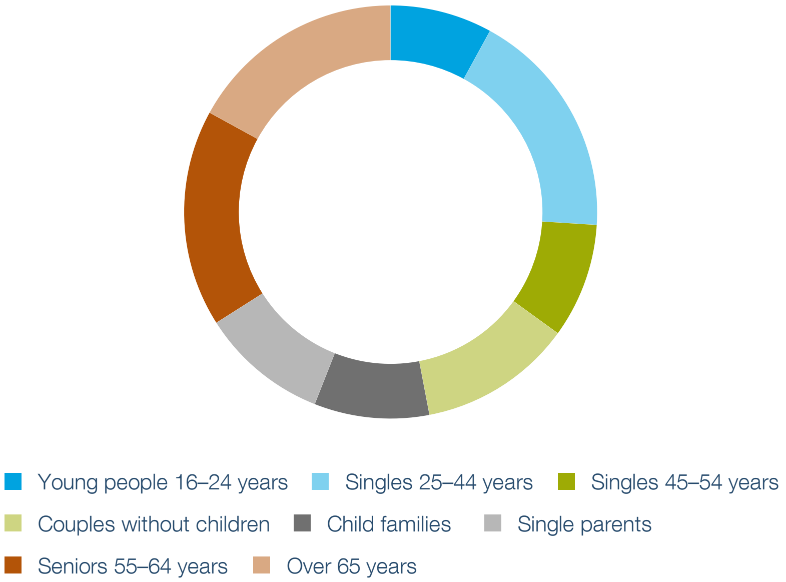
An annual customer satisfaction survey is used to measure satisfaction across VVO's housing services. During the review period, customer satisfaction remained at the very high level we experienced in the previous year. Up to 92 per cent of the respondents had recommended or would recommend VVO's apartments to others.

We also use many other ways each year of finding out what our customers think of VVO living and how satisfied they are with it. Residents who have moved to new sites are asked how satisfied they are with the new apartment and its properties. A survey targeting all new VVO residents is used mainly to poll them for their views on the smoothness of the rental process and their criteria for choosing an apartment. Based on the latest survey, the most important criteria were location, bicycle and pedestrian routes and public transport connections, apartment layout and a competitive rent level.

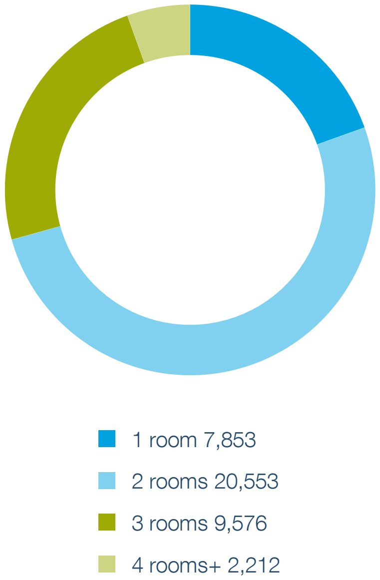
Nation-wide breakdown of apartments



Breakdown of tenants



Breakdown of apartment types



Developments in 2013

VVO introduces electronic signatures in tenancy agreements

Since mid October, VVO's new and transfer residents have been given an opportunity to sign their tenancy agreements electronically.

Electronic signing of tenancy agreements is an addition to VVO's online service range, offering an easy way of dealing with us. Customers can now complete the agreement process without needing to visit our office, and at any time outside working hours or from another location in Finland.

Resident bonuses combined

The former change of residence and three-year paint bonuses were converted to a single paint bonus in March 2013.

VVO improves customer service

VVO is centralising its customer and technical services in line with its strategy to better meet the needs of residents.

VVO has decided to establish a Customer Service Centre and Technical Centre to improve and harmonise its nationwide customer service. The new centres will open in Helsinki in early 2014. VVO Home Centres will continue to serve customers across Finland.

The Board of Residents in VVO convene

The Board of Residents is the highest body representing all VVO's residents. The board has a member and a deputy from each VVO Home Centre area across Finland. The board is elected for a term of two years. A new Board of Residents began its term of office on 1 January 2014.

VVO House of the Year

Each year the Board of Residents and VVO give recognition to VVO houses for exemplary community spirit and management of the shared living environment. The VVO 2013 House of the Year award went to a group of houses comprising Hartaantie 12, 14 and Kuivastie 17,19, 21 in Oulu, and Kauppalankatu 20 in Kouvola.

The winners received an allowance of 1,000 euros and a House of the Year certificate. The winning points were given for good community spirit, care for neighbours and efficient cooperation among residents, property manager, VVO Home Centre and building maintenance.

40,194 rental apartments in 43 locations

VVO owned 40,194 rental apartments in 43 locations at the end of 2013, an increase of 248 units on the previous year.

The apartment portfolio grew through acquisition and new construction in the Helsinki Metropolitan Area and in the largest urban growth areas, but fell through divestment principally in areas experiencing decline. The average age of VVO's apartments was 30.1 years at year end.

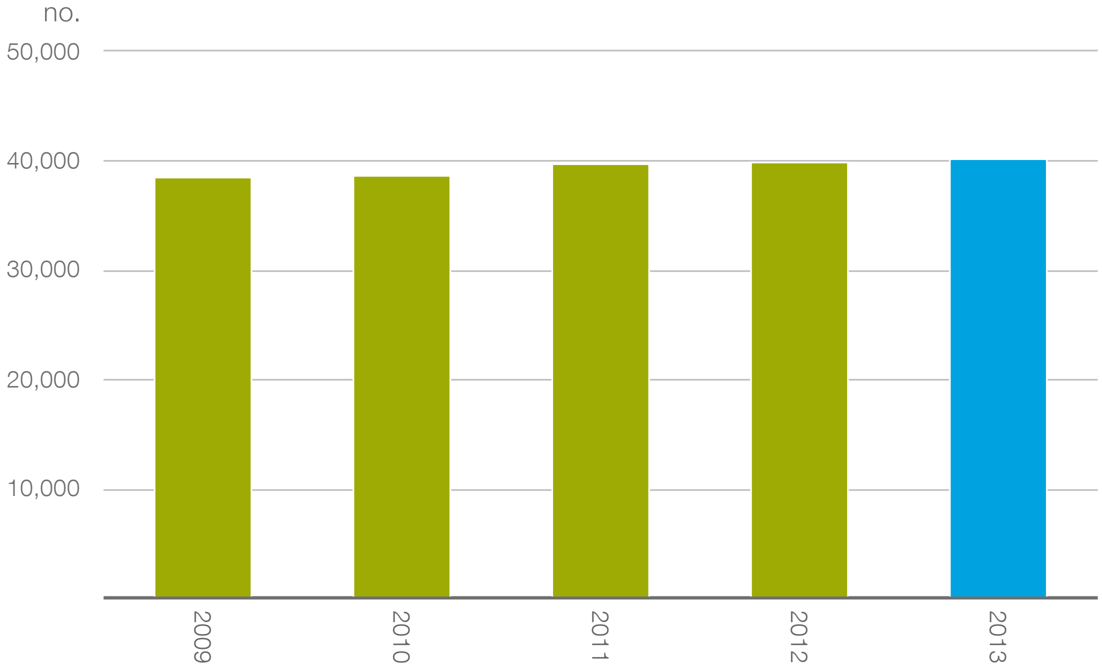
The book value of VVO-owned rental apartments and business premises in the rental apartment buildings at year end was EUR 2,038.1 (1,949.5) million and the fair value EUR 3,351.1 (3,120.0) million, representing an increase of EUR 88.6 million in book value on the previous year. The difference between fair value and book value increased by EUR 142.5 million to EUR 1,313.0 million at year end. The growing difference was attributed to apartment price and rent development, and to the end of state-subsidy restrictions in some properties. For determination of fair value and the assessment procedure, see the financial statements.

Case

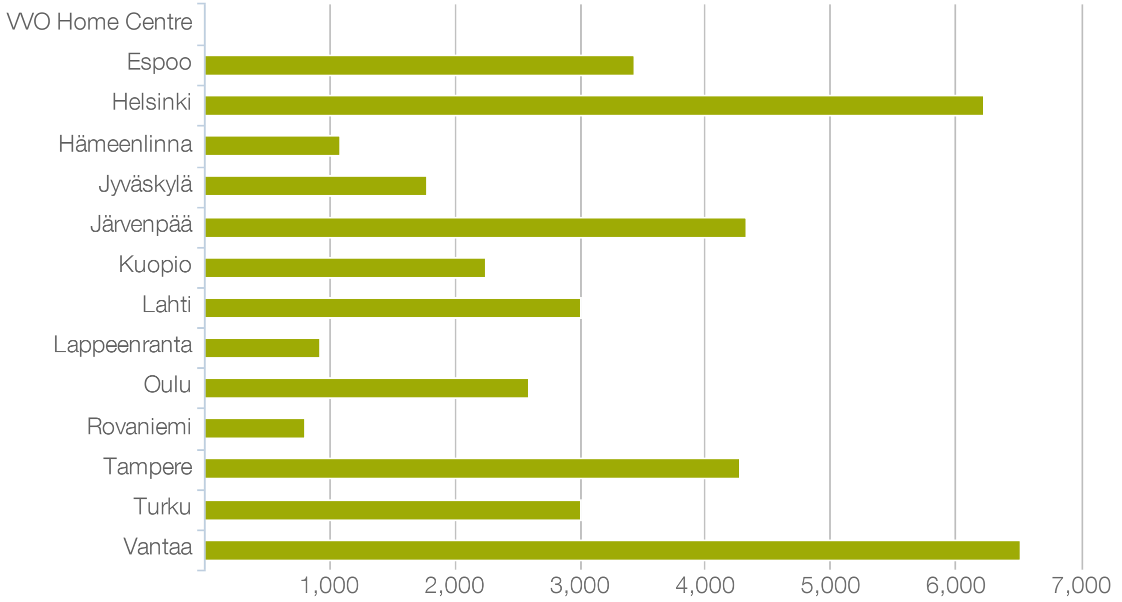
Secured bond oversubscribed

VVO-group plc issued a EUR 100 million secured bond in May 2013. The bond has a term of seven years and the fixed annual coupon rate is 3.25 per cent. The bond is secured by residential properties located in Finland. The transaction attracted wide attention from investors in Finland and was oversubscribed almost 1.5 times. A total of 36 different investors subscribed to the bond.

No. of apartments



No. of apartments by VVO Home Centre



Nation-wide breakdown of apartments

- Helsinki Metropolitan area 16,200
- Rest of Southern Finland 8,400
- Western Finland 8,800
- Eastern and Northern Finland 6,800

Main » Business » Investments and property development

Apartments for urban growth areas

1,020

rental apartments under construction.

During the review period, VVO made investment decisions worth nearly EUR 300 million regarding new construction, property acquisitions and repairs.

The number of construction projects launched increased on the previous year, with the development of 721 new privately financed apartments initiated by year end. At the end of 2013, VVO was building 1,020 rental apartments, of which 901 were privately financed and 119 interest-subsidised. New construction focused on urban growth areas where demand for rental housing is high and expected to remain so in the future.

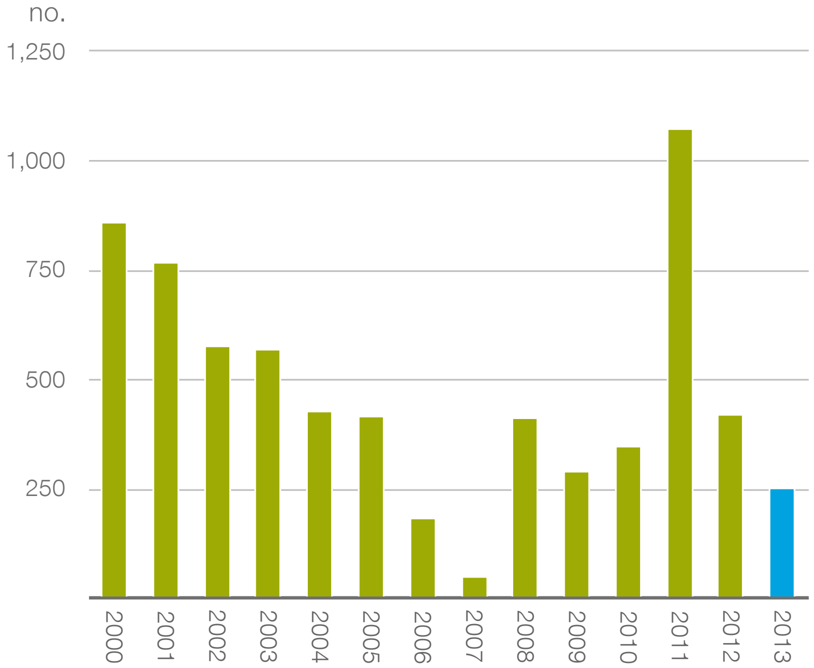
VVO also seeks to increase its property portfolio by acquiring properties in urban growth areas. During the review period, VVO bought 443 rental apartments, all of which were privately financed. These apartments, located in Helsinki, Espoo and Vantaa, are an excellent addition to VVO's portfolio in the Helsinki Metropolitan Area.

In 2013, VVO sold 446 apartments. These divestments largely took place in municipalities where demand for rental housing is assumed to decrease in the long term. During the review period, VVO divested its rental housing stock in Kemi and Loviisa.

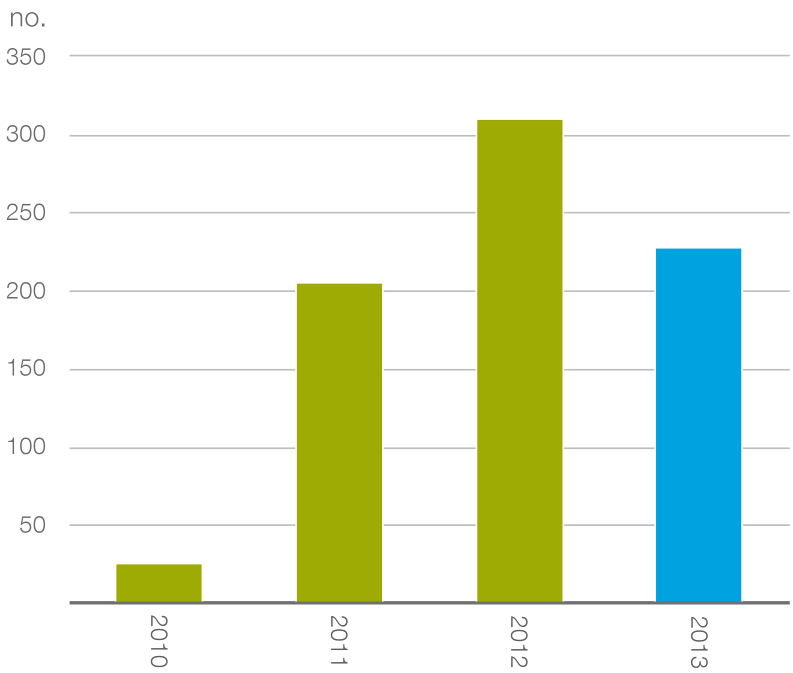
In 2013, VVO spent EUR 83.8 million in repairs, of which investment repairs, such as renovations, accounted for EUR 35.3 million. VVO increased its efforts to develop and discover more efficient repair methods and procedures, seeking shorter turnaround and improved cost efficiency.

Major renovations were carried out during the review period in Espoo, Helsinki, Lahti, Vantaa and Tampere.

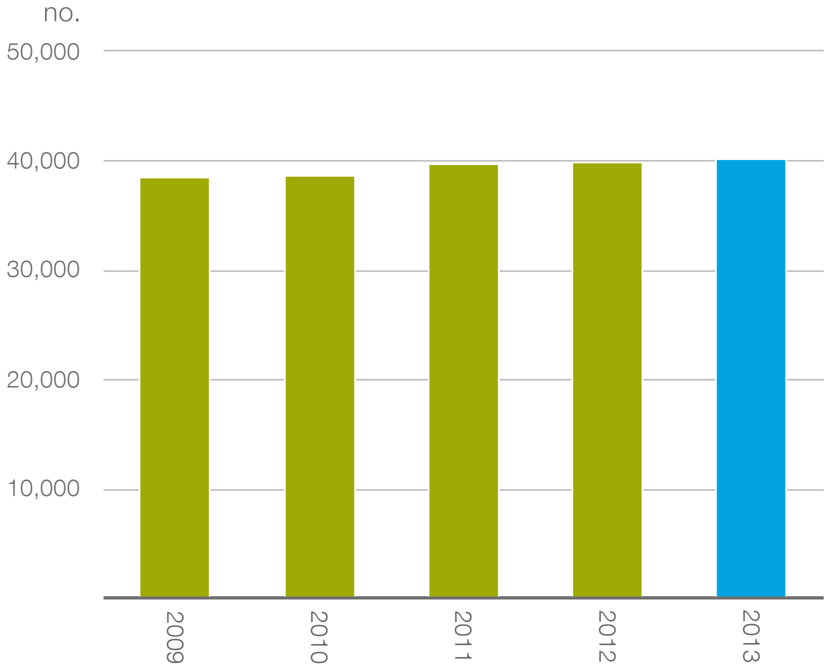
Finished apartments



Renovated apartments



No. of apartments



New construction and acquisitions

Rental apartments in Nihtisilta, Espoo

Construction of privately-financed rental housing in the Nihtisilta area of Espoo will be completed in late 2014. The new site has two apartment buildings of seven and eight floors respectively and a total of 88 privately-financed rental apartments. The underground garage, built below the yard, will have lift access to the buildings. The contractor is SRV Rakennus Oy.

Rental apartments for over 55s in Turku

VVO has developed a rental apartment building in Turku designed for people aged over 55. Located at Signalistinkatu 4, the new building rises next to Runosmäki Health Centre and has good local amenities and transport links. The building will be finished in early 2014. The contractor is NCC Rakennus Oy.

Residential apartment building in Aurinkolahti, Helsinki

VVO will develop a residential apartment building in the Vuosaari district of Helsinki, in Aurinkolahti's Kahvikortteli quarter. The construction work began in early 2013 with completion planned for 2014. The contractor is Lemminkäinen.

Rental apartments for over 55s in Tampere

VVO will develop a privately financed residential building of 34 rental apartments in Härmälä, Tampere. The new building, at Nuolialantie 44, will be located next to Kuusela Senior Citizens' Centre and have good local amenities. The building will be finished in late 2014. The contractor is SRV Rakennus Oy.

New rental apartments in Hermanni

Privately-financed rental housing has been constructed in Helsinki's new residential district, Hermanni. The site comprises three apartment buildings with lift access, the first of which was completed in July 2013 at Plazankuja 5.

Plazankuja 5 has 55 apartments. The first stairwell of the neighbouring building at Tuulensuunkuja 3 with 32 apartments was completed at the same time as Plazankuja 5. The 23 apartments in the second stairwell at Tuulensuunkuja 3 opened to residents in September 2013. The chief contractor is NCC Rakennus Oy.

In December 2013, the third building in Hermanni was completed at Sörnäistenkatu 12. The privately financed six-floor building has 28 apartments. The contractor is Jatke Uusimaa Oy.

New apartments in the Kilo district of Espoo

VVO will develop 125 privately financed rental apartments in the Kilo district of Espoo.

A seven-floor residential building, Asunto Oy Espoon Kilonportti 3, with 42 apartments and 43 parking spaces, will be built in Kilo, Espoo. The construction began in November 2013, with planned completion in 2014. The contractor is Skanska.

Jyväskylä's Väinönkatu 15 nearing completion

A privately financed rental apartment building will be constructed adjacent to Jyväskylä Market Place. The apartment building will have 65 one-bedroom apartments of varying sizes, 45 of which have their own sauna. A central location in the heart of the city guarantees the availability of both public and commercial services.

Väinönkatu 15's inauguration ceremony took place on 24 October 2013. The building will be completed in early 2014. The contractor is Lemminkäinen Talo Oy.

Large apartment building in Tikkurila, Vantaa

VVO is developing the largest residential building in its history in Tikkurila city centre. Located at Lauri Korpisen katu 10, the building will comprise 188 rental apartments. Designed to resemble a city quarter, the building was begun in November 2013. The apartments will be completed in 2015.

The construction contractor is Rakennusosakeyhtiö Hartela and the building services engineers are Caverion Suomi Oy.

Studio apartments and car-free living in Jätkäsaari

VVO is developing 61 studio apartments in Helsinki's Juutinraumankatu 10. The average size of the apartments is 40–50 square metres. This pilot state-subsidised project will also include larger family apartments. Juutinraumankatu 10's topping-out ceremony was held on 14 November 2013.

A special feature of the joint facilities in Juutinraumankatu are the spacious bicycle storage and maintenance facilities that go across the length of the building. Jätkäsaari's amenities, public transport links and bicycle and pedestrian routes enable easy commuting in an urban environment on foot and by bicycle. The building will be car-free, and the monies saved in omitting car parking spaces will be used to increase the quality of apartments and joint facilities. The project will be completed in summer 2014. The contractor is Uudenmaan Mestari-Rakentajat Oy.

New construction in late 2013

Sörnäistenkatu 12 in Helsinki and Eerontie 3 in Kerava are new buildings that were completed in late 2013. Eerontie 3 is located in Kerava city centre near the railway station. Developed for residents aged over 55, the 50-apartment building is car-free with excellent bicycle storage and maintenance facilities.

VVO acquires apartments from ICECAPITAL in the Helsinki Metropolitan Area

In August, VVO acquired 424 apartments from ICECAPITAL Housing Fund I ky. 218 of these apartments are located in Helsinki, 60 in Espoo and 146 in Vantaa. Property acquisition is a part of VVO's expansion strategy in urban growth areas.

Renovations

Kauppakartanonkuja 3 renovation completed

VVO renovated two rental apartment buildings at Kauppakartanonkuja 3 in the Itäkeskus district of Helsinki. Renovation of the 88 apartments was completed in stages between November 2012 and May 2013.

The buildings date back to 1976. The project included the renovation of electrical and communication grids and complete refurbishment of apartments, with new surfaces, furnishings, equipment and fittings. The contractor was OP Saneeraus ja Maalaus Oy.

Malminiityntie 22 renovation completed

The renovation of the 90 apartments at Malminiityntie 22 was completed in June 2013. The same renovation plan was implemented for each building at this site, including HEPAC renovation, new kitchens and bathrooms, and refurbishment of ceiling, wall and floor surfaces in the apartments. The contractor was NCC Rakennus Oy.

Koivukyläntie 47 renovation

The renovation project taking place in the Malminiitty district moved on to the next phase in August with the Koivukyläntie 47 renovation getting under way. The current project includes 144 apartments in three buildings. The refurbishment of two more buildings will begin in due course. The contractor is NCC Rakennus Oy.

Over 200 residents across Finland move to their new homes for Christmas

VVO completed over 200 new or completely refurbished homes across Finland at the beginning of December 2013.

Among the renovated properties were Soramäenkatu 1 in Lahti, Niemenkatu 5 in Kuopio and Kauppakartanonkatu 14 in Helsinki.

Soramäenkatu 1 in Lahti's Kiveriö district was modernised throughout, both inside and outside. The building, dating back to 1966, has 24 spacious apartments.

Completed in 1962, Niemenkatu 5 is a residential building of 57 apartments located in the city centre of Kuopio. The Niemenkatu apartments were renovated to meet modern standards of living.

Renovation of the 66 apartments in the last stairwell of Helsinki's Kauppakartanonkatu 14 was completed in November 2013.

Property management

Waste collection improved in VVO's properties in the Helsinki Metropolitan Area

VVO's goal is development of its environmental solutions to introduce more efficient and environmentally friendly services. In the competitive bidding of suppliers, VVO chose Lassila & Tikanoja Oyj as its partner from 1 January 2013.

The new partnership agreement has enabled the collection of more types of waste at VVO properties in the Helsinki Metropolitan Area and other southern municipalities. Collection of glass and metal directly from the properties began in January. The previous collection facilities included cardboard and paper. The new collection services will be available in Helsinki, Espoo, Vantaa, Kauniainen, Kirkkonummi, Tuusula, Järvenpää, Hyvinkää, Kerava, Riihimäki, Nurmijärvi, Porvoo and Vihti.

Lassila & Tikanoja Oyj's website www.lajitteluapuri.fi provides VVO's residents and employees with information about waste sorting and recycling.

The partnership agreement also includes a reporting tool for monitoring cost development and waste bin collection volumes and operations for each property.

Climate Partners

VVO's Climate Partners commitment to the City of Helsinki continued during the review period: VVO is committed to reducing the volume of collected mixed waste from the current 64.6 litres per week per resident to approximately 50 litres by 2016.

VVO releases tenders for property maintenance contracts

VVO put its property maintenance and cleaning contracts for approximately 900 sites out to tender during 2013 in two stages. The tenders for the Helsinki Metropolitan Area and Tampere were released in spring, and the remainder in autumn.

All new property maintenance contracts include quality targets with rewards and sanctions. The number of property maintenance and cleaning partners was reduced from 45 to 15.

Case

VVO is piloting a new, faster pipeline and bathroom renovation method

As the first company in Finland, VVO-group plc is testing Consti Group's Ideal Pipeline and Bathroom Renovation, a faster method of installing new pipelines and bathrooms in old properties.

The solution is suitable for prefabricated apartment buildings where the bathrooms are situated one above the other and have the same layout. A new bathroom is built inside the old one.

VVO's pilot site is located at Risupadontie 6 in Oulunkylä, Helsinki, where nine bathrooms in one stairwell are being renovated using the new installation method. The project was planned in 2013 and will be carried out in early 2014. In Sweden, this method has been used for nearly 80,000 bathroom renovation installations since 1989.

Responsibility is built into VVO's strategy and everyday operations

VVO is a reliable and responsible owner of rental properties with a long-term approach to ownership, and an active developer of rental housing. Long-term and planned repairs are an integral part of our property maintenance.

Responsibility is built into VVO's strategy and everyday operations. Our operations are guided by corporate values and the principles approved by our management group: good governance, ethical principles, employee and information security policies, purchasing guides and good rental practice.

The core of VVO's corporate social responsibility is shaped by the things that matter to VVO and our stakeholders, shareholders, and employees. The responsibility reports issued by VVO focus on aspects essential to our business. Our corporate social responsibility indicators are grouped into responsible leadership, finances, customer relationships and product responsibility, environment and procurement, and HR management.

VVO's tax footprint in 2013, EUR million

Taxes paid for the financial year

- Income taxes 17.1
- Property taxes 7.6
- Transfer taxes 1.8
- Employer contributions 3.8
- VAT not remitted included in investments 20.9
- VAT not remitted included in other procurements 26.5

Taxes to be remitted for the financial year

- VAT remitted 2.6
- Withholding tax for fees 5.6

Main » Responsibility » VVO in society

VVO in society

VVO's operations are based on supplying versatile, safe and comfortable rental accommodation. VVO seeks to participate in discussions on Finland's housing policy, so that the number of rental apartments can be further increased to meet, for example, the needs of those relocating for work. VVO's stable financial development and long-term owner base furthers favourable developments in rental accommodation in Finland.

VVO wishes to influence developments in the sector and to participate in the public debate on housing policy, through active and diverse interfacing with interest groups. For example, VVO actively participates in the work of the industry lobby group, RAKLI, and its committees.

Case

VVO becomes an honorary contributor to the New Children's Hospital 2017

VVO will donate EUR 100,000 to the New Children's Hospital project in 2013–2014. VVO's residents' associations contributed EUR 30,000 to the grant following a decision by the Board of Residents.

Development of rental housing

VVO works in collaboration with stakeholders to improve the conditions, image, and planning and building practices of rental housing. We seek to promote good construction and the development of pleasant living environments.

VVO's new properties are built in locations with good transport links and amenities. In recent years we have developed living concepts to meet the needs of different lifestyles and changing family structures.

For example, in 2013 we developed a car-free building in the centre of Kerava, in close proximity to the amenities and the railway station. The apartment building to be completed in Helsinki's Jätkäsaari district in 2014 is also a car-free site with spacious bicycle storage and good public transport links. The modern studio apartments designed for Jätkäsaari serve the different lifestyles of the residents better than more conventional apartment types.

Securing continuity with stable finances

VVO's goal is to remain the industry leader in terms of operational efficiency and sound organisation, as reflected in our good financial performance.

Our stable financial situation secures continuity for our new construction and renovation operations, while strong profit performance enables the acquisition of properties to add to our number of rental apartments.

For our shareholders, VVO profiles itself as a competent and responsible property owner and a provider of high-quality housing services.

Sustainable rental income

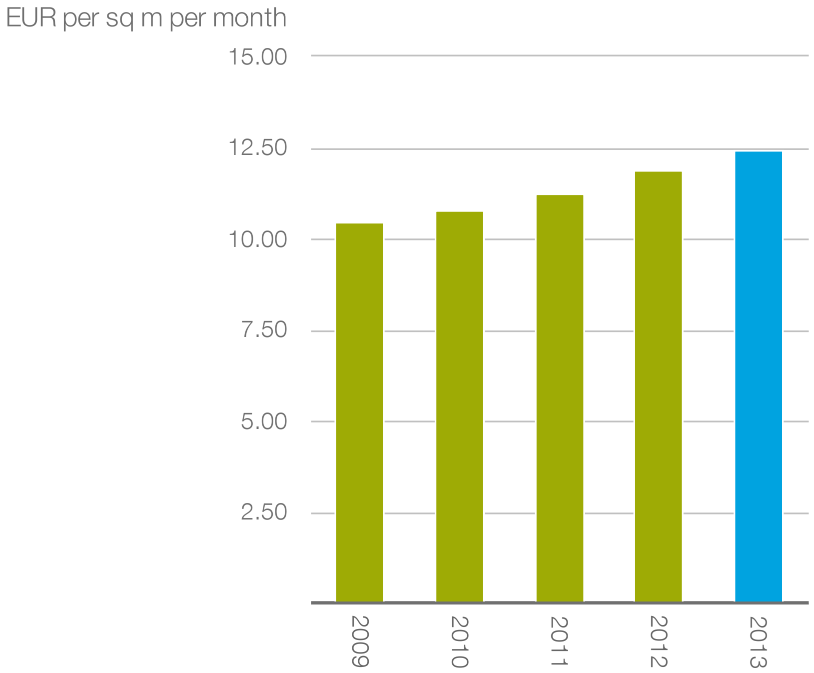
VVO's rent development can be predicted. Provisions for repairs are made throughout the property life cycle. VVO determines the maximum rent increases in accordance with its rental practices. The criteria for determining cost-price rents are discussed and approved annually by the Board of Residents and in residential management's economic theme events.

VVO's rents are determined either by the markets (approximately 62 per cent of VVO's apartments) or on the cost principle (approximately 38 per cent). These rents cover the long-term maintenance of the properties. In market-based rental properties, rents can be determined freely. VVO determines its market-based rents in a way that supports the strategic objectives of the company.

VVO seeks operating models that lower the threshold of renting. The rental deposit, 250 euros, is returned after three years of tenancy. During the review period, VVO ended the requirement for an advance rental payment for the first month. Any problems with rental payments are handled proactively together with the residents.

Rental deposit
EUR
250

Average rent



Profitable property investment and value stability

A strong financial position enables investment financing even during an economic slowdown or uncertain conditions in the financial market. Systematic repairs are the key to responsible property portfolio management, ensuring value stability for properties.

VVO develops the property portfolio to meet demand for rental apartments. New construction takes place in urban growth areas where location, transport links and regional development prospects are important criteria for residents when choosing a new home.

VVO improves the investments and property maintenance and seeks to allocate property maintenance resources more efficiently in the future. Clear planning and repair guidelines ensure production quality, sustainable life cycle and cost efficiency of property maintenance, while meeting customer demands.

Satisfied customers, pleasant neighbourhoods

The results of our annual customer satisfaction survey show that VVO's residents remain very satisfied with VVO's services.

The customer satisfaction survey measures living comfort, VVO's operations and customer service, maintenance services, VVO's communications and resident cooperation.

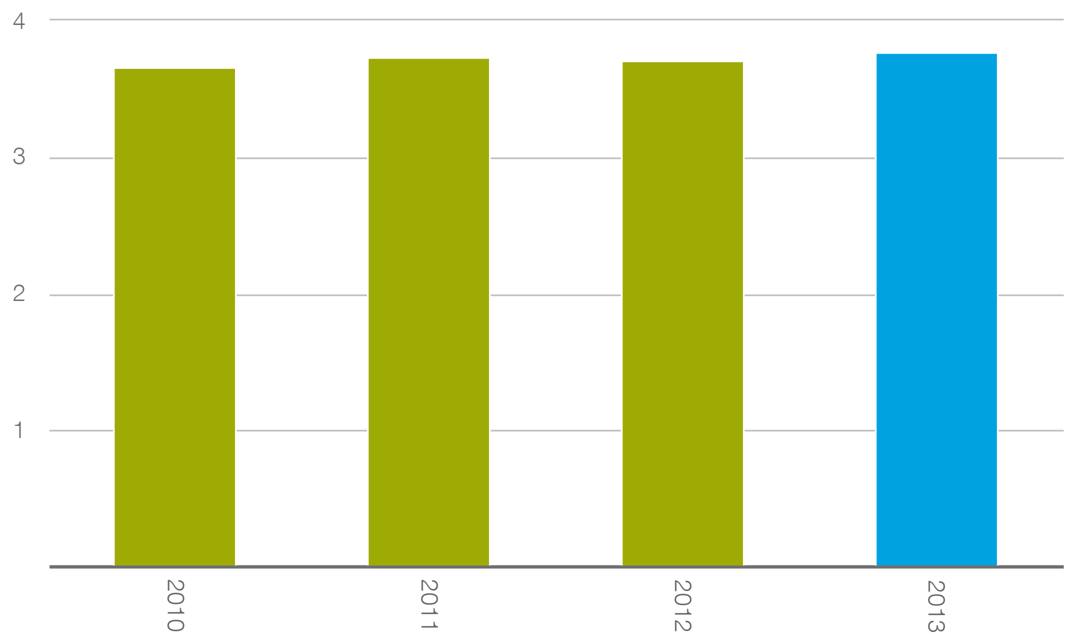
In the 2013 survey customer satisfaction remained high, at the level of the previous year. Young residents aged under 25 were the most satisfied group, residents aged 45–54 the least satisfied. Regional differences were also visible, with the most satisfied residents found in the VVO Home Centre regions of Lappeenranta, Jyväskylä and Tampere, while customers living in the Helsinki Metropolitan Area were the most critical of their living standards.

Examples of issues requiring action included cleanliness of the property waste collection site and maintenance company response times. Action taken on the basis of resident feedback includes revised property maintenance guidelines and increased quality control.

VVO is considered a reliable landlord. No fewer than 92 per cent of respondents had recommended or would be willing to recommend VVO. Close to 45 per cent of respondents had already recommended VVO as a landlord. "This has never been just an apartment or a base. This is HOME" said one of the respondents when explaining why they had decided to recommend VVO.

Carried out by Innolink Research in July and August 2013, the survey had approximately 1,500 respondents.

Tenant satisfaction



Customer interaction and resident cooperation

Resident cooperation has been developed over the entire 45-year span of VVO's operations. Resident cooperation provides residents with opportunities to influence their housing and those VVO practices that concern the residents.

Some 2,300 residents have been nominated to specific posts in residents' associations, such as chairmen of the house committees, vice chairmen, experts and house security managers. In addition, there are approximately 2,500 house committee members.

VVO's Board of Residents, the highest body representing all VVO residents, convened in December 2013. A new Board of Residents began its term of office on 1 January 2014. The Board of Residents is elected for a two-year term. Jarmo Natunen from Helsinki will continue as the chairman of the board in 2014. The board has a member and a deputy from each VVO Home Centre area across Finland.

VVO receives feedback from customers through the Board of Residents. The board also comments on topical housing policy issues and acts as an active residents' panel, providing VVO with opinions to support decision-making on housing guidelines. For example, in December 2013 VVO's Board of Residents issued Minister of Housing Pia Viitanen with a statement in support of keeping the national rent equalisation system.

Resident representatives can issue statements on the property rent criteria, in both Cost Principle and Market product groups.

Stepping down in 2013, the previous Board of Residents published an unofficial report for its two-year term.

In 2013, 14 residents' economic theme events took place.

Case

Residents' bonuses available throughout the tenancy

VVO rewards its residents with bonuses throughout their tenancy. Residents' bonuses are available as soon as customers sign the tenancy agreement with VVO.

As soon as they move in, VVO's residents receive the paint bonus, which includes the paints and equipment required to redecorate their home. VVO residents are also entitled to a range of discounts and events.

After a three-year tenancy, residents can claim back their 250-euro rent deposit. For more information about residents' bonuses, visit www.vvo.fi/asukasedut.

Safe living

VVO's residents live in safe, high-quality properties. The entire service chain, from renting to management to maintenance quality control, is carried out by VVO's own employees.

In resident selection, VVO seeks to ensure a diverse resident structure and socially balanced residential areas. The creation of neighbourhood communities is a significant factor in improving living comfort and safety as experienced by the residents.

VVO invests in risk minimisation and the safety of living environments. Rescue plans were updated during the review period. VVO's renewed property maintenance agreements also focus on a number of safety factors, such as well-maintained traffic routes, functioning play equipment, good lighting and up-to-date locking systems.

Reasonably priced living

VVO's mission is to offer reasonably priced rental housing in areas where demand is high. Sound management of finances, systematic property maintenance and preventive repairs facilitate moderate and predictable rent trends in the face of rising living costs. New construction increases the availability of rental housing and ensures a reasonable level of rents.

VVO determines its maximum rent increases in accordance with its rental practice. The Board of Residents has an opportunity to issue a statement on the criteria of rent determination.

Engaging employees and transparent operations

341

VVO people

Indirect employment effect of

1,500

man-years.

Good frontline management practices and employee engagement methods, as determined in VVO's human resources policy, were strengthened during the review period. The competence management model and the competence assessment procedure, introduced earlier, were further aligned with the strategic priorities.

During the 2013 review period, VVO introduced a pay and reward policy as part of the development of its pay system. The objective of the policy is to bring together in one document the key elements, policy definitions and processes regarding pay and rewards. VVO's pay and reward policy also seeks to increase transparency in the pay system. The principles of rewarding employees were strengthened by harmonising performance assessment methods and revising job evaluations. Supervisors and employee representatives gave their input to VVO's pay and reward policy.

Personnel engagement plays an important role in VVO's operations. Employees make an important contribution to the development of a range of areas, both in established liaison groups and in various projects.

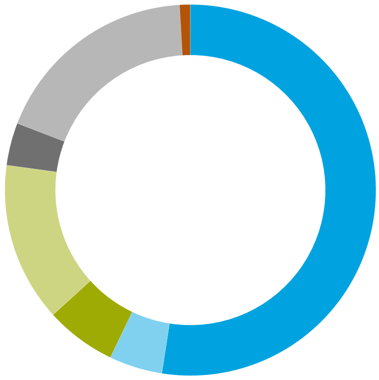
The information and consultation regarding VVO's reorganisation and job changes was launched on 11 November 2013 and completed on 2 December 2013, before the minimum consultation period had elapsed. The information and consultation procedure concerned some 190 employees. The consultation did not aim at any redundancies. After the consultation the Management Group made decisions on the business and organisation of departments in line with the employer plan.

Persons within the scope of the information and consultation could express their interest in the open positions through a survey. The reorganisation will be completed by 30 April 2014.

At the end of 2013, VVO employed 324 (335) people of which 313 (316) were employed permanently and 11 (19) temporarily. The average number of personnel during the year was 341 (343). The average length of service was 11.0 years (10.3). The personnel turnover in 2013 was 6.6 per cent (7.6 per cent).

As a purchaser and investor, VVO is an important employer in its property locations. In 2013, the indirect employment effect of VVO's property maintenance, cleaning and repair and building contracting amounted to nearly 1,500 man-years, in addition to VVO's own employees.

Personnel by department 31 Dec 2013



- Customer Management Department 170
- Administrative Department 15
- Development Department 20
- Real Estate Department 45
- Marketing and communications 12
- Financial Department 59
- Group Management 3

Total 324

Employee wellbeing

VVO's aim is to ensure wellbeing, good leadership, equality and learning at work for its employees. The company's HR management principles include equal, fair and respectful treatment of employees, as well as fair and target-oriented operations in compliance with agreed procedures.

Sound functioning of the workplace is ensured through good management and leadership, and clearly defined responsibilities and practices. VVO supports its employees' working capacity with wellness benefits, comprehensive occupational health care and training.

Further contributing to the creation of a functional and healthy work community, VVO offers a wide range of other employee perks and events and taxable employee benefits. VVO also employs various procedures and tools to prevent risk and deal with problems.

Case

Personnel survey

Results of VVO's annual personnel survey prove that satisfaction with VVO as an employer has again increased and is at a considerably higher level than in the compared businesses.

According to the survey, VVO employees are particularly satisfied with the efficiency and flexibility of unit operations, frontline management, employer image and leadership culture. VVO has achieved the highest PeoplePower category, AAA. PeoplePower gauges three areas: employee commitment, leadership culture and prerequisites for performance.

Virkeä invests in youth wellbeing

Having launched the Virkeä programme in 2012, VVO continued to support young athletes' activity and wellbeing in sport.

The Virkeä programme already includes a sponsorship programme for successful over-14s and a grant programme for promising young sportspersons. With the Virkeä programme, VVO aims to build long-term and thorough cooperation with young people who are actively engaged in sport.

The sponsored athletes are Lassi Etelätalo (athletics, javelin), Henry Manni (wheelchair racing), Nooralotta Neziri (athletics, 100-metre hurdles), Venla Paunonen (athletics, 400-metre hurdles), Tommi Pulli (speed skating) and Emilia Soini (squash).

The Virkeä programme also distributes grants to young people who are committed to their sports activities and are aiming towards a successful career in sport. Among others, grants have been given to young athletes living in VVO apartments and young people who have difficulties financing their sporting hobby.

Points for quality control in supplier network and property management

VVO fights the grey economy by ensuring that all anti-grey economy models used by the company exceed legislative requirements in many respects. Continuous automatic monitoring of contractors' liability data is carried out, whereas the law only requires data checks every three months.

Any companies that wish to be part of our supplier network must fulfil not only legal obligations but also VVO's own criteria for companies and associated persons. VVO's contract programme allows contractor chains to extend to a second tier. The agreement between VVO and its contractor contains sanctions with regard to, for example, the failure to use ID cards.

The property management quality control system, Laaki, helps VVO maintain energy-efficient building technology settings and ensure healthy living conditions. Laaki is based on property audits and customer satisfaction surveys. Systematic quality control and regular performance reviews with the property management companies have improved both the Laaki quality points received by the assessed businesses and VVO's customer survey results for property management.

The 2013 Property Manager was Lasse Riisiö from Kotka, who received the highest ever result in the property management quality measurement, nearly 9,200 quality points.

Decrease in carbon dioxide emissions

The most significant environmental impacts of VVO's operations are caused by construction and property maintenance. Carbon dioxide emissions caused by the energy use of our housing stock constitutes the most crucial of these impacts.

Our energy choices have already reduced carbon dioxide emissions. District heating is used in most VVO properties, and CO2-free energy production methods are used to provide electricity for the properties.

VVO signed the Climate Partner agreement with the City of Helsinki in 2012 and continued the cooperation during this review period. VVO has previously committed itself to following the Rental Property Action Plan (VAETS), which sets a savings target of seven per cent in heating energy from the 2009 level. With this new commitment, the savings targets will be higher in Helsinki than elsewhere in Finland.

VVO has reached its VAETS savings target for 2016 and exceeded the target for property electricity consumption. Temperature-corrected heat consumption has decreased by 8.6 per cent from 2009 and electricity consumption by 8.1 per cent. Our improvement in energy efficiency has largely been achieved through operating and maintenance measures.

In 2013, VVO used 390 GWh (412) of heating energy; overall property electricity consumption was 50.7 (51.3) GWh, and overall water consumption 3.6 (3.6) million cu.m. Temperature-corrected consumption of heating energy decreased by 2.2 (2.2) per cent on the previous year. 2013 was clearly warmer than 2012. This largely explains the significant decrease in overall heating energy consumption.

CO_2 emissions caused by heating energy production for VVO's properties were approx. 68,000 (79,000) tCO_2. VVO seeks to alleviate the environmental impacts of energy consumption by using carbon-neutral energy for property electricity. District heating is used in 99 per cent of VVO's properties.

Our residents are provided with the right setting for environmentally friendly living. Waste management has improved in residential buildings, and VVO has taken action to provide residents with a range of functional waste sorting facilities. In the Helsinki Metropolitan Area, effective sorting facilities reduced the amount of mixed waste in 2013 by 6.3 per cent on the previous year.

Case

VVO House receives GO Certificate

VVO is one of the first businesses in the world to have been awarded the Green Office certificate. VVO House's environmental programme continues to meet the criteria of WWF's Green Office label. WWF's Green Office is an environmental management system for offices. It helps workplaces reduce their environmental burden, make savings and mitigate climate change. Green Offices are monitored every three years.

WWF especially recognised VVO's active partnerships between specialists and property management in controlling VVO House's energy consumption, active efforts to steer outsourced services towards environmentally friendly practices, communication of the Green Office concept to employees, and the clear division of responsibilities and strong commitment of the Green Office team.

Energy efficiency without compromising living comfort

In Finland, energy consumption of buildings represents 39 per cent of total energy consumption, corresponding to 30 per cent of total greenhouse gas emissions. The most significant environmental impact of VVO's operations is down to the energy consumption of properties.

Energy savings enable us to control the increase in maintenance costs and decrease greenhouse gas emissions. Energy costs (heating, electricity and water) account for approximately 36 per cent of VVO's property maintenance expenses. Without savings, the share of energy costs would have increased a great deal in the 2000s because of rising energy prices.

Efficiencies in energy use in VVO's housing stock are mainly carried out through maintenance and operating measures, without compromising comfort and living conditions. VVO's operations are based on healthy and safe living conditions and, in recent years, these have been increasingly monitored. Room temperature measurements and ventilation checks are carried out automatically in new properties. Regular sample measurements are taken in older properties. Increased monitoring data helps us to ensure that property settings are at an energy-efficient level and optimum indoor conditions are maintained in our apartments.

As part of our new construction and renovation projects, VVO contributes to the development of efficient life-cycle solutions for residential buildings. Tightened construction regulations also guide us towards energy efficiency. In the future, VVO will use heat pumps to increase heat recovery ventilation in its housing stock.

Case

Energy efficiency from building automation and solar power

In November 2013, VVO and Caverion signed an agreement on installing building technology in a residential building in Tikkurila, Vantaa. The agreement covers the entire building technology (HVAC and automation) planning and implementation.

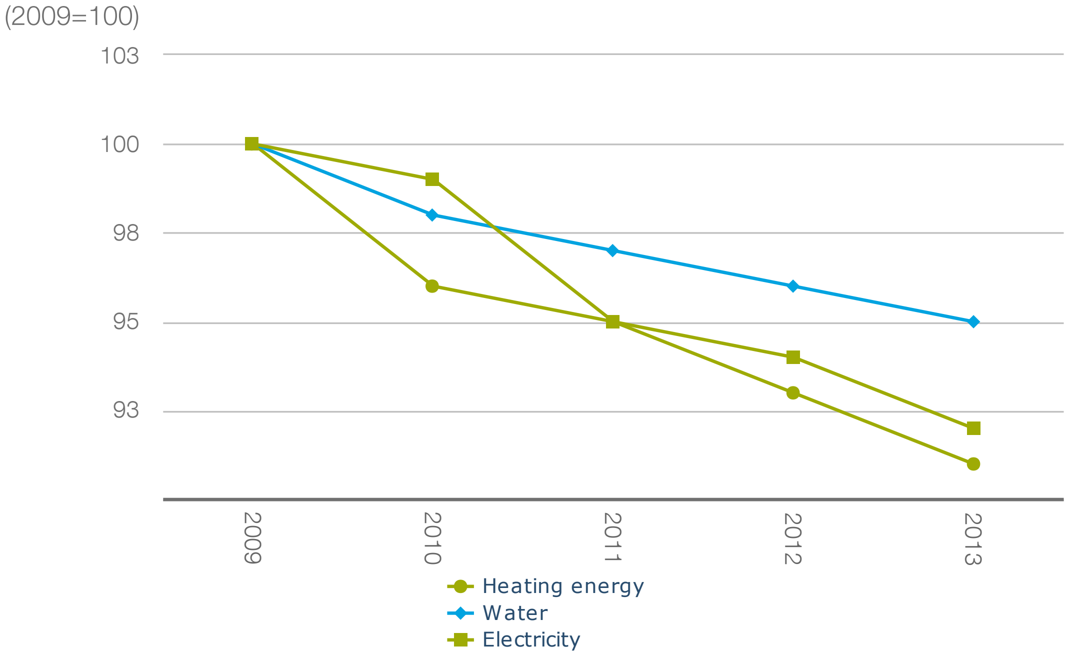
The new residential building of Asunto Oy Vantaan Lauri Korpisen katu 10 is located close to Tikkurila railway station, next to the future transport interchange. With 188 apartments, it will be the largest project in VVO's history. The project covers automated ventilation control for the building.

The share of energy costs of property maintenance expenses has increased in the industry throughout the 2000s. New construction seeks to ensure appropriate and comfortable living conditions without compromising on energy efficiency.

Energy efficiency and tightening building energy regulations provided the starting point for the Tikkurila project plan. The chosen building technology solutions combine energy efficiency with ease of living. Particular attention has been paid to indoor air conditions, such as temperature management and ventilation.

The advanced building automation system can be used to adjust a number of settings, such as floor heating in the wet areas or the amount of ventilation in a single apartment when it is empty. Renewable energy will be provided by solar power, covering to a large extent the electricity consumption of ventilation units and pumps.

Development of the specific consumption of heat, water and electricity



Corporate Governance

VVO complies with the administrative principles laid down by the Board of Directors, and adheres to Finnish laws and regulations and the Articles of Association in all decision-making.

Description of corporate governance

The duties of the administrative bodies of VVO-group plc and its subsidiaries are determined by Finnish legislation. VVO complies with the administrative principles laid down by the Board of Directors, based on the Finnish Limited Liability Companies Act, and adheres to the Finnish laws and regulations and the Articles of Association in decision making.

VVO-group plc prepares an annual consolidated financial statement, parent company financial statements, annual report and interim reports pursuant to the Finnish Accounting Act and Decree and the Limited Liability Companies Act.

Administrative bodies

Annual General Meeting

The General Meeting is VVO-group plc's highest decision-making body, at which shareholders participate in the governing and control of the company. General Meetings are arranged so that the shareholders can exercise their rights as owners efficiently. The Annual General Meeting must, as per 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 financial period has ended.

The Annual General Meeting decides on the matters specified in Section 12 of the Articles of Association and any other business proposed for the agenda of the AGM. Sufficient information concerning the issues to be discussed at a General Meeting must be made available to the shareholders before the meeting.

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

Board of Directors

The Board of Directors of VVO-group plc 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 who are elected for a one-year term.

A majority of the Board members must be independent of the company. At least two of the members belonging to the aforementioned majority must be independent of the company's major shareholders.

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

At the Annual General Meeting on 22 March 2013, Riku Aalto was elected Chairman of the Board of Directors, and Risto Murto, Tomi Aimonen, Matti Harjuniemi, Olli Luukkainen, Antti Rinne, Jan-Erik Saarinen and Ann Selin were elected members.

The Board of Directors had nine meetings in 2013, with an average attendance of 86 per cent.

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 governing the company's operations in accordance with the Articles of Association so that the company will generate the highest possible added value in the long term, while taking into account the expectations of the various interest groups.

The Board of Directors has compiled a written working order for its operations, defining the main tasks and operating principles of the Board.

The Board's tasks include the approval of financial statements, consolidated financial statements and interim reports, approval of the Group's strategic plans, annual budget and investment and divestment plans, and the appropriate arrangements for the Group's risk management and internal auditing. The Board also nominates the CEO, deputy CEO and the members of the Management Group.

Board committees

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 Committees have no decision-making authority in themselves; their purpose is to pre-prepare and present issues within their remit to the Board of Directors or the General Meeting for a decision. The Committees report regularly to the Board of Directors.

The Annual General Meeting appoints the Nomination Committee, consisting of four members elected at the Annual General Meeting. The main task of the Nomination Committee before the next Annual General Meeting, where members of the Board of Directors and/or the chairman of the Board are elected and/or the fees and/or number of Board members are determined, is to prepare a proposal for these decisions, to be submitted to the meeting.

In 2013, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Petri Lindroos and Ville-Veikko Laukkanen as members. The Nomination Committee met twice during the review period, with an average attendance of 88 per cent.

The Board of Directors appoints an Audit Committee and a Remuneration Committee from among its members. These committees have three members each.

The main task of the Audit Committee is to monitor the company's financial situation and to oversee its financial reporting. The committee also assesses the sufficiency and adequacy of internal auditing and risk management.

In 2013, the Audit Committee was chaired by Riku Aalto and included Tomi Aimonen and Matti Harjuniemi as members.

The main task of the Remuneration Committee is to prepare matters concerning the remuneration and benefits of the company CEO and deputy CEO, and other matters concerning the company's reward systems.

In 2013, the Remuneration Committee was chaired by Riku Aalto and included Risto Murto and Ann Selin as members.

The Audit Committee met four times and the Remuneration Committee twice during the period under review, with a perfect attendance record at the Audit Committee meetings and an average attendance of 83 per cent at the Remuneration Committee meetings.

Corporate Management

CEO

The Board of Directors appoints the CEO and Deputy CEO. The CEO is responsible for running the business operations of VVO in accordance with the Limited Liability Companies Act, administrative regulations and instructions issued by the Board of Directors.

The CEO is responsible for ensuring that the company carries out its business operations and implements its goals. The CEO reports to the Board of Directors on the company's financial situation and business environment and on other matters relevant to the company's business operations. The CEO also chairs the Management Group.

The CEO during the review period was Jani Nieminen M.Sc.(Tech.), MBA. The CEO's deputy up to 1 September 2013 was Eero Saastamoinen, Business Director, Real Estate, M.Soc.Sc. and, from 2 September 2013, Raimo Vehkaluoto, CFO, M.Sc. (Econ.).

Management Group

The Management Group supports the CEO in the preparation of Group strategy issues, in the handling of significant and fundamental operations issues, and in facilitating internal communications.

The Management Group is responsible for implementing the Board of Directors' decisions under the leadership of the CEO.

The VVO Group Management Group was composed up to 1 September 2013 of CEO Jani Nieminen (Chairman), Business Director, Real Estate Eero Saastamoinen, CFO Raimo Vehkaluoto, Customer Director Juha Heino, Administrative Director Tiina Heinonen and ICT & Development Director Mikko Pöyry.

From 2 September 2013, the Management Group included CEO Jani Nieminen (Chairman), CFO Raimo Vehkaluoto; Customer Director Juha Heino; Investment Director Mikko Suominen; Real Estate Development Director Kim Jolkkonen (from 10 September 2013); Marketing & Communications Director Irene Kantor; and ICT & Development Director Mikko Pöyry. At the CEO's discretion, Tiina Heinonen, the Group's legal counsel, and Jouni Heikkinen, the company's internal auditor, may also attend Management Group meetings.

Internal control

The purpose of internal auditing is to ensure that VVO's operations comply with current legislation and regulations and the company's operating principles, and also that the company's financial and business reporting is reliable. Internal auditing also seeks to safeguard VVO's assets and ensure that its operations are efficient and reliable, enabling the attainment of its strategic goals.

The internal auditing and risk management operating model included in financial reporting is designed so as to gain sufficiently dependable information on the reliability of financial reporting and to ensure that the financial statements are drawn up according to current legislation and regulations.

The VVO internal auditing system is based on the framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Organisation of internal auditing is the responsibility of the Board of Directors and the CEO. Responsibility for carrying out internal auditing, however, is shared by the entire organisation: each individual VVO employee is responsible to his/her supervisor for internal auditing in his/her area of responsibility.

Auditing environment

Principal responsibility for internal auditing of financial reporting rests with the Board of Directors. The working order of the Board of Directors outlines the responsibilities of the Board and the division of duties within the Board and among its committees. The principal task of the Audit Committee appointed by the Board of Directors is to ensure that the principles outlined for financial reporting, risk management and internal auditing are complied with and that appropriate contact is kept with the company's auditors. It is the duty of the CEO to maintain an organisation structure where responsibility, authority and reporting relationships are clearly and comprehensively defined in writing, and to ensure that the internal auditing environment is adequately resourced.

Financial reporting is governed by VVO operating principles, HR policy, financing policy, information security policy, accounting principles and reporting instructions.

Risk management

Risk management at VVO is based on the risk management policy adopted by the Board of Directors. Risk management forms part of the company's internal auditing, its purpose being to ensure that the company's business goals are attained. Responsibility for providing for risk management rests with the Board of Directors. Risk management is based on risk assessments carried out in connection with the strategy and annual planning processes, which involve identifying the most notable risks, evaluating their likelihood and potential impacts, and agreeing on means to manage them. Changes in the most significant risks in the business environment and business operations are evaluated regularly and reported to the Board of Directors in the quarterly interim reporting. The Group's legal counsel is responsible for the risk management processes.

Auditing measures

The VVO financial and operational reporting process complies with the Group operating instructions and valid process descriptions. The financial management of VVO is responsible for the content of the reporting process and for compliance with instructions. The quality of reporting is ensured through process control measures. These include reconciliation of accounts, system-generated controls, and inspections and other measures undertaken by the management or others. Control functions have designated managers responsible for their sufficiency and efficiency of execution.

Auditing of the reporting and budgeting processes is based on unified VVO reporting principles, drawn up and maintained by the financial management of VVO.

Communications and publicity

To ensure an efficient and functional internal auditing environment, VVO strives to keep internal and external communications open and transparent at all times. The key operating principles and instructions are available to the entire organisation via the VVO intranet.

The purpose of communications is to inform our various interest groups of matters concerning the company, giving correct, sufficient and up-to-date information regularly, equitably and at the same time to all parties.

All the company's bulletins and principal management presentation materials concerning the company's finances are available immediately after publication on the company website, www.vvo.fi.

Monitoring

The effectiveness of internal control concerning financial reporting is monitored by the Board of Directors, the Audit Committee, the CEO, the Group management, the internal audit department and the managers of the various units and departments. Internal control involves the monitoring of monthly financial and business reports, reviewing of prognoses and plans, reports prepared by internal auditing, and quarterly interim reports by the external auditors.

The most significant changes in risks across the business environment and business operations are evaluated regularly in the quarterly interim reporting.

Internal auditing submits a summary report to the Audit Committee every six months concerning the inspections conducted, principal observations and actions agreed upon.

Internal auditing

Internal auditing supports the organisation by providing independent and systematic evaluation of the efficiency and appropriateness of business processes. It also monitors the effectiveness of internal control and risk management. The purpose of internal auditing is to ensure that the company's financial and business reporting is correct, its business operations are legal and its assets are being appropriately managed. On the basis of inspections conducted, internal auditing issues recommendations for improving the company's operations. Internal auditing seeks to support and promote risk management development in the company's various functions.

The internal auditing action plan is drawn up for one calendar year at a time. Each year, inspections are carried out in areas regarded as important to the risks at hand and the goals of the Group. The relevance and feasibility of the action plan are reviewed together with the management at six-month intervals.

The internal auditing officer reports administratively to the CEO.

In 2013, internal audits focused on operational and supervisory process inspections of principal and support processes.

Auditing the accounts

Audits are completed by the auditors elected by the Annual General Meeting. The company has one to three auditors and their deputies. If an auditing firm is selected as an 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 Authorised Public Accountant (KHT) or an Authorised Public Accounting Firm, approved by the Central Chamber of Commerce.

The term of the auditors is one (1) year and ends at the close of the next Annual General Meeting following their appointment.

During the financial period 1 January to 31 December 2013, the company auditors were KPMG Oy Ab, with Kai Salli, Authorised Public Accountant, as principal auditor.

In the statutory annual audit, the auditor inspects the company’s accounts, annual report, financial statement and governance for the period under review. The auditor of the parent company also inspects the consolidated financial statement and relationships between Group companies.

Description of salaries and fees

Board of Directors and auditors

The Annual General Meeting decides on the remuneration of the Board of Directors and the auditor. At the Annual General Meeting on 22 March 2013, a decision was taken to confirm the attendance allowance for Board meetings as EUR 600 per meeting and to set the following annual fees for the term beginning on 22 March 2013: EUR 20,000 for the Chairman; EUR 11,000 for the Deputy Chairman; and EUR 8,000 for each of the members.

The fees paid to members of the Board of Directors for the year 2013 came to a total of EUR 116,200.

It has been decided that the fee for the auditors will be paid to invoice.

CEO and other management

The company's Board of Directors decides on the pay of the CEO and members of the Management Group and on the principles and disbursement of their performance bonuses. Group employees do not receive additional compensation for serving as Board members or the CEO of a Group company.

The salaries and fees of the CEO and Deputy CEOs, including benefits in kind, came to EUR 648,325.04. The Deputy CEO was changed on 1 September 2013.

The retirement age for the members of the Management Group is 63 years. The 'old' Management Group members are entitled to a benefit-based pension amounting to 60 per cent of pensionable earnings. New members of the Management Group come under a contribution-based pension system where an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan.

The period of notice for terminating the CEO's employment relationship is six months. If the company dismisses the CEO before the retirement age, the CEO is entitled to severance pay equal to his six months' total pay in addition to his pay for the period of notice.

Members of the Management Group are included in the annual bonus system, which is based on a balanced score card. Members of the Management Group have also been included in a long-term incentive plan since the beginning of 2010. The incentive plan is based on the Group's performance and is divided into three-year periods. The second period ended in 2013.

From left to right: Jan-Erik Saarinen, Matti Harjuniemi, Riku Aalto, Risto Murto, Tomi Aimonen, Ann Selin, Olli Luukkainen and Antti Rinne

Board of Directors

Riku Aalto

Chairman of the Board of Directors of VVO-group plc

Qualifications: M.Sc.(Admin.)

Year of birth: 1965

Currently President, Finnish Metalworkers' Union

Principal employment experience:

- Finnish Metalworkers' Union: President since 2008
- Finnish Metalworkers' Union: Financial Manager 2003–2008

Member of the Board of Directors of VVO-group plc since 2003.

Tomi Aimonen

Member of the Board of Directors of VVO-group plc

Qualifications: M.Sc.(Tech.)

Year of birth: 1973

Currently Business Director, Real Estate, Ilmarinen Mutual Pension Insurance Company

Principal employment experience:

- Ilmarinen Mutual Pension Insurance Company, Business Director, Real Estate 2006 -
- Jaakko Pöyry Infra, JP-Talotekniikka Oy, Consultant of Property Economics 2000 - 2001
- Ilmarinen Mutual Pension Insurance Company, Property Analyst 2001 - 2006

Member of the Board of Directors of VVO-group plc since 2008.

Matti Harjuniemi

Member of the Board of Directors of VVO-group plc

Qualifications: MA

Year of birth: 1958

Currently President, Finnish Construction Trade Union

Principal employment experience:
- Finnish Construction Trade Union, President 2005–
- Teacher
- Joiner
- Department Secretary

Member of the Board of Directors of VVO-group plc since 2010.

Olli Luukkainen

Member of the Board of Directors of VVO-group plc

Qualifications: Ph.D.(Ed.)

Year of birth: 1957

Currently President, Trade Union of Education in Finland OAJ

Principal employment experience:
- Trade Union of Education in Finland OAJ, Head of Education 2009 - 2010, Development Manager 2007–2009
- HAMK University of Applied Sciences, The School of Vocational Teacher Education at Tampere University of Applied Sciences (TAOKK), Director 2004–2007
- Association of Finnish Local and Regional Authorities, Development Manager 2004, Specialist 2001 - 2004
- Finnish National Board of Education, Head of Teacher Education Services Unit 2000 - 2001, Project Manager 1997 - 2000, Teacher, Director of school or institution both in general and vocational education.

Member of the Board of Directors of VVO-group plc since 2011.

Risto Murto

Deputy Chairman of the Board of Directors of VVO-group plc

Qualifications: D.Sc.(Econ.)

Year of birth: 1963

Currently previous Deputy CEO, CEO of Varma Mutual Pension Insurance Company from 1 January 2014

Principal employment experience:

- Varma Mutual Pension Insurance Company, Deputy CEO 2010–
- Varma Mutual Pension Insurance Company, Director, Investments 2006 - 2010
- Opstock Oy, CEO 2000 - 2005
- Opstock Oy, Director, Director of Research 1997 - 2000

Member of the Board of Directors of VVO-group plc since 2006.

Antti Rinne

Member of the Board of Directors of VVO-group plc

Qualifications: Master of Laws

Year of birth: 1962

Currently President, Trade Union Pro

Principal employment experience:

- Trade Union Pro, President 2010 -
- Trade Union Pro, President 2011 -
- Trade Union Pro, Deputy President 2012 -
- Union of Salaried Employees, President 2005 - 2010
- The Unemployment Fund Pro, President 2005 - 2010
- Federation of Special Service and Clerical Employees ERTO, President 2002 - 2005

Member of the Board of Directors of VVO-group plc since 2006.

Jan-Erik Saarinen

Deputy Chairman of the Board of Directors of VVO-group plc

Qualifications: MBA, Financing, Helsinki Business School

Year of birth: 1967

Currently Financial Manager, Trade Union for the Public and Welfare Sectors JHL from January 2013

Principal employment experience:
- Ajanta Oy, Director of Investments 2010 - 2013
- Working in business management and financing 1998 - 2010, e.g.: Evli Bank plc, Trainers' House plc, 3C Asset Management Oy

Member of the Board of Directors of VVO-group plc since 2013.

Ann Selin

Member of the Board of Directors of VVO-group plc

Qualifications: Trade Union Officer Qualification

Year of birth: 1960

Currently President, Service Union United PAM

Principal employment experience:
- Service Union United PAM, President 2002 -
- Service Union United PAM, Regional Manager 2000 -
- Business Sector Trade Union, Regional Supervisor, Occupational Safety Secretary and Youth Worker 1987 - 2000, various posts in the Union since 1976

Member of the Board of Directors of VVO-group plc since 2006.

From left to right: Mikko Pöyry, Juha Heino, Raimo Vehkaluoto, Mikko Suominen, Jani Nieminen, Kim Jolkkonen, Irene Kantor

Jani Nieminen

CEO

Qualifications: M.Sc.(Tech.), MBA

Year of birth: 1968

Principal employment experience:

- VVO-group plc, CEO 2011-
- Realia Group Oy, Deputy CEO 2006 - 2011
- Sato Oyj, Unit Manager 1997 - 2006
- Suvelan Kiinteistöpalvelu Oy, Real Estate Service Manager, Deputy CEO 1994 - 1997

Juha Heino

Customer Director

Qualifications: M.Sc.

Year of birth: 1960

Principal employment experience:

- VVO-group plc, Customer Director 2011 -
- VVO-group plc, Unit Manager 2009 - 2011
- VVO-group plc, Marketing Manager 2008- 2009
- Realia Group Oy, working in sales management 2003 - 2008
- VVO-group plc, Marketing Manager 2002 - 2003
- Sato Oyj: Sales Manager 1997 - 2002

Kim Jolkkonen

Real Estate Development Director

Qualifications: Licentiate of Science (Technology)

Year of birth: 1971

Principal employment experience:

- VVO-group plc, Real Estate Development Director 2013–
- FCG Suunnittelu ja tekniikka Oy, CEO 2012 - 2013
- Helsingin kaupungin asunnot Oy, Technical Manager 2011 - 2012
- Vahanen-yhtiöt: Business Area Manager 2008 - 2011
- Sato Oyj, Real Estate Manager 2003 - 2007

Irene Kantor

Marketing and Communications Director

Qualifications: MA

Year of birth: 1968

Principal employment experience:

- VVO-group plc, Marketing and Communications Director 2013 -
- DNA Oy, Communications Director 2012 - 2013
- SEK Public Oy/Aideno Oy, CEO 2006 - 2012
- BNL Euro RSCG, Communications Consultant 2001 - 2006

Mikko Pöyry

Development Director

Qualifications: M.Sc.(Tech.), M.Sc.(Econ.)

Year of birth: 1956

Principal employment experience:

- VVO-group plc, Development Director 2011 -
- VVO-group plc, Information Management Director 2003 - 2010
- Mecrastor Oy (Mecrastor PricewaterhouseCoopers Oy, PwC Consulting Oy): Management Consultant, Consultant Director 1995 - 2002
- Oy International Business Machines Ab: System Engineer, Sales Manager, Marketing Manager 1983 - 1995

Mikko Suominen

Investments Director

Qualifications: Master of Laws

Year of birth: 1971

Principal employment experience:

- VVO-group plc, Investments Director 2013 -
- VVO-group plc, Unit Manager, Investments 2009 - 2013
- VVO-group plc, Investments Negotiator 2007 - 2009
- VVO-group plc, Attorney 2002 - 2007

Raimo Vehkaluoto

CFO

Qualifications: M.Sc.(Econ.)

Year of birth: 1952

Principal employment experience:

- VVO-group plc, CFO 1998 -
- Municipal Sector Trade Union KTV, Financial Manager 1987 - 1997
- The Finnish Metalworkers' Union Unemployment Fund, Office Manager 1983 - 1985
- The Finnish Metalworkers' Union, Property Manager 1980 - 1983

Risks and risk management

VVO's proactive approach to risk management is aimed at ensuring that operations run smoothly and that key objectives can be achieved.

Risk management

Risk management at VVO is based on the risk management policy adopted by the Board of Directors. Risk management has been incorporated into the company's integrated management system and internal auditing. The aim of risk management is to ensure that strategic and operational objectives can be achieved by identifying and assessing the most notable risks associated with VVO's operations and by agreeing on means to manage them.

Risk management is ultimately the responsibility of the company's Board of Directors, which lays down the objectives of risk management and monitors the most notable risks. The Audit Committee set up by the Board of Directors is responsible for evaluating the adequacy and appropriateness of risk management in the company. Responsibility for the practical implementation of risk management in the organisation rests with the company's operational management. Regular, quarterly reports of the most notable risks are produced for the Audit Committee and the Board of Directors.

Risk management is based on risk assessments carried out in connection with the annual strategic planning process, which involve identifying the most notable risks, evaluating their likelihood and potential impacts, and agreeing on means to manage them. VVO's most notable risks have been grouped under strategic and operational risks on one hand and under financial and liability risks on the other.

Most notable risks

The most notable risks associated with customer management relate to a potential drop in the financial occupancy rate and an increase in resident turnover. Factors affecting these risks include economic fluctuations and shifts in demand both nationally and locally. The financial and operational occupancy rate of rental homes, resident turnover, number of applicants and changes in these figures are monitored by region on a monthly basis. VVO strives to increase occupancy rates and to reduce resident turnover by boosting the rental business, repairing units and properties, and strengthening relationships with customers. VVO's collaboration with residents plays an important role in improving customer relations.

Ensuring that the value of VVO's housing stock continues to rise requires investments in urban growth areas, measures to ensure that units are fit to rent and systematic renovations across all properties.

Major fluctuations in market interest rates and margins may have a negative impact on the financial performance of VVO and slow down investments in new development and renovations. The interest rate risk associated with market-based loans is controlled by interest rate swaps and hedging. The interest rate of state-subsidised loans is tied to the Finnish consumer price index, which can cause considerable fluctuations in annual interest costs. The company's investment activity may also be affected by access to finance. Investments with long economic lives also require long-term financing, and the risk of refinancing increases with shorter maturities. The risk associated with access to finance is controlled by securing new sources of finance.

The most notable risks associated with properties are liability risks such as water damage and fire. Liability risks are managed with appropriate preventive safety measures and by insuring properties against damage. VVO Group regularly reviews its insurance policies as part of overall risk management. The main insurance policies are property, liability, loss of profits, accident, travel and vehicle insurance.

Financing risks

Interest rate risk

The most notable interest rate risk relates to interest rate fluctuations affecting the loan portfolio, which is controlled with interest rate derivatives and by balancing between variable and fixed rates. The types of loan with the highest interest rate risk are market-based loans and interest-subsidy loans. Loans granted by the state involve an inflation-based interest rate risk.

The interest rate risk associated with market-based loans is controlled by interest rate swaps and hedging. The degree of hedging is defined as the percentage of all market-based loans of loans that are considered fixed-rate loans, loans that are converted into fixed-rate loans with interest hedging agreements, and loans that are hedged in other ways. The target level is between 50 per cent and 80 per cent.

At the end of 2013, the degree of hedging was 74 (80) per cent. Some loans are tied to a fixed rate at withdrawal, most often for a five-year fixed-rate term. At the end of 2013, these kinds of loans accounted for 31.5 (26.6) per cent of market-based loans. The use of interest rate derivatives is aimed at balancing the effects of market interest rate fluctuations on the loan portfolio. This is only done for hedging purposes. VVO's longest hedging extends to 2026. Interest rate derivatives accounted for 62.7 (72.0) per cent of variable-rate loans.

The interest rate of state-subsidised loans is tied to the Finnish consumer price index, which can cause considerable fluctuations in annual interest costs. Some loans have an interest rate ceiling that reduces the interest rate risk resulting from inflation. Interest rate costs are taken into consideration when determining rent levels.

Liquidity risk

Cash flow from the rental business is stable. Liquidity is controlled by separating cash flow from non-profit corporations from cash flow from deregulated properties. The adequacy of finance arrangements is monitored by means of liquidity prognoses, and reports are produced at regular intervals.

The liquidity of investments is controlled with the help of the parent company's EUR 80 million commercial paper programme. A total of EUR 47.5 (EUR 36.5) million of the facility associated with the programme was in use at the end of 2013. In addition, the company had access to a total of EUR 20.0 (EUR 20.0) million through non-binding credit facilities. At the end of the financial year, none of these was being used. The liquidity of the Group and the parent company remained good throughout the financial year.

Risk related to the availability of financing

Functioning of the financial market is troubled by fears of the negative impact of increased regulation of banks and lending, particularly with regard to the availability and cost of long-term financing. In terms of property investments, the risk of refinancing increases with shorter maturities. Thanks to VVO's strong financial position and robust cash flow, the risk associated with access to finance is not considered significant. This risk can be controlled as required by varying the volume of investments.

Risks associated with the diversity and adequacy of the guarantee portfolio are low.

Currency risk

The Group's cash flows are euro-denominated, and there is no currency risk.

Board of Director's Report

Operating environment

Due to the economic recession, employment conditions and consumer confidence weakened, resulting in decreased private consumption. The poor economic situation has postponed investment project start-ups.

Selling times of owner-occupied apartments increased and trade volume diminished during the latter part of 2013. Building companies' willingness to negotiate increased as sales of new construction declined and projects planned for owner-occupied apartments were increasingly offered for rental housing production.

Demand for the most expensive rental apartments has fallen. Demand for apartments corresponding to VVO's offerings has remained high. The occupancy rate of VVO's rental apartments has remained high.

Demand for rental housing remained high in the communities where VVO has a presence. More rental housing is needed, especially in the Helsinki Metropolitan Area. Production is clearly focusing on privately financed rental apartments.

The euro crisis and solvency regulations for banks were reflected in companies' operations, in the form of rising loan margins and shorter maturities. Challenges relating to the availability of financing were also reflected in the real estate sector.

The Ministry of the Environment is preparing a legal reform that will improve the potential for state-subsidised production with, for example, a new 20-year interest subsidy model. If effected, the legal reform might improve the potential for state-subsidised production and thus increase rental housing production.

Segment reporting

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

The VVO Non-subsidised segment includes privately financed rental housing, and such state-subsidised housing that has unlimited revenue recognition and is subject to property-specific limitations, based on the ARAVA Act, which will expire by 2025 at the latest. The plot reserve included in inventories and the apartments for sale are also included in the VVO Non-subsidised segment.

The VVO State-subsidised segment includes rental housing that is subject to longer-term property-specific limitations based on the ARAVA Act and interest subsidy legislation. The Group companies VVO Asunnot Oy and VVO Korkotukikiinteistöt Oy, subject to the profit distribution limitation specified in the ARAVA Act, are part of the VVO State-subsidised segment. These companies can pay their owner an eight per cent return on original nominal-value own funds invested in them that have been confirmed by the Housing Finance and Development Centre of Finland (ARA). The return payable from the annual profits of the companies within the VVO State-subsidised segment totals approximately EUR 3 million.

Turnover and result

The VVO Group had a turnover of EUR 346.6 (335.4) million for the period 1 January–31 December 2013. The VVO Non-subsidised segment recorded a turnover of EUR 174.3 (169.5) million, and the VVO State-subsidised segment EUR 183.3 (175.3) million. Turnover was increased by the growth in revenue from rental activities.

The Group posted an operating profit of EUR 116.2 (112.7) million, representing 33.5 (33.6) per cent of turnover. Profit before taxes amounted to EUR 75.9 (62.5) million. The result includes EUR 8.7 (5.0) million in sales gains from fixed assets. Our favourable profit performance is based on the successful management of maintenance costs, a small tenant turnover rate, a good usage rate, and low financial costs. Financial income and expenses included in the result totalled EUR -40.3 (-50.2) million. The increase can be seen in the VVO Non-subsidised segment in particular, with profit before taxes amounting to EUR 57.2 (43.3) million. The VVO State-subsidised segment recorded a profit before taxes amounting to EUR 18.9 (19.4) million.

The recognition practice for VVO Group repair expenses has been specified. Repair expenses of the cost principle product group, which do not increase the ability to generate revenue, are recognised as expenses. The income statement and balance sheet for 2012 have been altered to correspond to the changes made. The change in recognition practice increased repair expenses for 2013 by EUR 11.4 (7.8) million.

Deferred tax assets and liabilities are recognised according to the new community tax rate. This increased equity in the consolidated balance sheet by EUR 22.6 million. The effect of the change in community tax rate on deferred taxes and profit after taxes for the financial year was EUR 19.3 million.

Balance sheet and financing

At the end of the financial year, the Group's balance sheet total was EUR 2,468.5 (2,276.1) million. Equity totalled EUR 497.9 (438.4) million and equity ratio was 20.7 (19.8) per cent. Return on equity was 15.5 (10.6) per cent and return on investment 5.5 (5.5) per cent.

The Group's cash, cash in bank and securities stood at EUR 142.3 (129.0) million at the end of the financial year. The Group maintained good liquidity during the financial year. Of the EUR 80 million commercial paper programme, EUR 47.5 (36.5) million had been issued.

In May, VVO-group plc issued an EUR 100 million secured bond. The bond has a term of seven years and the fixed annual coupon rate is 3.25 per cent. The bond is backed by residential properties mostly located in the Helsinki Metropolitan Area.

Group loans and interest rate hedging by loan group

EUR million	31.12.2013	31.12.2012
Interest subsidy loans	611.9	607.4
Annuity and mortgage loans	312.6	325.3
Other property loans	788.0	647.9
Loans for owner-occupied housing production	24.8	26.0
Capital loans	2.4	2.4
Commercial papers	47.5	36.5
Other debts	7.9	18.8
Total	**1,795.1**	**1,664.3**
Market-based loans	802.0	665.6
With fixed interest	252.2	176.9
With floating rates	549.8	488.7
Interest rate derivative agreements	344.9	352.0
Interest rate options	28.0	28.0
Value of interest rate derivatives	-27.6	-39.2
Degree of hedging, %	74	80

At year end, the Group had EUR 611.9 (607.4) million in interest subsidy loans guaranteed by the State. The remaining average maturity was 3.9 (4.9) years for interest subsidy loans withdrawn before 2002, which amounted to EUR 261.8 (268.8) million, and 29.3 (29.8) years for interest subsidy loans withdrawn later than that, which in turn amounted to EUR 350.1 (338.6) million. The interest costs from interest subsidy loans amounted to EUR 10.5 (13.8) during the period, and the interest subsidy paid by the State to banks was EUR 0.3 (1.1) million. The remaining maturity of annuity loans at the current inflation rate is 25.3 (21.4) years.

At the turn of the year, market-based loans totalled EUR 802.0 (665.6) million. Market-based loans include an EUR 100 million bond issued during the review period. EUR 344.9 (352.0) million of the loan capital was hedged. The average maturity of the hedging was 6.6 (6.0) years. Of the market-based loans, EUR 252.2 (176.9) million was tied to a fixed rate. The remaining average maturity is 10.3 (11.1) years. The Group has EUR 1.9 (3.2) million in corporate loans related to unsold owner-occupied apartments and EUR 23.0 (22.8) million in loans related to the plot reserve.

At year end, the Group had EUR 2.4 (2.4) million in subordinated loans. Interest-bearing liabilities stood at EUR 1,795.1 (1,664.3) million at the end of the financial year.

The average interest rate cost for housing stock loans was 2.8 (3.1) per cent. The average interest for non-profit housing stock annuity loans was 4.1 (4.3) per cent. Meanwhile the average interest rate on market-based loans, without hedging costs, was 1.8 (2.4) per cent, and with hedging costs, 3.0 (3.3) per cent. The average interest rate on interest subsidy loans in 2013 was 1.7 (2.3) per cent.

A revenue of EUR 0.9 (an expense of 2.4) million was recognised in the profit and loss account as negative change in the values of swaption contracts entered into during the previous financial year.

Maturity analysis

The cash flow from loan instalments and interest rates based on the loan agreements were as follows on 31 December 2013:

EUR million	Within 1 year	Within 2-5 years	Within 6-10 years	Within 11-15 years	Beyond 15 years
Mortgages	1.0	1.3			
Primary loans	0.4				
Third level loans	0.5	2.1	3.3	0.6	0.8
Interest subsidy loans	19.0	232.2	155.0	44.7	283.7
Market-based loans	56.9	222.8	382.3	206.7	56.3
Commercial paper loans	47.5				
Annuity loans	21.1	86.0	109.4	93.9	172.6
Interest rate derivatives	8.3	27.5	15.3	5.2	
Total *)	**154.8**	**571.9**	**665.3**	**351.2**	**513.4**

*) Company loans in construction of owner-occupied housing are not included in the table

Real estate property and fair value

The total number of rental apartments owned by VVO grew by 248, being 40,194 (39,946) at the end of the financial year. The VVO Non-subsidised segment accounted for 19,526 (19,166) homes and the VVO State-subsidised segment for 20,668 (20,780). VVO owned apartments in 43 (45) cities at the end of the financial year.

The book value of rental apartments owned by VVO and business premises in the rental apartment buildings at 31 December 2013 was EUR 2,038.1 (1,949.5) million and the fair value EUR 3,351.1 (3,120.0) million. The difference between book value and fair value was EUR 1,313.0 (1,170.5) million. This growth in the difference between values was due to the development in apartment rental and purchase prices and the termination of restrictions on State-subsidised housing at individual properties.

The fair value of rental apartments owned by the Group and business premises in rental apartment buildings is determined every six months on the basis of the company's own evaluation. An external expert has issued a statement on the valuations of rental apartments owned by VVO and business premises in the rental apartment buildings. The latest statement is as at 31 December 2013. The criteria for determining fair value are reported in the notes to the financial statements.

Equity ratio calculated at fair value on 31 December 2013 stood at 41.3 (38.8) per cent, and equity per share as calculated with fair values was EUR 209.16 (178.60). On 31 December 2013, the equity ratio for VVO's Non-Subsidised operations was 49.3 (48.3) per cent calculated with fair values and 25.9 (26.8) per cent with book values.

The plot reserve held by the Group was about 100,000 floor sq m at the beginning of the financial period and about 120,000 floor sq m at the end of the period. The plot reserve was increased through plot procurements and own zoning development projects. The balance-sheet value of the plot reserve at the end of the period was EUR 48 million.

Rental housing

Demand for rental housing remained high in all communities where VVO has a presence. As in previous years, the strongest demand was directed at smaller apartments. Three out of four applicants were looking for a one-room or two-room apartment.

The financial occupancy rate of the properties remained high, standing at 98.5 (98.7) per cent for the financial year. At the end of the financial year, 228 (310) apartments were vacant due to renovations. Turnover decreased slightly on the previous year, to 25.4 (25.8) per cent. Internal exchanges are included in the figure.

Rents were increased in March 2013 by 3.4 (4.9) per cent on average. The total growth in rent revenue during the period was 4.8 (6.2) per cent. In addition to rent increases, the overall growth in profits was attributable to the growth in the housing stock and rent adjustments carried out in the Market product group in connection with new residents.

The all-year average rent for the entire housing stock was EUR 12.42 (11.89) per sq m per month and EUR 12.56 (12.04) at the end of the financial year. Average rent in apartments where rent can be freely determined, totalling 24,799 (23,665) (the Market product group), was EUR 12.68 (12.13) during the period and EUR 12.87 (12.21) at the end of the financial year. The corresponding figure for apartments leased for cost-price rental, totalling 15,395 (16,281) (the cost principle product group), was EUR 12.00 (11.54) and EUR 12.05 (11.76) at the end of the financial year.

The average period of tenancy remained high, at 5.9 (5.8) years. At the end of the financial year, there were 17,847 (20,865) active applications (applications are active for 3 months). The average number of active applications per rental agreement termination was 25.4 (27.3). The number of new rental housing applications received during the financial year was 71,372 (77,266). The decrease in the number of applications from the previous year was attributable to the decreased supply of vacated apartments due to declining turnover.

Despite the overall economic situation, the share of rent receivables of turnover remained at the previous level and was 1.2 (1.2) per cent at the end of the financial year. VVO was active in resident co-operation during the financial year. VVO's resident benefit system, among other things, was developed in co-operation with residents' representatives during the year. Residents' opinions were polled through the annual customer satisfaction survey. The results were excellent, as in the previous year. Residents' willingness to recommend VVO remained at a record-high level. No fewer than 92 (92) per cent had already recommended, or would be willing to recommend, VVO as a landlord.

A customer-oriented rental and building management process as well as electronic services were developed further. Development of VVO's operating model was continued according to a product group approach during the financial year. In November 2013, VVO was the first within the business sector to enable its customers to handle issues related to the signature of rental agreements on an entirely electronic basis, through the vvo.fi website. Deployment of the service resulted in a markedly faster rental process.

Investments and real estate development

During the financial year, 252 (421) privately-financed rental apartments were constructed by VVO. 138 apartments were constructed in Helsinki, 36 in Vantaa, 50 in Kerava and 28 in Hyvinkää.

VVO decided to commence a total of 721 (413) privately financed apartments. At the end of the financial year, 1,020 (551) rental apartments in 15 projects were under construction, 901 (432) of them being privately funded and 119 (119) being financed on long-term interest subsidies. A total of 196 of the apartments under construction are located in Helsinki, 188 in Espoo, 359 in Vantaa, 44 in Järvenpää, 28 in Hämeenlinna, 34 in Tampere, 58 in Turku, 48 in Oulu and 65 in Jyväskylä.

In August, VVO acquired 424 apartments from ICECAPITAL HousingFund I Ky. 218 of these apartments are located in Helsinki, 60 in Espoo and 146 in Vantaa. In June, VVO also bought a development site in Helsinki from Senate Properties, where 27 apartments will be constructed. All of the apartments procured during the financial year were privately funded.

During the financial year, 446 (228) rental apartments were sold. VVO divested its rental housing stock in Kemi and Loviisa. A total of 10 (23) owner-occupied apartments were sold during the period.

The Group's gross investments during the review period totalled EUR 223.2 (74.8) million and cash flow from investment activities during the review period totalled EUR 208.2 (74.8) million. EUR 35.3 (33.1) million of these investments was allocated to capitalised renovation costs. Total repair costs were EUR 83.8 (70.8) million, of which EUR 48.4 (37.8) million was recognised as expenses in the income statement. EUR 105.9 (39.3) million of these investments was allocated to new construction. The VVO Non-subsidised segment accounted for EUR 182.8 (53.9) million of cash flow from investments, and the VVO State-subsidised segment for EUR 21.9 (20.9) million.

During the period under review, VVO's real estate maintenance costs without repair expenses increased by 2.7 (5.1) per cent on the previous year. This growth was attributable to the general growth in prices and to the increase in housing stock. Thanks to operational efficiency measures in maintenance, the maintenance costs of VVO’s rental properties increased by less than the national average.

Maintenance and cleaning contracts were renewed and put out to tender during the financial year. Through such measures, an annual benefit of approx. EUR 3.5 million can be achieved.

Personnel

At the end of 2013, VVO employed a total of 324 (335) people of which 313 (316) were employed permanently and 11 (19) temporarily. The average number of personnel during the year was 341 (343). The average length of service was 11.0 (10.3) years. The personnel turnover in 2013 was 6.6 (7.6) per cent.

The combined amount of salaries, wages and fees EUR 17.4 (17.9) million.

Corporate social responsibility

VVO's rent development was as predicted. VVO seeks steady and predictable rent development through systematic and long-term repair and maintenance activities, among other things. In its operations, VVO complies with the Fair Rental Conduct (Hyvä vuokratapa) rules jointly drawn up by the industry, as well as the VVO rental conduct defining issues such as the maximum amounts of rent adjustments.

The criteria for determining rents are discussed annually on the Resident Board and in regional economic theme events.

In the fight against the shadow economy, many aspects of the operating models used by VVO exceed the requirements stipulated by law.

The energy-saving target set for 2016 in the Rental Property Action Plan (VAETS) is already achieved and, regarding property electricity consumption, exceeded. Temperature-corrected consumption has decreased by 8.6 per cent from 2009 and electricity consumption by 8.1 per cent. Our improvement in energy efficiency has largely been achieved through operating and maintenance measures.

Efficiencies in energy use in VVO's housing stock are mainly carried out through maintenance and operating measures. In 2013, VVO used 390 (412) GWh of heating energy; overall property electricity consumption was 50.7 (51.3) GWh, and overall water consumption was 3.6 (3.6) million cu m. Temperature-corrected consumption of heating energy decreased by 2.2 (2.2) per cent on the previous year. 2013 was clearly warmer than 2012. This largely explains the significant decrease in overall heating energy consumption.

A rise in the total consumption of heating energy and a decrease in the coal-free electricity supply increased our carbon dioxide emissions to approximately 68,000 (79,000) tonnes. VVO seeks to alleviate the environmental impacts of energy consumption by using carbon-neutral energy for property electricity. District heating is used in 99 per cent of VVO's properties.

Risk management

VVO's risk management is based on risk management and financing policies, corporate governance and ethical guidelines as well as risk assessment included in the strategic and annual planning process. Key risks are identified, their probability and impact are assessed, and means of risk management are determined.

VVO-group plc's Board of Directors confirmed the financing policy updated during 2013 which defines financing targets, division of responsibilities, operating principles, financing risk management principles as well as monitoring and reporting principles. VVO Group financing aims at ensuring the adequacy of financing and maintaining liquid assets cost-effectively at all times, and at managing financing and credit risks.

The most notable risks associated with customer management relate to a potential drop in the financial occupancy rate and an increase in tenant turnover and in rent receivables. Factors affecting these risks include economic fluctuations and shifts in demand both nationally and locally. The financial utilisation rate of rental apartments, turnover, number of applicants and the amount of rent receivables and changes thereto are monitored by region on a monthly basis.

VVO develops its rental housing operations and the renovation activities for apartments and properties and strengthens customer management. These measures are used to increase the utilisation rate and to decrease rental apartment turnover.

Ensuring that the value of VVO’s housing stock continues to rise requires investments in growth centres and systematic renovations across all apartments and properties.

Financing risks due to money market uncertainty are mainly related to rising interest margins and market interest rates and to the availability of financing. The terms of loans offered for financing real estate investments have shortened.

Major fluctuations in market interest rates and margins may have a significant impact on the financial performance of VVO and prevent investments in new development and renovations. The interest rate risk associated with market-based loans is controlled by interest rate swaps and hedging. The interest rate of state-subsidised loans is tied to the Finnish consumer price index, which can cause considerable fluctuations in annual interest costs. Some annuity loans have an interest rate ceiling that reduces the interest rate risk resulting from inflation. Furthermore, risks relating to the availability of financing could affect the company's investing activities. Investments with long economic lives also require long-term financing, and the risk of refinancing increases with shorter maturities. The financing availability risk is managed by ensuring versatile sources for financing. VVO issued an EUR 100 million bond in May 2013.

The most notable risks associated with properties are liability risks such as water damage and fire. Liability risks are managed with the appropriate preventive safety measures and by insuring properties against damage. VVO Group regularly reviews its insurance policies as part of overall risk management. The most important insurance policies 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. If necessary, the services of an external partner can be used for internal auditing. 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 change

No material changes occurred in Group structure during the financial year.

At the end of the financial period, the Group consisted, in addition to the parent company, of 169 (163) subsidiaries and 31 (35) affiliates. Subsidiaries wholly owned by the Group parent company, VVO-group plc, are VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy, VVO Korkotukikiinteistöt Oy and VVO Asunnot Oy, which own rental apartments, as well as VVO Palvelut Oy in charge of invoicing for the Group's internal and external property business.

VVO-group plc also has a holding of more than 50 per cent in 2 (7) limited liability companies or real estate companies and a 50 per cent holding in Suomen Asumisoikeus Oy and SV-Asunnot Oy.

In its decision of 19 November 2013, the Administrative Court of Helsinki rejected the appeal regarding designating one of VVO's Group companies as a non-profit company. VVO has appealed to the Supreme Administrative Court from the decision by the Administrative Court of Helsinki.

Group structure 31 December 2013	Subsidiaries	Affiliates
VVO-group plc	1) 8	3
Parent companies of sub-groups		
VVO Asunnot Oy	26	2) 13
VVO Korkotukikiinteistöt Oy	3	5
VVO Kodit Oy	108	2) 13
VVO Vuokra-asunnot Oy	7	1
VVO Vuokratalot Oy	13	2) 4
Parking and maintenance companies	3	2
VVO Palvelut Oy	1	
Total	**169**	**31**

1) Includes the parent companies of the sub-groups and other subsidiaries listed, excluding parking and maintenance companies.
2) 10 of the affiliates are subsidiaries in the remaining group.

Events after the period under review

VVO has decided to reorganise its home centre activities in the Helsinki Metropolitan Area and to establish a Customer Service Centre in Helsinki. In addition, technical building management functions in the Helsinki Metropolitan Area are centralised. The Customer Service Centre and the Technical Centre will begin operations during spring 2014.

The fair value of properties owned by the Group (rental apartments and business premises located in rental apartment buildings) are determined quarterly as from the beginning of 2014.

Future outlook

The uncertainty relating to the current weakness in the Finnish economy persists, despite the upturn in the world economy. Wage earners' available income is expected to decline slightly. Interest rates are expected to remain exceptionally low.

The demand for rental apartments is expected to remain good. No significant changes are expected in the supply of rental housing. The focus of new construction remains on privately financed rental apartments.

VVO's financial occupancy rate is expected to remain at its current level, while the tenant turnover rate is expected to decrease slightly. As in the previous year, VVO's rent increases for 2014 are moderate in comparison with the business sector in general. The Group is expected to keep improving its result, particularly in VVO Non-subsidised business activities.

Administration 2013

Board of Directors

Up to 22 March 2013, the Board of Directors was composed of Chairman Riku Aalto and Deputy Chairman Risto Murto as well as members Tomi Aimonen, Matti Harjuniemi, Olli Luukkainen, Antti Rinne, Jani Salenius and Ann Selin.

For the term beginning on 22 March 2013, Riku Aalto was re-elected Chairman and members were re-elected as previously, except that Jan-Erik Saarinen was elected to replace Jani Salenius.

Board committees

The Board of Director has two committees: the Remuneration Committee and the Auditing Committee.

The Remuneration Committee was chaired by Riku Aalto and included Risto Murto and Ann Selin as members.

The Audit Committee was chaired by Riku Aalto and included Tomi Aimonen and Matti Harjuniemi as members.

Nomination Committee

The Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Petri Lindroos and Hannu Tarvonen as members. Ville-Veikko Laukkanen was elected to replace Hannu Tarvonen on 22 March 2013.

CEO

The CEO was Jani Nieminen M.Sc.(Tech.), MBA. The CEO's deputy up to 1 September 2013 was Eero Saastamoinen, Business Director, Real Estate, M.Soc.Sc. and, as from 2 September 2013, Raimo Vehkaluoto, CFO, M.Sc. (Econ.).

Management Group

The VVO Group Management Group was composed up to 1 September 2013 of CEO Jani Nieminen (Chairman), Business Director, Real Estate Eero Saastamoinen, CFO Raimo Vehkaluoto, Account Director Juha Heino, Administrative Director Tiina Heinonen and ICT & Development Director Mikko Pöyry.

As from 2 September 2013, the Management Group included CEO Jani Nieminen (Chairman), CFO Raimo Vehkaluoto; Account Director Juha Heino; Investment Director Mikko Suominen; Real Estate Development Director Kim Jolkkonen (as from 10 September 2013); Marketing & Communications Director Irene Kantor; and ICT & Development Director Mikko Pöyry. At the CEO's discretion, Tiina Heinonen, the Group's legal counsel, and Jouni Heikkinen, the company's internal auditor, may also attend Management Group meetings.

Auditor

The auditor is KPMG Oy Ab, with APA Kai Salli as the principal auditor.

Annual General Meeting

The Annual General Meeting was held on 22 March 2013. The following matters specified for the agenda of the Annual General Meeting in section 12 of the Articles of Association were presented and resolved:

- The financial statement and consolidated financial statement for 2012 were confirmed.
- A decision was taken to pay a dividend of EUR 2.00 per A share, totalling EUR 14,805,120.00, on 5 April 2013.
- The members of the Board of Directors and the CEO were discharged from liability for the financial year ending on 31 December 2012.
- A decision was taken to confirm the attendance allowance for Board meetings as EUR 600 per meeting and to set the following annual fees for the term beginning on 22 March 2013: EUR 20,000 for the Chairman; EUR 11,000 for the Deputy Chairman; and EUR 8,000 for each of the members.
- The following persons were elected as members of the Board of Directors for the term beginning on 22 March 2013:
    - Aalto, Riku (Chairman)
    - Aimonen, Tomi
    - Harjuniemi, Matti
    - Luukkainen, Olli
    - Murto, Risto
    - Rinne, Antti
    - Saarinen, Jan-Erik
    - Selin, Ann
- KPMG Oy Ab was elected auditor, with APA Kai Salli as the principal auditor.

In addition, the following business was discussed at the Annual General Meeting:

- Proposal of the company's Board of Directors dated 26 February 2013: to authorise the Board to decide within one year of the AGM on one or several share issues and/or issuing a convertible bond as specified in chapter 10 section 1(2) of the Limited Liability Companies Act, with a maximum of 1,480,512 new A series shares in the company to be issued in the share issue or subscribed to with the convertible bond, and with a maximum of 600,978 A series shares currently held by the company itself to be transferred in a share issue.
- Proposal by the company's shareholders jointly holding 50.62% of company shares to the AGM concerning the Nomination Committee. The committee is, for instance, responsible for preparing a proposal to be presented to the AGM on the members of the Board and their fees. The term of the Nomination Committee lasts until the end of the next Annual General Meeting.
- The following persons were elected to the Nomination Committee:
    - Jarkko Eloranta, Chairman, Trade Union for the Public and Welfare Sectors
    - Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company
    - Petri Lindroos, Head of Organisation, Trade Union of Education in Finland (OAJ)
    - Ville-Veikko Laukkanen, Varma Mutual Pension Insurance Company

In addition, the Chairman of the Board Riku Aalto has the right to attend the meetings.

Shares and shareholders

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, within which limits the share capital may be raised or lowered without amending the Articles of Association. Under the Articles of Association, the company's shares are divided into A and B series shares. There may be no fewer than 1,000,000 and no more than 100,000,000 A series shares. There may be no more than 100,000,000 B series shares.

The company's paid-up share capital entered in the Trade Register on 31 December 2013 was EUR 58,025,136.00. 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. The number of shares issued as at 31 December 2013 was 7,402,560.

	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Share capital (EUR)	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00
Shares, A series	7,402,560	7,402,560	7,402,560	7,402,560	6,867,420

Board authorisations

The Annual General Meeting held on 22 March 2013 authorised the Board of Directors to decide within one year of the AGM on one or several share issues and/or issuing of a convertible bond as specified in chapter 10 section 1(2) of the Limited Liability Companies Act, with a maximum of 1,480,512 new A series shares to be issued in the share issue or subscribed for with the convertible bond and with a maximum of 600,978 A series shares held by the company itself to be transferred in a share issue.

The authorisation permits the Board to derogate from the shareholders' pre-emption right in subscribing new shares or transferring the company's own shares or issuing a convertible bond as specified in chapter 10 section 1(2) of the Limited Liability Companies Act, and to decide on subscription prices and other terms and conditions of subscription, the terms and conditions of transfer including the transfer price, which must, however, be the market value at the time of transfer, and on the terms and conditions of the convertible bond. A derogation may be made from the shareholder's pre-emption right if the company has a substantial financial reason for doing so, such as developing the capital structure of the company, financing real estate purchases and company acquisitions, and enabling mergers and acquisitions or other corporate development. When the share capital is raised by issuing new shares, the Board of Directors is entitled to decide that the shares may be subscribed for against non-cash property or otherwise under particular terms.

As of 31 December 2013, the Board of Directors had not exercised this authorisation.

Distribution of shareholdings

There are a total of 60 shareholders in VVO-group plc, the 10 largest being (share register at 31 December 2013):

Shareholder	No. of A series shares	Share, %
Ilmarinen Mutual Pension Insurance Company	1,332,330	18.00
Varma Mutual Pension Insurance Company	1,256,820	16.98
Finnish Metalworkers' Union	717,780	9.70
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 PRO	553,320	7.47
Trade Union of Education in Finland OAJ	552,408	7.46
Union of Industrial Employees TEAM	443,270	5.99
Union of Health and Social Care Professionals TEHY	102,560	1.39
Other	669,072	9.04
Total	**7,402,560**	**100.00**

Distribution of shareholdings

Shares	No. of owners	Holding, %	No. of shares	% of shares
1–1 000	12	20.00	7,560	0.10
1 001–2 000	6	10.00	9,998	0.14
2 001– 20 000	21	35.00	147,614	1.99
20 001– 100 000	11	18.33	503,900	6.81
100 001– 200 000	1	1.67	102,560	1.39
200 001–	9	15.00	6,630,928	89.58
Total	**60**	**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.

Sectoral distribution of shares

	% of shares	% of shareholders
Private companies	0.67	2.00
Finance and insurance institutions	35.41	7.00
Non-profit organisations	63.47	28.00
Public corporations	0.43	63.00
Total	**100.00**	**100.00**

Proposal by the Board of Directors for distribution of profits

The parent company VVO-group plc's distributable unrestricted shareholders' equity as at 31 December 2013 were EUR 45,419,404.86 of which the profit for the financial period is EUR 16,295,026.43. No significant changes have taken place in the company's financial situation since the end of the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows: a dividend of EUR 2.20 per share to be paid for every A series share, a total of EUR 16,285,632.00, and EUR 29,133,772.86 to be retained in unrestricted shareholders' equity.

Income statements

EUR 1,000	Group 1 Jan – 31 Dec 2013	Group 1 Jan – 31 Dec 2012	Parent company 1 Jan – 31 Dec 2013	Parent company 1 Jan – 31 Dec 2012
Turnover	**346,610**	**335,430**	**9,704**	**8,844**
Other operating income	11,828	7,578	1,045	948
Materials and services	-3,124	-7,329		
Personnel costs	-21,229	-22,400	-3,387	-4,150
Amortisations and depreciation	-53,700	-51,277	-691	-423
Share of income and expenses of associates	353	1		
Other operating costs	-164,566	-149,329	-7,323	-6,959
Operating profit/loss	**116,172**	**112,674**	**-652**	**-1,742**
Financial income and expenses	-40,303	-50,187	5,303	4,133
Profit before non-recurring items	**75,868**	**62,487**	**4,652**	**2,392**
Non-recurring items			16,677	13,900
Profit before appropriations and taxes	**75,868**	**62,487**	**21,329**	**16,292**
Appropriations			3	4
Income tax on operational income	-17,101	-11,129	-5,037	-4,051
Change in deferred tax liability	15,768	-5,536		
Minority interest	-285	33		
Profit for the period	**74,250**	**45,854**	**16,295**	**12,245**

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Balance sheets

EUR 1,000	Group 31.12.2013	Group 31.12.2012	Parent company 31.12.2013	Parent company 31.12.2012
ASSETS				
Non-current assets				
Intangible assets	9,857	6,454	1,690	1,509
Tangible assets	2,182,533	2,022,898	6,105	5,874
Investments	23,341	23,165	79,653	79,666
Non-current assets total	**2,215,731**	**2,052,517**	**87,448**	**87,049**
Current assets				
Inventories	42,570	41,938		
Non-current receivables	3,014	1,800	161,617	62,785
Current receivables	12,820	11,408	48,648	33,532
Financial securities	63,969	39,682	2,887	11,631
Cash and cash equivalents	130,446	128,747	3,784	6,741
Current assets total	**252,819**	**223,574**	**216,936**	**114,689**
TOTAL ASSETS	**2,468,550**	**2,276,091**	**304,384**	**201,738**

EUR 1,000	Group 31.12.2013	Group 31.12.2012	Parent company 31.12.2013	Parent company 31.12.2012
SHAREHOLDERS' 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	1,695	1,600	2,119	2,119
Contingency fund	17	17	17	17
Reserve for invested unrestricted equity	17,856	17,856	17,856	17,856
Retained earnings	310,315	279,266	11,268	13,829
Profit for the period	74,250	45,854	16,295	12,245
Total equity	**497,945**	**438,405**	**141,367**	**139,877**
Minority interest	**11,241**	**12,057**		
Accumulated appropriations			**10**	**13**
Obligatory provisions				
Other statutory provisions	1,348	1,474		
Liabilities				
Non-current liabilities	1,789,625	1,675,371	107,819	13,477
Current liabilities	168,391	148,784	55,189	48,372
Total liabilities	**1,958,016**	**1,824,155**	**163,008**	**61,849**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,468,550**	**2,276,091**	**304,384**	**201,738**

Cash flow statements

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Cash flows from operating activities				
Profit/loss before non-recurring items	75,868	62,487	4,652	2,392
Adjustments:				
Depreciation according to plan and impairment	53,700	51,277	691	423
Other income and expenses not including payments	-576	-554		
Financial income and expenses	40,303	50,187	-5,303	-4,133
Other adjustments	-8,739	-5,023	-1,017	
Cash flow from operating activities before change in working capital	**160,556**	**158,375**	**-978**	**-1,318**
Change in working capital:				
Change in sales receivables and other receivables	1,180	-851	-14,787	5,956
Change in inventories	-632	7,193		
Change in accounts payable and other liabilities	-1,539	-6,451	328	811
Change in developer's liability for debts	-1,151	-2,739		
Cash flows from operating activities before financial items, provisions and taxes	**158,413**	**155,527**	**-15,436**	**5,448**
Interest paid and payments on other operational financial costs	-46,754	-52,125	-1,371	-1,077
Financial income from operating activities	2,294	1,870	551	863
Direct taxes paid	-15,483	-10,784	-4,042	-4,958
Cash flows from operating activities (A)	**98,470**	**94,488**	**-20,298**	**276**

Cash flows from investing activities				
Investments in tangible and intangible assets	-148,527	-75,612	-295	-2,000
Contributions received for investments	1,627	1,244		
Capital gains from the disposal of tangible and intangible assets	10,077	7,404	144	
Other investments	-212	-104		
Capital gains on other investments	892	306		
Granted long-term loans	-23		-99,423	
Repayments of long-term loan receivables	43	3	23	
Granted short-term loans				-7,781
Repayments of loans receivable			2,298	
Subsidiary shares acquired *)	-60,673			-10
Subsidiary shares divested *)	5,745	1,110	3,042	
Participating interests acquired	-410	-281		
Participating interests divested	102	-1		
Interest and dividends received on investments	650	668	3,986	4,059
Cash flows from investing activities (B)	**-190,709**	**-65,263**	**-90,226**	**-5,732**
Cash flows from financing activities				
Withdrawals of long-term loans	181,977	61,438	100,000	5,793
Repayments of long-term loans	-58,800	-54,346	-7,754	-1,225
Change in short-term loans	5,849	-15,018	5,848	-8,989
Acquired financial securities	-75,599	-29,886	-4,075	-9,092
Capital gains from financial securities	66,937	22,571	14,453	6,336
Dividends paid	-14,805	-11,844	-14,805	-11,844
Group contribution received			13,900	16,386
Cash flows from financing activities (C)	**105,559**	**-27,085**	**107,567**	**-2,636**
Change in cash and cash equivalents (A+B+C)	**13,319**	**2,140**	**-2,957**	**-8,092**

Cash and cash equivalents at beginning of period	128,963	126,823	6,741	14,833
Cash and cash equivalents at end of period	142,283	128,963	3,784	6,741

*) Shares acquired and divested less cash and cash equivalents on acquisition date.
Cash and cash equivalents include bank accounts, liquid deposit notes and certificates of deposit.

Notes to the consolidated financial statements

Accounting policies

Basic information

VVO is a housing service Group. The housing rental service uses privately financed and state-subsidised housing stock.

The Group's parent company, VVO-group plc, is a public limited company domiciled in Helsinki. Its registered address is Mannerheimintie 168a, FI-00300 Helsinki. A copy of the consolidated financial statements is available at www.vvo.fi or from the parent company 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 holds more than 50 per cent of the votes or exercises actual control. Housing companies included in inventories, whose ownership is on a short-term basis and which are intended to be sold are not consolidated in full in the financial statements. The loan portions 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 costs and the equity corresponding to the holding and the deferred tax liability based on this have 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 gained control in the company, and divested subsidiaries have been excluded from the financial statements when control has ceased.

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

Affiliates are companies which do not belong to the Group but in which the parent company directly or indirectly has considerable influence. Considerable influence is defined as the Group holding at least 20 per cent of the votes vested in the company's shares or the Group otherwise exercising influence but not control in the company. Affiliates have been consolidated using the equity method. The share of the affiliates' profit for the financial period, corresponding with the Group's holding, is presented as a separate item in the income statement.

Some affiliates have different financial periods; the latest financial statements or a more recent interim report, if available, have been used when consolidating such affiliates. VVO-group plc's 50 per cent 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 shareholders cannot, in practice, expect any return on their investment in the company.

Revenue recognition

Income related to rental services

Income from rental services is recognised on an accrual basis during the lease period.

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. Contributions are recognised through smaller depreciation during the assets' useful life. Depreciations according to plan are calculated as straight-line depreciation based on the estimated useful life of the assets (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
Machine and equipment in buildings	15 to 50 years
Computing equipment and system software	4 to 5 years
Office machine and equipment	4 years
Cars	4 years

Costs 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.

The recognition practice for VVO Group repair expenses has been specified. Repair expenses not increasing the ability to generate revenue are recognised as expenses. The income statement and balance sheet for 2012 have been altered to correspond to the changes made. The change in recognition practices increased repair expenses for 2013 by EUR 11.4 (7.8) million.

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 under other operational income and sales losses under other operational costs.

Fair value

When the financial statements are prepared, the fair value of rental apartments and business premises in the rental apartment buildings are determined on the basis of the company's own evaluation. Fair values are determined every six months and reported as part of official reporting. An external expert gives a statement on the valuation.

The fair values of rental apartments are based on

- the transaction value if the apartments can be sold freely
- the revenue value if a transfer is only possible for one site at a time and for a limited purchaser group
- the balance sheet value if the transfer price is limited according to the legislation concerning State subsidy limitations.

The fair values of business premises in the rental apartment buildings are determined as:

- the revenue value if the apartments are determined on the basis of the transaction value or the revenue value
- the balance sheet value if apartments are determined on the basis of the balance sheet value.

Under the transaction value method, benchmark information for transaction prices for the 24 months preceding the valuation date is used. The value is not depreciated with deferred tax liability.

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, primarily planned projects.

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

Valuation of financial assets

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

Interest income and costs caused by derivative agreements are allocated over the agreement period, and 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 instructions for the use of interest rate derivatives.

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 tax 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 period 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

The pension cover of Group companies 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 amendments that entered into force at the beginning of 2000. They can at most pay their owner, VVO-group plc, an 8 per cent 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 companies subject to profit sharing limitations can be considered a single group. This has no effect on the parent company's distributable unrestricted shareholders' equity.

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 in 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 receivables or liabilities denominated in foreign currencies.

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 are used to adjust the interest rates of the hedged object.

Income statement by segment

EUR 1,000	VVO Non-subsidised Jan–Dec/ 2013	VVO State-subsidised Jan–Dec/ 2013	Group con-solidation measures	Group Jan–Dec/ 2013	VVO Non-subsidised Jan–Dec/ 2012	VVO State-subsidised Jan–Dec/ 2012	Group con-solidation measures	Group Jan–Dec/ 2012
External turnover	165,943	180,631	36	346,610	161,590	173,807	32	335,430
Internal turnover	8,391	2,703	-11,094	0	7,928	1,475	-9,403	0
Total turnover	**174,334**	**183,334**	**-11,058**	**346,610**	**169,518**	**175,282**	**-9,370**	**335,430**
Other operating income	10,449	1,179	200	11,828	6,748	830		7,578
Amortisations and depreciation	-27,728	-25,999	27	-53,700	-25,710	-25,587	20	-51,277
Share in profits of associated companies	71	331	-50	353	33	27	-58	1
External operating costs	-90,977	-97,879	-63	-188,919	-92,976	-85,899	-182	-179,057
Internal operating costs	-1,936	-9,168	11,104	0	-1,601	-8,211	9,812	0
Total other operating costs	-92,913	-107,047	11,041	-188,919	-94,577	-94,110	9,629	-179,057
Operating profit	**64,213**	**51,798**	**160**	**116,172**	**56,012**	**56,441**	**221**	**112,674**

External financial income and expenses	-17,688	-22,615	0	-40,303	-23,357	-26,830	0	-50,187
Internal financial income and expenses	5,645	-5,283	-363	0	5,600	-5,228	-373	0
Financial income and expenses	-12,043	-27,898	-363	-40,303	-17,756	-32,058	-373	-50,187
Profit before non-recurring items and taxes	**52,170**	**23,901**	**-203**	**75,868**	**38,255**	**24,384**	**-152**	**62,487**

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Balance sheet by segment

EUR 1,000	VVO Non-subsidised	VVO State-subsidised	Group con-solidation measures	Group 31.12.2013	VVO Non-subsidised	VVO State-subsidised	Group con-solidation measures	Group 31.12.2012
Non-current assets								
Intangible assets	4,036	5,820		9,857	1,944	4,510		6,454
Tangible assets	1,086,497	1,091,939	4,097	2,182,533	923,612	1,094,985	4,301	2,022,898
Equity investments	18,121	14,574	-9,354	23,341	18,453	14,016	-9,304	23,165
	1,108,654	**1,112,333**	**-5,257**	**2,215,731**	**944,010**	**1,113,510**	**-5,003**	**2,052,517**
Current assets								
Inventories and advance payments	42,570			42,570	41,938			41,938
Receivables	93,069	3,767	-81,002	15,834	87,490	6,048	-80,330	13,207
Other liquid assets	19,562	32,571		52,132	19,584	19,881		39,465
Liquid assets	78,418	63,824	41	142,283	69,297	59,636	31	128,963
	233,618	**100,162**	**-80,961**	**252,819**	**218,309**	**85,565**	**-80,299**	**223,574**
TOTAL ASSETS	**1,342,273**	**1,212,495**	**-86,218**	**2,468,550**	**1,162,318**	**1,199,075**	**-85,303**	**2,276,091**
Equity								
Equity and funds	113,800	2,859	-3,280	113,380	113,799	2,859	-3,374	113,284
Retained earnings	228,697	156,142	-273	384,565	192,119	133,158	-157	325,121
	342,497	**159,001**	**-3,553**	**497,945**	**305,918**	**136,017**	**-3,531**	**438,405**
Minority interest								
Minority interest	3,799	9,500	-2,058	11,241	4,626	9,436	-2,005	12,057

Liabilities								
Interest-free liabilities	101,779	68,503	-5,985	164,296	96,315	69,930	-4,877	161,368
Interest-bearing liabilities								
Non-current	804,993	949,795	-74,392	1,680,396	670,696	958,297	-69,175	1,559,819
Current, loan repayments	33,798	25,697	-231	59,264	29,453	25,394	-5,714	49,133
Current, other	55,407			55,407	55,310			55,310
	894,198	**975,492**	**-74,623**	**1,795,067**	**755,459**	**983,692**	**-74,889**	**1,664,261**
	995,977	1,043,995	-80,608	1,959,363	851,774	1,053,622	-79,766	1,825,629
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,342,273**	**1,212,495**	**-86,218**	**2,468,550**	**1,162,318**	**1,199,075**	**-85,303**	**2,276,091**

Notes to the financial statements

1. Turnover by sector

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Rental housing	343,357	327,541	573	564
Housing construction *)	3,251	7,866		
Other operations	2	23	9,131	8,280
Total	**346,610**	**335,430**	**9,704**	**8,844**

*) also includes rental income from inventory projects

2. Other operating income

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Capital gains on fixed assets	9,796	5,024	1,017	
Income from debt collection	1,222	2,294	9	916
Other	810	260	19	32
Total	**11,828**	**7,578**	**1,045**	**948**

3. Materials and services

EUR 1,000	Group 2013	Group 2012
Purchases during the financial year		
Purchases of plots and shares	308	555
Change in inventories	2,816	6,774
Total	**3,124**	**7,329**

4. Personnel costs

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Wages, salaries and fees	17,405	17,908	2,928	3,309
Pension costs	3,037	3,603	347	666
Other employer contributions	787	889	112	175
Total	**21,229**	**22,400**	**3,387**	**4,150**

Salaries and remunerations

Board of Directors and auditors

The Annual General Meeting decides on the remuneration of the Board of Directors and the auditor. The AGM held on 22/03/2013 decided on remuneration of EUR 20,000.00 for the Chairman of the Board of Directors, EUR 11,000.00 for the Deputy Chairman and EUR 8,000.00 for each Board member. In addition, the AGM decided that a fee of EUR 600.00 per meeting be paid to the Chairman and members of the Board, and to the chairmen and members of the Committees. It has been decided that the fee for the auditors will be paid in accordance with the invoice.

The fees paid to the members of the Board of Directors and the Committees were as follows:

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Members of the Board of Directors	116	117	116	117
Committee members	11	12	11	12

The members of the Board of Directors have not received any shares or share-based rights during the financial year.

CEO and Management Group

The company's Board of Directors decides on the pay of the CEO and members of the Management Group, and on the principles and disbursement of their performance bonuses. Group employees do not receive additional compensation for serving as Board members or the CEO of a Group company.

The salaries and fees of the CEO and Deputy CEOs, including benefits in kind, came to EUR 648,325.04 (440,865.52). The Deputy CEO was replaced on 1 September 2013.

The retirement age for the members of the Management Group is 63 years. 'Old' Management Group members are entitled to a benefit-based pension amounting to 60% of pensionable earnings. New members of the Management Group are covered by a contribution-based system, where an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan.

The period of notice for terminating the CEO's employment relationship is six months. If the company dismisses the

CEO before retirement age, the CEO is entitled to severance pay equal to six months' total pay, in addition to pay for the period of notice.

Members of the Management Group are included in the annual bonus system, which is based on a balanced score card. Since 2010, they have also been included in a long-term incentive plan. The incentive plan is based on the Group’s performance and is divided into three-year periods. The first period ends in 2013.

5. Number of personnel

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Average number of people employed by the Group and the parent company during the financial year	341	343	29	30

6. Amortisation and depreciation

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Depreciation on tangible and intangible assets	53,700	51,277	691	423
Total	**53,700**	**51,277**	**691**	**423**

7. Other operating costs

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Property management expenses				
Administration	3,734	3,443	2	
Use and maintenance	9,080	9,338		
Maintenance of outdoor areas	6,802	6,665		
Cleaning	7,334	7,669		
Heating	29,418	27,995		
Water and waste water	12,857	12,551		
Electricity and gas	6,194	6,442		
Waste management	5,999	5,766		
Indemnity insurance	1,157	1,120		
Real estate tax	7,382	7,124	150	147
Repairs	48,436	37,771		
Other management costs	12	15		
Rents and maintenance charges	8,300	7,974	495	481
Credit losses	2,489	1,901		
Other expenses	15,371	13,553	6,676	6,332
Total	**164,566**	**149,329**	**7,323**	**6,959**

Electricity procurement was hedged with products quoted on the Nordic electricity exchange Nord Pool, in accordance with the risk policy adopted by the VVO Group. The market value of the hedging for 2013-2017 was EUR -1.2 (-0.5) million at the closing date.

Unrealised value changes have not been taken into account in the consolidate income statement or balance sheet.

Auditors' fees

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
KPMG Oy Ab, authorised public accounting firm				
Audit fees	134	126	21	20
Tax advice	18	31	18	31
Other fees	6			
Advisory services	41	38	41	38

8. Financial income and expenses

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Dividend income				
From joint ventures	47	47	47	47
From others	132	131	117	121
Total dividend income	**179**	**178**	**164**	**168**
Interest income from long-term investments				
From others	236	273	65	156
Total income from long-term investments	**236**	**273**	**65**	**156**
Other interest and financial income				
From Group companies			6,076	4,380
From others	5,116	2,473	1,497	377
Total other interest and financial income	**5,116**	**2,473**	**7,573**	**4,757**
Total dividend income, interest income from long-term investments, and other interest and financial income	5,530	2,924	7,802	5,082
Value adjustments in investments				
Value adjustments in financial securities	649	652	223	189
	649	652	223	189

Interest and other financial expenses				
To Group companies			-20	-28
To others	-46,483	-53,763	-2,701	-1,110
	-46,483	-53,763	-2,722	-1,137
Total financial income and expenses	**-40,303**	**-50,187**	**5,303**	**4,133**

9. Non-recurring items

EUR 1,000	Parent company 2013	Parent company 2012
Non-recurring income		
Group contribution	16,677	13,900
	16,677	**13,900**

10. Direct taxes

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Income tax on operational income	17,101	11,129	5,037	4,051
Change in deferred tax assets and liabilities, 24.5%	3,499	5,536		
Change in community tax rate	-19,267			
	1,333	**16,666**	**5,037**	**4,051**

Notes to the balance sheet

NON-CURRENT ASSETS

1. Intangible rights

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Intangible rights				
Acquisition cost as at 1 Jan	7,975	7,499	3,007	2,600
Increases	51	300	51	231
Decreases	-98	-15		-15
Transfers between items	2,126	190	124	190
Acquisition cost as at 31 Dec	**10,054**	**7,975**	**3,182**	**3,007**
Accumulated depreciation and impairment losses as at 1 Jan	-3,489	-3,157	-2,554	-2,503
Accumulated depreciation on decreases	98	11		11
Depreciation for the financial year	-471	-343	-145	-62
Accumulated depreciation and impairment losses as at 31 Dec	**-3,863**	**-3,489**	**-2,700**	**-2,554**
Book value as at 31 Dec	**6,192**	**4,486**	**483**	**452**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Other long-term expenses				
Acquisition cost as at 1 Jan	8,299	7,686	5,719	5,223
Increases	1,643	483	256	361
Decreases	-10	-21		-17
Transfers between items	607	151	226	151
Acquisition cost as at 31 Dec	**10,538**	**8,299**	**6,201**	**5,719**
Accumulated depreciation and impairment losses as at 1 Jan	-6,779	-6,392	-5,111	-4,987
Accumulated depreciation on decreases	10	20		16
Depreciation for the financial year	-495	-408	-273	-140
Accumulated depreciation and impairment losses as at 31 Dec	**-7,264**	**-6,779**	**-5,384**	**-5,111**
Book value as at 31 Dec	**3,274**	**1,519**	**816**	**608**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Advance payments				
Acquisition cost as at 1 Jan	449	444	449	444
Increases	295	347	295	347
Transfers between items	-353	-342	-353	-342
Acquisition cost as at 31 Dec	**391**	**449**	**391**	**449**
Book value as at 31 Dec	**391**	**449**	**391**	**449**

2. Tangible assets

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Land and water areas				
Acquisition cost as at 1 Jan	228,220	228,377	5,332	5,332
Increases	34,842	216	0	
Decreases	-8,012	-374	-106	
Transfers between items	1,111			
Acquisition cost as at 31 Dec	**256,162**	**228,220**	**5,226**	**5,332**
Appreciations	84	84		
Book value as at 31 Dec	**256,246**	**228,304**	**5,226**	**5,332**

The difference between subsidiaries' acquisition costs and the equity corresponding to the acquired share has been allocated to non-current assets. EUR 55.7 (38.1) million has been allocated to land areas.

EUR 1,000	Group 2013	Group 2012
Entry fees		
Acquisition cost as at 1 Jan	25,737	25,160
Increases	96	18
Decreases	-112	-71
Transfers between items	423	631
Book value as at 31 Dec	**26,144**	**25,737**

EUR 1,000	Group 2013	Group 2012		
Buildings and structures				
Acquisition cost as at 1 Jan	2,230,045	2,135,180		
Increases	109,327	49,157		
Decreases	-10,179	-10,149		
Transfers between items	23,595	55,857		
Acquisition cost as at 31 Dec	**2,352,788**	**2,230,045**		
Accumulated depreciation and impairment losses as at 1 Jan	-501,979	-454,358		
Accumulated depreciation on decreases	3,010	1,355		
Accumulated depreciation on transfers	0	7		
Depreciation for the financial year	-51,304	-48,983		
Accumulated depreciation and impairment losses as at 31 Dec	**-550,273**	**-501,979**		
Appreciations	2,035	2,035		
Book value as at 31 Dec	**1,804,551**	**1,730,102**		

The difference between subsidiaries' acquisition costs and the equity corresponding to the acquired share has been allocated to non-current assets. EUR 165.8 (133.3) million has been allocated to buildings.

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Machinery and equipment				
Acquisition cost as at 1 Jan	12,664	12,301	2,465	2,315
Increases	1,253	252	607	160
Decreases	-126	-53	-76	-10
Transfers between items	78	164	3	
Acquisition cost as at 31 Dec	**13,869**	**12,664**	**3,000**	**2,465**

Accumulated depreciation and impairment losses as at 1 Jan	-11,298	-10,523	-2,145	-1,945
Accumulated depreciation on decreases	100	49	54	9
Transfers between items	0			
Depreciation for the financial year	-619	-824	-225	-209
Accumulated depreciation and impairment losses as at 31 Dec	**-11,816**	**-11,298**	**-2,315**	**-2,145**
Book value as at 31 Dec	**2,052**	**1,366**	**685**	**321**

EUR 1,000	**Group 2013**	**Group 2012**	**Parent company 2013**	**Parent company 2012**
Other tangible assets				
Acquisition cost as at 1 Jan	9,515	8,619	267	267
Increases	807	322		
Decreases	-94	-2	-73	
Transfers between items	431	577		
Acquisition cost as at 31 Dec	**10,659**	**9,515**	**194**	**267**
Accumulated depreciation and impairment losses as at 1 Jan	-4,563	-3,777	-46	-39
Accumulated depreciation on decreases	61	1	46	
Accumulated depreciation on transfers	0	-7		
Depreciation for the financial year	-764	-780		-7
Accumulated depreciation and impairment losses as at 31 Dec	**-5,266**	**-4,563**	**0**	**-46**
Book value as at 31 Dec	**5,394**	**4,952**	**194**	**221**

EUR 1,000	Group 2013	Group 2012	
Advance payments and acquisitions in progress			
Acquisition cost as at 1 Jan	32,437	63,347	
Increases	83,951	30,244	
Decreases	-224	-2,372	
Transfers between items	-28,018	-58,782	
Book value as at 31 Dec	**88,146**	**32,437**	

EUR 1,000	Group 2013	Group 2012	
Appreciations			
Land and water areas			
Value as at 1 Jan / 31 Dec	84	84	
Buildings and structures			
Value as at 1 Jan / 31 Dec	2,035	2,035	

Appreciations were recognised in the 1970s. The appreciations do not exceed the estimated market prices.

3. Investments

EUR 1,000			Parent company 2013	Parent company 2012
Shares in subsidiaries				
Acquisition cost as at 1 Jan			75,881	75,871
Increases			6,280	10
			-6,292	
Acquisition cost as at 31 Dec			**75,869**	**75,881**
Appreciations			2,119	2,119
Book value as at 31 Dec			**77,988**	**78,001**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Shares in joint ventures				
Acquisition cost as at 1 Jan	10,400	10,117	771	771
Increases	778	327		
Decreases	-205	-44		
Transfers between items	0			
Acquisition cost as at 31 Dec	**10,973**	**10,400**	**771**	**771**
Book value as at 31 Dec	**10,973**	**10,400**	**771**	**771**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Other securities and shares				
Acquisition cost as at 1 Jan	9,479	8,542	894	894
Increases	178	16		
Decreases	-740	-230		
Transfers between items	0	1,150		
Acquisition cost as at 31 Dec	**8,917**	**9,479**	**894**	**894**
Book value as at 31 Dec	**8,917**	**9,479**	**894**	**894**

EUR 1,000	Group 2013	Group 2012		
Other receivables, advance payments				
Acquisition cost as at 1 Jan	3,286	2,794		
Increases	165	88		
Transfers between items		404		
Acquisition cost as at 31 Dec	**3,451**	**3,286**		
Book value as at 31 Dec	**3,451**	**3,286**		

	Domicile	Parent company holding, %	Group holding, %
Group companies			
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
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 Vuokra-asunnot Oy	Helsinki	100.00	100.00
VVO Vuokratalot 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 Helsingin Haapaniemenkatu 11	Helsinki	100.00	100.00
As. Oy Kuopion Kaarenkulma	Kuopio	100.00	100.00
As. Oy Malski 3, Lahti	Lahti	100.00	100.00
As. Oy Pihavaahtera	Hollola	100.00	100.00
Asunto Oy Espoon Kilonportti 3	Espoo	100.00	100.00
Asunto Oy Espoon Klariksentie 6	Espoo	100.00	100.00
Asunto Oy Espoon Nihtitorpankuja 3	Espoo	100.00	100.00
Asunto OY Espoon Soukanrinne	Espoo	100.00	100.00
Asunto Oy Helsingin Capellan puistotie 4	Helsinki	100.00	100.00
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 Leikkikuja	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 Messeniuksenkatu 1B	Helsinki	100.00	100.00
Asunto Oy Helsingin Paahtaja	Helsinki	100.00	100.00
Asunto Oy Helsingin Plazankuja 5	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 Sörnäistenkatu 12	Helsinki	100.00	100.00
Asunto Oy Helsingin Tilketori 2	Helsinki	77.46	77.46
Asunto Oy Helsingin Tuulensuunkuja 3	Helsinki	100.00	100.00
Asunto Oy Helsingin Valanportti	Helsinki	100.00	100.00
Asunto Oy Helsingin Vuorenpeikontie 5	Helsinki	100.00	100.00
Asunto Oy Hilapellontie 2 b	Helsinki	100.00	100.00
Asunto Oy Hilapellontie 4	Helsinki	100.00	100.00
Asunto Oy Hyvinkään Merino	Hyvinkää	100.00	100.00
Asunto Oy Hyvinkään Mohair	Hyvinkää	100.00	100.00
Asunto Oy Hämeenlinnan Junamestari	Hämeenlinna	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 Tellervonkatu 8	Jyväskylä	80.00	80.00
Asunto Oy Jyväskylän Väinönkatu 15	Jyväskylä	100.00	100.00
Asunto Oy Järvenpään Kaskitie 5	Järvenpää	100.00	100.00
Asunto Oy Järvenpään Reki-Valko	Järvenpää	100.00	100.00
Asunto Oy Kalasääksentie 6	Espoo	100.00	100.00
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 Kavallinterassit	Kauniainen	100.00	100.00
Asunto Oy Kauniaisten Thurmaninpuistotie 2	Kauniainen	100.00	100.00
Asunto Oy Kaustisenpolku 5	Helsinki	100.00	100.00
Asunto Oy Keravan Eerontie 3	Kerava	100.00	100.00
Asunto Oy Keravan Palopolku 3	Kerava	80.00	80.00
Asunto Oy Kivivuorenkuja 1	Vantaa	100.00	100.00
Asunto Oy Kivivuorenkuja 3	Vantaa	100.00	100.00
Asunto Oy Konalantie 14	Helsinki	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 Lahden Vihdinkatu 4	Lahti	100.00	100.00
Asunto Oy Lahden Vihdinkatu 6	Lahti	100.00	100.00
Asunto Oy Lappeenrannan Gallerianpolku	Lappeenranta	100.00	100.00
Asunto Oy Lappeenrannan Koulukatu 13	Lappeenranta	100.00	100.00
Asunto Oy Lappeenrannan Upseeritie 12	Lappeenranta	100.00	100.00
Asunto Oy Lintukallionrinne 1	Vantaa	100.00	100.00
Asunto Oy Oulun Kitimenpolku	Oulu	100.00	100.00
Asunto Oy Oulun Tervahanhi 1	Oulu	80.00	80.00
Asunto Oy Pirtinketosato	Kuopio	63.55	63.55
Asunto Oy Pohtolan Kynnys	Espoo	100.00	100.00
Asunto Oy Pohtolan Kytö	Espoo	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 Tukkivartio	Rovaniemi	100.00	100.00
Asunto Oy Salamankulma	Turku	66.18	66.18

Asunto Oy Tampereen Nuolialantie 44	Tampere	100.00	100.00
Asunto Oy Tampereen Pohtolan Pohja	Tampere	100.00	100.00
Asunto Oy Tampereen Satakunnankatu 21	Tampere	100.00	100.00
Asunto Oy Tampereen Tuomiokirkonkatu 32	Tampere	100.00	100.00
Asunto Oy Toppilan Tuulentie 2	Oulu	100.00	100.00
Asunto Oy Tuiran Komuntalo	Oulu	100.00	100.00
Asunto Oy Turun Vänrikinkatu 2	Turku	100.00	100.00
Asunto Oy Vantaan Hiiritornit	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 Lauri Korpisen katu 10	Vantaa	100.00	100.00
Asunto Oy Vantaan Lehtikallio 4	Vantaa	100.00	100.00
Asunto Oy Vantaan Leinelänkaari 14	Vantaa	100.00	100.00
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 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 Ylä-Malmintori	Helsinki	100.00	100.00
Kiinteistöosakeyhtiö Näsilinnankatu 40	Tampere	100.00	100.00
Volaria Oy	Helsinki	100.00	100.00

	Domicile	Parent company holding, %	Group holding, %
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 Vantaan Lauri Korpisen katu 8	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 Mannerheimintie 168	Helsinki	51.46	82.61
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 Kilterinrinne 6	Vantaa	100.00	100.00

Kiinteistö Oy Vantaan Viktoria	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 Järvenpään Rekivatro	Järvenpää	100.00	100.00
Asunto Oy Lappeenrannan Nurmelanpirtti	Lappeenranta	100.00	100.00
Asunto Oy Vantaan Aerolan A-talot	Vantaa	100.00	100.00
Asunto Oy Vantaan Aerolan B-talot	Vantaa	100.00	100.00
Kiinteistö Oy Malminhaka	Tampere	90.00	90.00
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 Kuopion Niemenkatu 5	Kuopio	100.00	100.00
Asunto Oy Kaarinan Hovirinnan Luumu	Kaarina	100.00	100.00
Kiinteistö Oy Kanavanpirtti	Lappeenranta	100.00	100.00
Kiinteistö Oy Nummenperttu	Hämeenlinna	100.00	100.00
Kiinteistö Oy Oulun Kotkankynsi	Oulu	65.00	65.00
Kiinteistö Oy Tuiranmaja	Oulu	94.00	94.00
Kiinteistö Oy Vaakamestarinpolku 2	Helsinki	100.00	100.00
Kiinteistö Oy Vehnäpelto	Vantaa	100.00	100.00
Tikantupa Oy	Jyväskylä	100.00	100.00
Kiinteistö Oy Vehnäpelto			
Kiinteistö Oy Viljapelto	Vantaa	55.56	76.67
	Domicile	**Parent company holding, %**	**Group holding, %**

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

	Domicile	Parent company holding, %	Group holding, %
Joint ventures			
VVO-group plc			
Asunto Oy Nilsiän Ski	Nilsiä	28.33	28.33
Suomen Asumisoikeus Oy	Helsinki	50.00	50.00
SV-Asunnot Oy	Helsinki	50.00	50.00
VVO Asunnot Oy			
As. Oy Järvenpään Jampanpaju	Järvenpää	41.35	41.35
Fastighets Ab Lovisa Stenborg Kiinteistö Oy	Loviisa	45.50	45.50
Hatanpäänhovin Pysäköinti Oy	Tampere	20.63	62.51
Kanniston Huolto Oy	Kerava	20.51	20.51
Kiinteistö Oy Ahdinluoto	Espoo	34.50	34.50
Kiinteistö Oy Jyrkkälänpolku	Turku	28.85	28.85
Kiinteistö Oy Tampereen Taijan Parkki	Tampere	49.17	49.17
Kiinteistö Oy Vantaan Puunhaltijakujan Parkki	Vantaa	45.00	45.00
Mummunkujan pysäköinti Oy	Tampere	26.51	53.01
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

VVO Vuokratalot Oy			
Kiinteistö Oy Viljapelto	Vantaa	21.11	76.67
Fastighets Ab Bärvägen	Finström	33.33	33.33
Kiinteistö Oy Keinulaudantie 4	Helsinki	41.62	41.62
Pajalan Parkki Oy	Järvenpää	31.44	44.06
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
Virvatulen Pysäköinti Oy	Helsinki	25.15	25.15
VVO Kodit Oy			
AsOy Kuopion Vilhelmiina	Kuopio	21.62	100.00
Hatanpäänhovin Pysäköinti Oy	Tampere	41.88	62.51
Katajapysäköinti Oy	Tampere	34.26	50.93
Kiinteistö Oy Helsingin Eliaksentalo 1	Helsinki	23.01	23.01
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	42.63	42.63
Kiinteistö Oy Oulun Tullivahdin Parkki	Oulu	33.60	33.60
Koy Lappeenrannan Koulukatu 1	Lappeenranta	24.45	100.00
Koy Mannerheimintie 168	Helsinki	31.15	82.61
Koy 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
Asunto Oy Vantaan Lehtikallio 4			
Koy Lehtikallion pysäköinti	Vantaa	39.84	39.84

VVO Vuokra-asunnot Oy			
Äyhönjärven Autopaikoitus Oy	Rauma	41.60	41.60

	Domicile	Parent company holding, %	Group holding, %
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.

CURRENT ASSETS

4. Inventories

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Inventory shares	10,689	13,443		
Land areas and other inventories	31,881	28,495		
Total inventories as at 31 Dec	**42,570**	**41,938**		

5. Receivables

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Non-current				
Loan receivables from Group companies			160,947	61,547
Receivables from joint ventures				
Loan receivables	532	85		
Loan receivables	506	519	170	183
Other receivables	1,488	1,181	12	1,055
Accrued income	488	15	488	
Total	**3,014**	**1,800**	**161,617**	**62,785**
Current				
Accounts receivable	9,050	6,586	4,241	1
Receivables from Group companies				
Accounts receivable			1,250	5
Loan receivables				8,578
Other receivables			40,807	24,386
Accrued income			1,929	

Receivables from joint ventures				
Loan receivables	40	507		
Accrued income	10			
Loan receivables	401	332	121	109
Other receivables	1,295	1,709	85	102
Accrued income	2,025	2,274	214	351
Total	**12,820**	**11,408**	**48,648**	**33,532**

6. Financial securities

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Securities and shares				
Replacement value (without interest)	65,705	41,955	3,496	12,924
Book value	63,969	39,682	2,887	11,631
Difference	**1,736**	**2,273**	**610**	**1,293**

Financial securities include fund shares, bonds, company shares and other similar publicly traded investments.

7. Equity

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Share capital as at 1 Jan / 31 Dec	58,025	58,025	58,025	58,025
Share premium as at 1 Jan / 31 Dec	35,786	35,786	35,786	35,786
Revaluation reserve as at 1 Jan	1,600	1,600	2,119	2,119
Increase	95			
Revaluation reserve as at 31 Dec	1,695	1,600	2,119	2,119
Contingency fund as at 1 Jan / 31 Dec	17	17	17	17
Reserve for invested unrestricted equity as at 1 Jan / 31 Dec	17,856	17,856	17,856	17,856
Retained earnings as at 1 Jan	325,121	291,110	26,073	25,673
Dividend distribution	-14,805	-11,844	-14,805	-11,844
Retained earnings as at 31 Dec	**310,315**	**279,266**	**11,268**	**13,829**
Profit for the period	**74,250**	**45,854**	**16,295**	**12,245**
Total equity	**497,945**	**438,405**	**141,367**	**139,877**

Calculation on distributable equity as at 31 Dec	Parent company 2013	Parent company 2012
Reserve for invested unrestricted equity	17,856	17,856
Retained earnings	11,268	13,829
Profit for the period	16,295	12,245
Total	**45,419**	**43,929**

The parent company's share capital is divided by share class as follows:	2013 unit	2012 unit
Series A (20 votes per share)	7,402,560	7,402,560

8. Accumulated appropriations

EUR 1,000	Parent company 2013	Parent company 2012
Accumulated depreciation difference as at 1 Jan	13	17
Changes	-3	-4
Accumulated depreciation difference as at 31 Dec	**10**	**13**
Total accumulated appropriations as at 31 Dec	**10**	**13**

9. Statutory provisions

EUR 1,000	Group 2013	Group 2012
Other statutory provisions	1,348	1,474

The statutory provisions include guarantee reserves for VVO Kodit Oy's (VVO Rakennuttaja Oy's) founder construction based on experience, to the amount of EUR 1.3 (1.5) million.

10. Non-current liabilities

EUR 1,000	Group 2013	Group 2012
Deferred tax assets and liabilities		
Due to appropriations		
Calculated on depreciation difference		
Value as at 1 Jan	31,037	27,055
Increases	0	4,006
Decreases	-3,106	-23
Value as at 31 Dec	**27,932**	**31,037**
Calculated on residential housing reserve		
Value as at 1 Jan	74,745	72,656
Increases	508	4,462
Decreases	-14,478	-2,373
Value as at 31 Dec	**60,775**	**74,745**
Calculated on consolidation measures		
Deferred tax liabilities		
Value as at 1 Jan	7,790	7,965
Increases	9,607	5
Decreases	-1,689	-180
Value as at 31 Dec	**15,709**	**7,790**
Deferred tax assets due to consolidation measures and other timing differences between accounting and taxation		
Value as at 1 Jan	-5,403	-4,919

Increases	-527	-1,758
Decreases	1,997	1,273
Value as at 31 Dec	**-3,933**	**-5,403**
Total deferred tax liabilities as at 31 Dec	**100,482**	**108,169**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Non-current liabilities				
Deferred tax liabilities	100,482	108,169		
Capital loans	2,355	2,355		
Loans from financial institutions				
Primary loans	22	431		
Mortgages	1,248	2,211		
State-subsidised loans	301,214	315,184		
Interest subsidy loans	597,980	597,286		
Third-sector loans	3,144	3,701		
Other non-current loans	774,432	638,653	107,819	8,248
Received advance payments	6	14		
Trade payables	2			
Debts to Group companies				
Promissory notes				5,229
Other debts	8,739	7,369		
Total non-current liabilities	**1,789,625**	**1,675,371**	**107,819**	**13,477**

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Derivatives				
Interest rate swaps *)				
Nominal value	311,513	317,050	7,637	8,040
Valuation	-25,702	-36,445	-659	-935
*) The bank may change the interest rate for some swaps in certain situations.				
Interest rate swaps to be dissolved **)				
Nominal value	10,000	10,000		
Valuation	-1,573	-2,167		
**) The bank may dissolve the interest rate hedging in certain situations.				
Interest rate options bought and written				
Nominal value	23,398	24,990		
Valuation	-308	-572		
Total				
Nominal value	344,911	352,040	7,637	8,040
Fair value	-27,583	-39,185	-659	-935
Swaptions				
Nominal value	28,010	28,010		
Fair value	-1,551	-2,422		

Of the above-mentioned valuation differences, only swaptions have been recognised through profit or loss. The average maturity of derivatives is 6.6 (6) years.

Capital loans

Subordinated loan of Suomen Vuokratalot Oy, 2001

Suomen Vuokratalot Oy received a subordinated loan of EUR 2,354,630.97 from the City of Tampere in 2001, on the following essential loan terms:
The loan shall be repaid in 20 years. The interest rate is fixed at 5.5% per annum for the first five years, and thereafter the six-month Euribor rate plus 0.75 percentage points. The loan interest will be paid only if the amount to be paid is available for profit distribution in accordance with the company's latest confirmed balance sheet. The interest rates are accrued in the financial statements. Suomen Vuokratalot Oy has merged with VVO Kodit Oy, and the subordinated loan was transferred to VVO Kodit Oy under the same terms and conditions.

11. Current liabilities

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Loans from financial institutions				
Instalments of primary loans in the next financial year	410	1,109		
Instalments of mortgages in the next financial year	949	852		
Instalments of state-subsidised loans in the next financial year	9,222	7,090		
Instalments of interest-subsidy loans in the next financial year	13,905	10,093		
Instalments of third-sector loans in the next financial year	361	285		
Instalments of additional loans in the next financial year				
Instalments of other current loans in the next financial year	34,416	29,704	429	2,525
Overdraught limits				
Received advance payments	5,706	5,578		
Trade payables	12,996	5,491	661	357
Liabilities to Group companies				
Trade payables			50	1
Other debts				153
Other debts	59,788	59,294	49,457	43,535

Accrued expenses				
Accrued interest payable	14,528	14,567	1,944	35
Payroll including social security contributions	6,240	6,641	1,762	1,765
Tax liabilities	5,715	4,061	886	
Construction	1,039	1,142		
Other accrued expenses	3,114	2,879		
Total current liabilities	**168,391**	**148,784**	**55,189**	**48,372**

12. Related party transactions

Information on the management's salary and fees is presented in section Salaries and remuneration.

There were no related party transactions in 2013.

Guarantees and contingent liabilities

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Guarantees given				
Loans that mature in more than five years				
Capital loans	2,355	2,355		
Loans from financial institutions				
State-subsidised loans	257,880	275,964		
Interest subsidy loans	401,882	408,297		
Third-sector loans	1,577	1,968		
Other non-current loans	592,834	472,357	102,481	6,532
Total	**1,256,527**	**1,160,941**	**102,481**	**6,532**
Loans for which mortgage on and shares in property have been given as a guarantee				
Loans from financial institutions	1,716,709	1,584,084	2,839	8,877
Mortgages given	2,398,045	2,240,287	4,870	4,955
Security deposit	849			
Shares	161,515	140,525		
Total value of pledged guarantees	**2,560,409**	**2,380,813**	**4,870**	**4,955**
Land holding company loans from financial institutions	24,483	29,576		
Mortgages given	38,102	45,327		
Shares of loans allocated to unsold apartments owned by VVO Kodit Oy (VVO Rakennuttaja Oy)	1,874	3,176		

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Pledges given as guarantees for rent payment and street maintenance				
Real estate mortgages given	8,215	7,635		
Guarantees given				
Absolute guarantee	250,691	230,539		
Counter-guarantee for received external guarantees				
Counter-guarantee for guarantees	14,564	5,833	8,587	1,811

EUR 1,000			Parent company 2013	Parent company 2012
Guarantees for Group companies				
Guarantees				
Guarantees given on behalf of Group companies			199,059	208,373

EUR 1,000	Group 2013	Group 2012		
Other guarantees given				
Guarantees given on behalf of others				
Pledged deposits	18	18		
Total	**18**	**18**		
Guarantees given on behalf of others				
Counter-guarantees	3,727	4,032		
Guarantees given	1,800	1,800		
Total	**5,527**	**5,832**		

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Other liabilities				
Leasing liabilities				
Cars				
Payable during the next financial year	857	910	126	122
Payable later	1,263	1,195	237	93
Total	**2,119**	**2,105**	**364**	**215**
Phones				
Payable during the next financial year		46		46
Payable later		1		1
Total		47		47
Rent liabilities				
Rent liabilities on commercial premises	786	1,145		
Rent liabilities on plots	189,419	181,595		
Most notable procurement commitments relating to investments in progress, which are not entered in the accounts				
New construction	68,132	37,742		
Renovations	25,977	13,623		
Total	**94,109**	**51,365**		
Other liabilities				
VVO-group plc has a few individual disputes pending, but the company estimates these to be of negligible value. Group companies have made commitments restricting the assignment and pledging of shares owned by them.				

VAT liabilities				
VAT repayment liabilities	3,163	3,082		
Land purchase liabilities				
Transaction prices based on target construction rights and the draft local plan	8,659	7,263	3,813	3,813
Liabilities for building public services	5,974	4,622		972

Construction liability

The land use agreement related to the zoned areas Suurpelto I and II in Espoo includes schedules for construction sanctioned with delay penalties. In the agreement, the zoned areas are divided into three execution areas, in which VVO holds building rights as follows: area 2 - 18,217 (18,717) floor square metres and area 3 - 16,125 (16,125) floor square metres.

The agreement stipulates that all of the residential building rights must be exercised by November 2013 in area 2 and by November 2016 in area 3. The schedules for building activities were not met in full. The delay penalty is graded based on the period of delay and can, if the delay has continued for at least five years, be up to half of the land use payments specified in the agreement. According to the agreement, the City of Espoo may, if circumstances change, lower the penalty or waive it altogether.

The plot located in the City of Tampere (837-102-11-6) is subject to a schedule for construction sanctioned with delay penalties.

The plots located in the City of Lahti (398-25-253-23 and 398-25-253-24) are subject to a schedule for construction, sanctioned with delay penalties.

The land use agreement for blocks 62007 and 62025 in Jokiniemi, Vantaa includes schedules for construction sanctioned with delay penalties. The construction liability is divided into various forms of financing and ownership.

Key indicators depicting financial development

EUR 1,000	2013	2012	2011	2010	2009
Scope of operations					
Turnover	346,610	335,430	327,278	328,647	342,879
Change, %	3.3	2.5	-0.4	-4.2	4.8
Share of apartment rental, %	99.1	97.7	94.1	88.6	81.7
Share of housing construction, %	0.9	2.3	5.9	11.4	18.3
Balance sheet total	2,468,550	2,276,091	2,252,237	2,184,152	2,170,560
Salaries and remunerations	17,405	17,908	16,995	15,369	16,241
Average number of personnel	341	343	349	341	346
Turnover/employee	1,016	978	938	964	991
Profitability					
Operating profit	116,172	112,674	105,719	100,616	98,229
% of turnover	33.5	33.6	32.3	30.6	28.7
Profit before appropriations and taxes	75,868	62,487	55,823	57,510	40,965
% of turnover	21.9	18.6	17.1	17.5	12.0
Profit for the period	74,250	45,854	44,776	40,478	29,349
% of turnover	21.4	13.7	13.7	12.3	8.6
Return on equity, % (ROE)	15.5	10.6	11.2	11.3	9.2
Return on investment, % (ROI) [1)]	5.5	5.5	5.2	5.1	5.1

Financing and financial position					
Current ratio	1.5	1.5	1.4	1.3	1.3
Equity ratio, %	20.7	19.8	18.5	17.7	15.3
Interest-bearing liabilities	1,795,067	1,664,261	1,683,872	1,654,923	1,682,905
Liquid assets	142,283	128,963	126,823	96,462	113,169

Key ratios per share [2]					
Earnings per share, €	10.07	6.19	6.07	5.49	4.30
Equity per share, €	67.27	59.22	54.63	50.27	46.89
Dividend per share, € [3]	2.20	2.00	1.60	1.50	1.20
Dividend as % of result [3]	21.8	32.3	26.4	27.3	27.9
Number of shares at the end of the financial year	7,402,560	7,402,560	7,402,560	7,402,560	6,867,420

1) Loans from financial institutions for construction projects are treated as interest-bearing liabilities, when calculating key indicators. The interests payable on these loans are mainly included in financial expenses.
2) Share-specific indicators are calculated based on the number of shares during each year.
3) The Board of Directors proposes that a dividend of EUR 2.20 per share be paid.

Calculation formulas for indicators

$$\text{Return on equity, \%} = \frac{\text{Profit before non-recurring items} - \text{Taxes}}{\text{Equity} + \text{Minority share, average for the year}} \times 100$$

$$\text{Return on investment, \%} = \frac{\text{Profit before non-recurring items} + \text{Financing expenses}}{\text{Balance sheet total} - \text{Interest-free debt, average for the year}} \times 100$$

$$\text{Current ratio} = \frac{\text{Inventories and current assets}^{1)}}{\text{Current liabilities}}$$

$$\text{Equity ratio, \%} = \frac{\text{Equity} + \text{Minority share}}{\text{Balance sheet total} - \text{Advances received}} \times 100$$

$$\text{Earnings per share, EUR} = \frac{\text{Profit before non-recurring items} - \text{Taxes}}{\text{Number of shares at the end of the financial year}}$$

$$\text{Equity per share, EUR} = \frac{\text{Equity}}{\text{Number of shares at the end of the financial year}}$$

$$\text{Dividend per profit, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

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

Signatures for the Board of Director's Report and Financial Statements

Helsinki, 27 February 2014

Riku Aalto Chairman of the Board		Risto Murto Deputy Chairman of the Board
Tomi Aimonen	Matti Harjuniemi	Olli Luukkainen
Antti Rinne	Jan Saarinen	Ann Selin
		Jani Nieminen CEO

An auditor's report has been issued today.

Helsinki, 4 March 2014

KPMG Oy Ab

Kai Salli, APA

This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of VVO-Yhtymä Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of VVO-yhtymä Oyj for the financial year 1 January–31 December 2013. The financial statements comprise the consolidated balance sheet, income statement and 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 financial statements and 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or 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 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 is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 4 March 2014

KPMG OY AB

KAI SALLI
Authorized Public Accountant