



Rental housing at its best

Annual Report 2014

VVO-group plc



PESTO

2 RUKKIA, BALSAMIA
2 ANKORPUN KINTTÄ
1 DL OLIVIJÄLJÄ
50G PINKISENÄ
SILPÄÄ
PARMESAN
MUSKATIMIA

**VVO used over EUR 250 million
in new construction, housing acquisitions,
and repairs of its rental apartments.
Thanks to strong growth, there were
1,127 Lumo rental apartments under
construction at the end of 2014.**

VVO 2014

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Information for shareholders

According to the Articles of Association of VVO-group plc, the company's minimum capital is EUR 30,000,000 and its maximum capital 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 Series A and B shares. There may be no fewer than 1,000,000 and no more than 100,000,000 Series A shares. There may be no more than 100,000,000 Series B shares.

The company's paid-up share capital entered in the Trade Register on 31 December 2014 was EUR 58,025,136.00. The company has issued only Series A shares. The share has no nominal value. At the Annual General Meeting, a Series A share has 20 votes and a Series B share has one vote. The number of shares issued as at 31 December 2014 was 7,402,560.

VVO's major shareholders at 31 December 2014

Shareholders	% of shares
Ilmarinen Mutual Pension Insurance Company	18.00
Varma Mutual Pension Insurance Company	16.98
Finnish Metalworkers' Union	9.70
Trade Union for the Public and Welfare Sectors	8.73
Finnish Construction Trade Union	8.31
Service Union United PAM	7.49
Trade Union PRO	7.47
Trade Union of Education in Finland	7.46
Union of Industrial Employees TEAM	5.99
Union of Health and Social Care Professionals	1.39
Others	8.48
Total	100.00

Dividend distribution

Proposal by the Board of Directors for the distribution of profits

The parent company VVO-group plc's distributable unrestricted shareholders' equity at 31 December 2014 was EUR 51,348,613.39, of which the profit for the financial period was EUR 22,214,840.53. 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 3.00 per share to be paid for every Series A share, a total of EUR 22,207,680.00, and EUR 29,140,933.39 to be retained in unrestricted shareholders' equity.

Financial reporting in 2015

- > 19 March 2015
Annual Report 2014
- > 19 May 2015
Interim Report January–March 2015
- > 27 August 2015
Interim Report January–June 2015
- > 29 October 2015
Interim Report January–September 2015

Number of rental apartments increases, housing services expand

VVO celebrated its 45th anniversary in 2014. These years witnessed a broad variety of innovative housing solutions, new modes of residence, and a more proactive voice in rental housing debate. VVO was established in 1969. Our story began in Malmi, where we built our first rental apartments. Our Malmi property has already undergone major renovations.



VVO achieved the highest turnover in its history, with profit also increasing during the financial year. We are Finland's largest market-based player, and the number of rental apartments owned by the company has risen to 40,793. This growth will continue. In 2014, we decided to invest over EUR 300 million in new construction, housing acquisitions, and repairs. We also committed to the construction of 1,553 apartments during 2014, and these properties will be built over the coming years.

During the financial year, VVO launched the development of 856 new Lumo apartments, and 1,127 privately financed rental apartments were under construction at year-end.

There were more new construction start-ups than in the previous year, mainly in the Helsinki Metropolitan Area where there is great demand for rental housing. We developed new properties, acquired existing ones, and renovated our housing stock. Our gross investments in 2014 totalled about EUR 200 million.

Our strategic target is to offer a total of 45,000 homes in 35 municipalities to about 80,000 customers by the end of 2018. Our diverse range of homes combine a good location with good public transport connections and services.

Demand for rental housing remained stable in 2014 and our occupancy rate was once again excellent.

In the autumn, we strengthened our corporate image as a provider of versatile apartments and housing services with the introduction of a new rental housing brand. VVO Group now has two brands: VVO and Lumo. The Lumo brand arose from a desire to offer the best possible apartments and services for market-based rental housing. Apartments covered by the VVO brand adhere to the cost-price principle for determining rents.

Lumo and VVO offer an extensive and continually developing range of services to make life easier – both before and after moving in. The new year will bring more new services for both our existing custom-



In 2014, VVO achieved the highest turnover in its history, with profit also increasing during the financial year.”

ers and all those who want the option of flexible and effortless housing.

A big round of applause for all VVO personnel and stakeholders! In spite of the recession, 2014 saw us make good progress towards our goal of being Finland's most valued and efficient landlord.

Jani Nieminen



Lehtikallio 4, Pähkinärinne, Vantaa

Strong growth in rental housing investments

VVO-group plc is Finland's largest market-based, private-sector landlord, offering versatile and effortless rental solutions coupled with an extensive range of housing services. The fair value of our rental apartments is EUR 3.6 billion. VVO Group owns 40,793 apartments, of which 26,841 are Lumo apartments and 13,952 VVO apartments.

In 2014, VVO spent a total of about EUR 250 million on new construction, housing acquisitions, and repairs to rental apartments. This strong growth is evidenced by the number of Lumo rental apartments under construction at the end of 2014: 1,127.

According to our annual customer satisfaction survey, 92 per cent of customers have recommended or would recommend VVO as a landlord. The average period of



Recommendation

92%

tenancy is 5.9 (5.9) years. Our long-term customer relationships are based on systematic apartment maintenance, active residents' associations, our ethos of a good customer experience, and ease of service. VVO seeks to be Finland's most valued and efficient landlord. We guarantee good customer service through our centralised Customer Service Centre, local VVO Home Centres, and convenient online services.

Apartments

40,793

Average floor area of apartments

56.7 m²

Properties

1,832

Apartments under construction

1,127






Average age of buildings

29.8 years

More than

2,3 million
dwelling m²

Megatrends

	Trends	Effects on the VVO Group
 Urbanisation	<ul style="list-style-type: none">• Population shift to the Helsinki Metropolitan Area is continuing• Regional separation in Finland is strengthening• Risk of social segregation in cities	<ul style="list-style-type: none">• Demand rising in the largest growth centres• Number of municipalities with business locations will be cut to 35 by the end of 2018
 Smaller family sizes	<ul style="list-style-type: none">• More households with one or two people• Number of the elderly rising, need for services growing• Easier labour mobility	<ul style="list-style-type: none">• Design solutions must target even smaller average floor area• Solutions for greater demand among the elderly
 Digitalisation	<ul style="list-style-type: none">• Growth in self-service that is not bound to time and place• First "Internet generation" is growing to adulthood• Growing technologisation in general, telecommuting, remote monitoring• Greater sense of community	<ul style="list-style-type: none">• More online self-service• Impacts of greater use of IT will be accounted for in design and services• More diverse shared use opportunities
 Internationalisation	<ul style="list-style-type: none">• Largest share of growth in the Helsinki Metropolitan Area is due to immigration• It is also increasingly common for Finns to work abroad• Rising importance of the English language	<ul style="list-style-type: none">• Customer service solutions must be provided in many languages• Making it easy for people living abroad to find an apartment in Finland• English is part of customer service
 Experiences	<ul style="list-style-type: none">• Emphasis on the individual, hedonism, design• Homing, interior decoration, details and efficiency• On the other hand: smaller/integrated kitchens, eating out, growing sense of adventure	<ul style="list-style-type: none">• Creating new services and opportunities to cater to the experience-seeking trend

Operational and financial trends in 2014

Both VVO's turnover and profit increased in 2014. The occupancy rate remained high, and there were 1,127 apartments under construction at the end of the year. In 2014, VVO spent over EUR 250 million on new construction, housing acquisitions, and apartment repairs.

- Turnover totalled EUR 367.9 (346.6) million. This growth was generated by increased profit from rental operations.
- Profit before taxes amounted to EUR 90.3 (75.9) million. Our favourable profit performance was based on the successful management of maintenance costs, a low tenant turnover rate, low financial costs, and a good occupancy rate.
- The financial occupancy rate remained high, standing at 98.1 (98.5) per cent.
- The tenant turnover rate remained at the same level as in the previous year, that is, 25.8 (25.4) per cent.
- There were 1,127 (1,020) rental apartments under construction at the end of the financial year.
- The Group owned 40,793 (40,194) apartments on 31 December 2014.
- The fair value of our rental apartments was EUR 3.6 (3.4) billion.
- The Group's gross investments during the period totalled EUR 200.4 (223.2) million.

Key indicators for five years

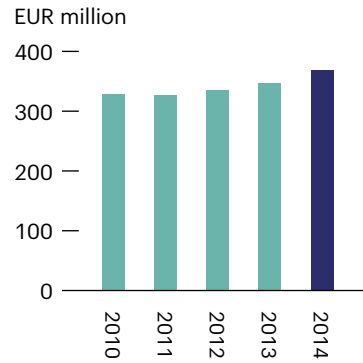
1,000 €	2014	2013	2012	2011	2010
Turnover, EUR million	367.9	346.6	335.4	327.3	328.6
Operating profit, EUR million	136.7	116.2	112.7	105.7	100.6
% of turnover	37.2	33.5	33.6	32.3	30.6
Profit before appropriations and taxes, EUR million	90.3	75.9	62.5	55.8	57.5
% of turnover	24.6	21.9	18.6	17.1	17.5
Balance sheet total, EUR million	2,587.8	2,468.5	2,276.1	2,252.2	2,184.2
Return on equity (ROE), %	13.3	15.5	10.6	11.2	11.3
Return on investment (ROI), %	5.9	5.5	5.5	5.2	5.1
Equity ratio, book value, %	21.8	20.7	19.8	18.5	17.7
Equity ratio, fair value, %	42.0	41.3	38.8		
Apartments and commercial premises, fair value, EUR million	3,557.0	3,351.1	3,120.0		
Cash flow from investing activities, EUR million	200.4	208.2	74.8	121.5	119.7
Earnings per share, € ¹⁾	9.60	10.07	6.19	6.07	5.49
Dividend/share, € ^{1) 2)}	3.00	2.20	2.00	1.60	1.50
Dividend/earnings, % ²⁾	31.3	21.8	32.3	26.4	27.3
Housing stock, units	40,793	40,194	39,946	39,741	38,747
Average rent, €/sq m/month ³⁾	12.91	12.42	11.89	11.26	10.79
Employees at year end	343	324	335	338	339

1) Per-share figures and ratios are based on the number of shares each year.

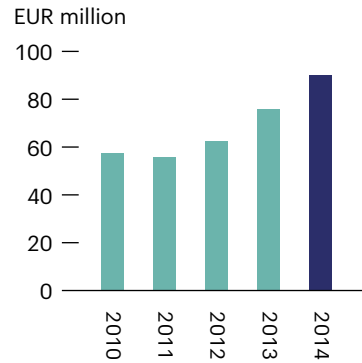
2) The Board of Directors proposes that a dividend of EUR 3.00 per share be paid.

3) Average rent per year.

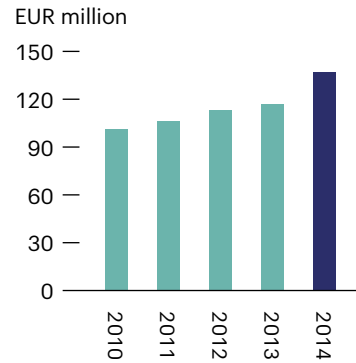
Turnover



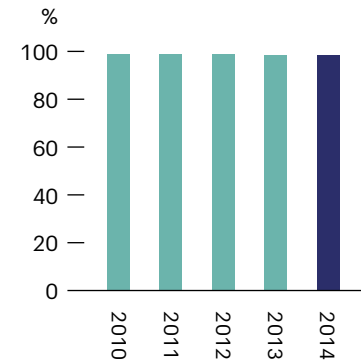
Profit trend



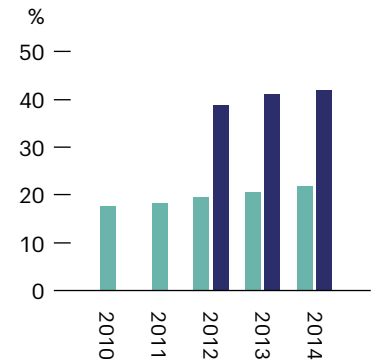
Operating profit



Financial occupancy rate

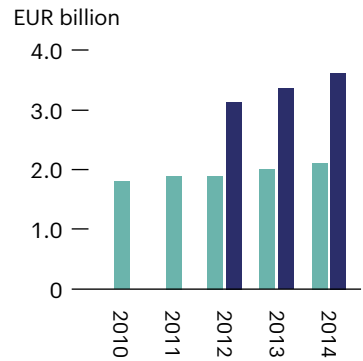


Equity ratio



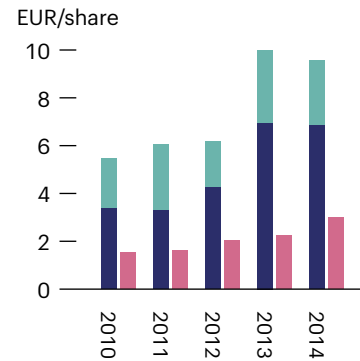
■ Book value
■ Fair value

Value development



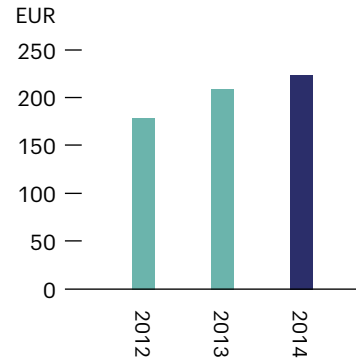
■ Balance sheet value
■ Fair value

Share-specific indicators

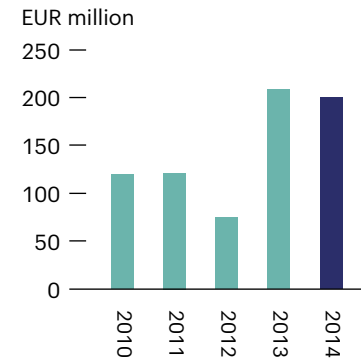


■ State-subsidised
■ Freely determined (distributable profit)
■ Dividend

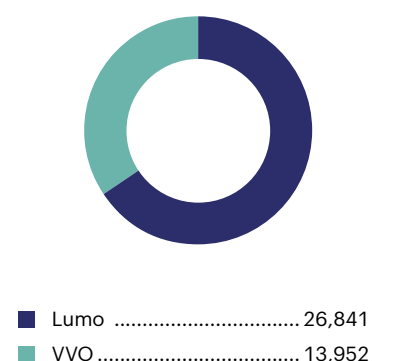
Equity per share at fair value



Cash flows from investments



Rental housing stock



Strong expertise

Skilled personnel

The Customers function took part in the A2 training programme, enhancing sales- and business-oriented thinking amongst those working in customer service. The training provided greater insight into the importance of our customer promise and shared operating models, as well as a better understanding of best practices for cooperation. The joint A2 forum motivated personnel to develop the VVO and Lumo packages.

Our nationwide Customer Service Centre opened in June 2014. It answers all rental and housing-related queries by phone and email.

As part of the restructuring carried out during the spring, personnel from the Vantaa office transferred to VVO's headquarters on Mannerheimintie in Helsinki, and a single VVO Home Centre was established to serve the entire Helsinki Metropolitan Area.

At the end of 2014, VVO had a total of 343 (324) employees, of which 317 (313) were on permanent contracts and 26 (11) were on temporary contracts. The average number of personnel during the year was 339 (341). The average length of service was 10.0 (11.0) years. Personnel turnover in 2014 was 14.0 (6.6) per cent. 70 per cent of all employees worked in the Helsinki Metropolitan Area.

As a purchaser and investor, VVO is also an important employer in the areas in which its apartments are located. The indirect employment effect of VVO's property maintenance, cleaning, and renovation and building contracting totalled almost 3,400 person-years in 2014.



VVO ranks highly in the Responsible Summer Job Competition

VVO performed excellently in the 2014 Responsible Summer Job (Vastuullinen kesäduuni) campaign. VVO was placed in the top three, receiving an honourable mention in the major employers' category. VVO's summer employees were extremely satisfied, highlighting a great team spirit in the workplace, thorough induction, and interesting tasks. A total of 68 employers took part in the competition.

 **339**
VVO employees

Indirect employment effect
3,400
person-years



Target-based well-being in the workplace

92 per cent of employees responded to VVO's employee satisfaction survey. According to Corporate Spirit's PeoplePower® survey, employee satisfaction was excellent, that is, in the highest category, AAA. This result is one of the highest in Finland. Particularly favourable scores were received in the following areas: strategy mobilisation, investments in well-being, the likelihood of recommending VVO as an employer, and a feeling that the company has an extremely bright future.

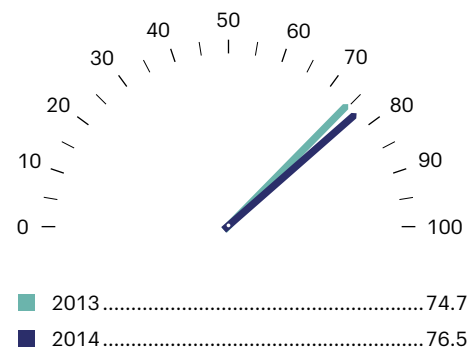
Investments in maintaining a good working atmosphere and overall well-being in the workplace are all part of VVO's HR policy. A broad range of benefits encourage personnel to exercise and maintain their health and working capacity. An energetic and active team spirit is being sought through, for example, the sit less campaign, a self-coaching programme based on a health questionnaire, and supervisors' exercise challenges. Our target-based well-being programme will also continue in 2015.



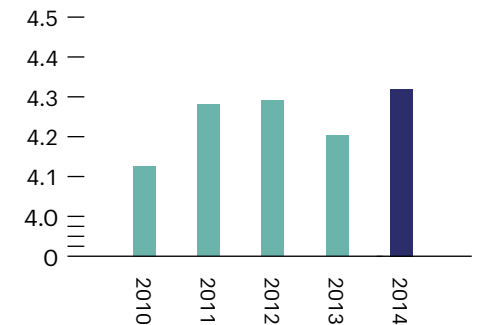
Employee satisfaction

AAA

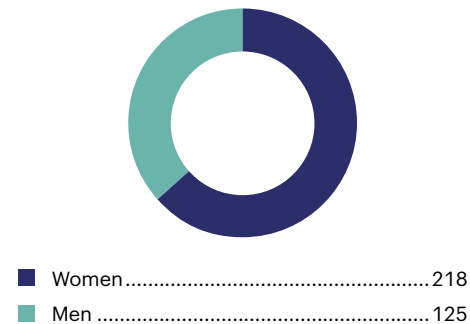
Overall personnel satisfaction, PeoplePower® index



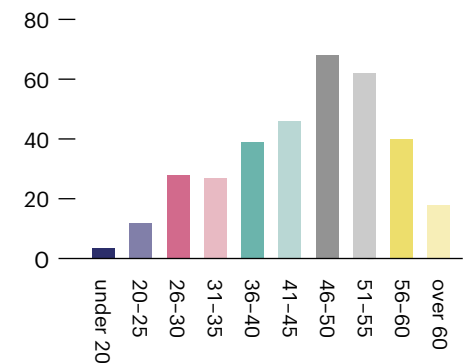
Satisfaction in VVO Group as an employer



Gender distribution of employees



Age distribution of employees





115 Rue de
la Pompe
No 2

PARIS

VVO and our operating environment

Total demand for rental housing remained stable in 2014.



Versatile and safe rental housing

VVO-group plc's business consists of the ownership and rental of apartments. We offer a versatile range of safe rental housing solutions for different life situations. Our key product is the rental apartment.

As of 4 September 2014, VVOGroup markets and rents apartments under two brands: Lumo (market-based product group, 26,841 apartments) and VVO (cost-principle product group, 13,952 apartments). This product group division is based on how rent is determined (freely or restricted).

Product groups differ slightly in terms of apartment numbers due to the revenue recognition-based segment division.

The rental housing business is characterised by stability and predictability, which provide a good foundation for development. The nature of our business, our solid financial position, and our good financial performance enable us to make investments even during unstable economic times.

Customers, investments, and property development

Our business is organised into the following activities: customers, investments, and real estate development.

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

When renting out apartments, VVO seeks harmonious tenant structures and a good service experience, with the aim of extending tenancy periods and improving customer satisfaction. Rents in the market-based product group are determined by market prices, whilst rents in the cost-principle group are determined on actual costs. Cost-effectiveness is achieved by managing fixed costs, leveraging economies of scale, improving customer profitability, and continuously ensuring operational efficiency.

The Investments function prepares, manages and executes corporate investments and divestments. It also acts as VVO Group's internal property owner and develops the Group's corporate structure and management. The Investments function makes long-term investment plans that enable the Group to achieve its strategic targets, and steers investment decisions on property repairs and renovations.

The Real Estate Development function manages the development and technical lifecycle of VVO's apartments, optimises apartment maintenance, manages plot reserves, and carries out technical building management in the Helsinki Metropolitan Area. By utilising its own plot reserves and negotiating with partner organisations, the Real Estate Development function seeks opportunities for the construction of new properties. The function engages in systematic property development and leverages economies of scale to enable cost-effective property maintenance and the achievement of VVO's strategic targets.

Rental housing market

Overall demand for rental housing remained stable. The disparity of the market further intensified as the Helsinki Metropolitan Area continued to strengthen as an urban growth centre. The weak economy and uncertainty with regard to economic development were seen in, for example, a fall in the prices of owner-occupied apartments.

Demand for rental housing was high in the Helsinki Metropolitan Area. Once again, the highest demand was for studios and one-bedroom apartments, for which demand currently exceeds supply. An increase in privately financed new construction eased the situation in certain areas, to the extent that it caused temporary spikes in supply in some localities when several different players' properties were completed simultaneously. In other urban growth centres, demand for rental housing mainly continued along the same lines as in the previous year, again centring on smaller apartments, as in the Helsinki Metropolitan Area. In areas where the economy is slowing down, the situation was reversed with supply exceeding demand. For many players, this was reflected in occupancy rate problems. Demand for the most expensive rental apartments continued to decline.

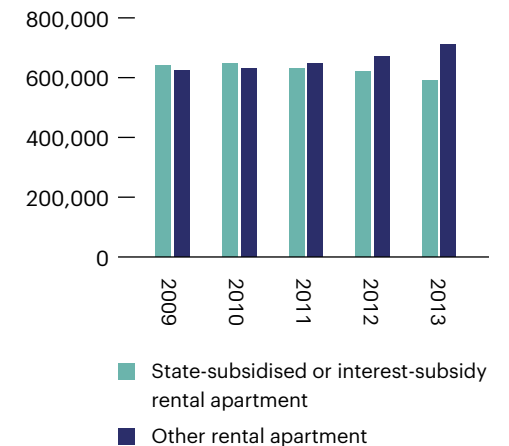
New construction clearly focused on privately financed rental apartments. However, it was impossible to take full advantage of the slight fall in contractors' prices, because slow zoning processes and expensive design solutions resulting from strict plan provisions weakened the conditions for the production of rental housing.

Local market situations were also reflected in resident turnover: the lowest turnover for both privately financed and state-subsidised housing was experienced in the Helsinki Metropolitan Area and, as in previous years, the highest in Oulu.

Rents across VVO's apartments as a whole increased by an average of approximately 3.5 per cent year-on-year. Rents for privately financed apartments increased by about 3 per cent, while those for state-subsidised ARA apartments increased by over 4 per cent. The rent increases for state-subsidised apartments exceeded the rise in apartment building maintenance costs. Rent increases were mainly caused by growing renovation requirements for ageing property stock and insufficient provisions for previous repairs.

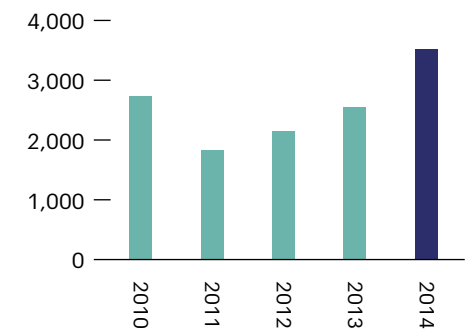
Rents are expected to rise again in 2015, but at a more moderate rate. Due to increasing repair costs, rents for state-subsidised ARA apartments are expected to rise slightly more than those for market-based ones.

Rental housing residents in Finland



Source: Statistics Finland

Developer-contracted start-ups of privately financed terraced houses and apartment buildings, rental housing



Source: Confederation of Finnish Construction Industries RT's housing production surveys, 1/2015

An excellent customer experience is our strategic goal

Megatrends:

Urbanisation



Smaller family sizes



Digitalisation



Internationalisation



Experiences



Mission:

We offer versatile and safe rental housing solutions for different life situations.

Vision 2018:

We are the most valued and efficient landlord.

We are the number-one choice for rental housing.

We offer safe, comfortable homes and easy, effortless service to the **80,000** satisfied customers living in our **45,000** apartments in Finland's growth centres.

Strategic focal points

- A long-term increase in supply and shareholders' value
- The best solutions for rental housing and a good customer experience
- Sustainable operations and efficient operating models
- A pioneer in rental housing
- A competent and attractive company

Values:

Profitability

Innovativeness

Reliability

Customer satisfaction



Strategy implementation in 2014

In 2014, VVO implemented the following strategic priorities:

Increasing supply and shareholders' value

- Strong investments: 1,127 apartments under construction
- Active approach on property repairs and renovations
- A further increase in operational efficiency
- Divestments made according to plan
- IFRS reporting to be launched in 2015

The best solutions for rental housing and a good customer experience

- A nationwide Customer Service Centre
- Brand-specific service concepts
- E-services for customers, such as electronic signatures for tenancy agreements
- 92% of customers would recommend VVO as a landlord

Sustainable operations and efficient operating models

- A nationwide Customer Service Centre
- Leveraging economies of scale: competitive bids
- Wise energy consumption without compromising on residents' comfort and living conditions

A pioneer in rental housing

- Launching the Lumo brand
- French contracting bid: 512 apartments to be completed under the EUR 112 million Hartela contract

A competent and attractive company

- Employee satisfaction at a high level
- Honorary mention in the Responsible Summer Job campaign

VVO seeks to be the number-one choice for rental housing. Our key targets are to provide an excellent customer experience and increase the number of properties available for rent. By the end of 2018, we seek to offer a total of 45,000 rental apartments in 35 Finnish municipalities with a fair value of EUR 4.5 billion.

Our customer experience is generated by a versatile range of housing solutions, easy and effortless service, and user-friendly online services. The Lumo brand arose from a desire to offer the best possible rental apartments and housing services.



The World is Your Oyster!

E

THE LEAN STARTUP ERIC RIES

CASE DAY

Good everyday living

We have developed additional services and better rental living on the basis of customer satisfaction surveys, applications and market analyses.



Versatile housing services

A good customer experience is the core of our business ethos. VVO conducts regular customer satisfaction surveys. 92 per cent of respondents would recommend VVO Group as a landlord.

According to the latest survey, the average period of tenancy was 5.9 years. Our long-term customer relationships are based on systematic apartment maintenance, diverse resident benefits and active residents' associations.

Housing services and enhancing the service experience are today's watchwords. Trouble-free, easy and effortless living rise to the fore when rental accommodation is evaluated – as well as an increasing desire for extra services. We have developed additional services and better rental living on the basis of customer satisfaction surveys, applications and market analyses. Quality assurance in property management has also been developed and introduced, as per our tenants' wishes.

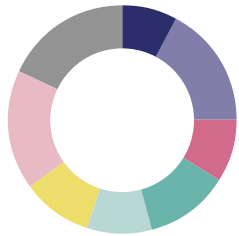
To strengthen our corporate image as a provider of versatile apartments and housing services, we introduced a new rental housing brand – Lumo – alongside VVO.

Lumo is a market-led rental concept that offers next-generation services for rental housing and gives tenants even more freedom to choose. Apartments under the VVO brand adhere to the cost-price principle for determining rents.

We sought competitive bids to provide broadband and television services to our customers, and signed agreements with DNA and Elisa. These agreements cover close to 39,000 households, which means that, from now on, the rents for almost all Lumo and VVO apartments will include an even faster 10 megabit broadband connection. The agreements came into force on 1 January 2015 and will be valid until the end of 2019.

Our Customer Service Centre opened in the Helsinki Metropolitan Area in April, and went nationwide on 10 June 2014. The centre serves both new and existing customers. A further 11 VVO Home Centres also provide local service all across Finland.

Resident structure



■ Young people (16–24 years)	8%
■ Singles (25–44 years)	17%
■ Singles (45–54 years)	9%
■ Couples without children	12%
■ Child families	9%
■ Single parents	10%
■ Seniors (55–64 years)	17%
■ Seniors over 65 years	18%

Close cooperation with residents

Cooperation with residents has been developed over the entire 45-year span of VVO's operations. This cooperation gives residents the opportunity to influence their living arrangements and any practices concerning them. Some 2,100 residents have been nominated to specific posts in residents' associations, such as chairs and vice chairs of house committees, experts, and building security managers. In addition, there are approximately 3,200 house committee members.

VVO's Board of Residents is the highest body representing all VVO residents and includes a member and deputy member from each VVO Home Centre area. The Board of Residents is elected for a two-year term, and Jarmo Natunen from Helsinki was chairman in 2014.

VVO receives direct feedback from customers through the Board of Residents. The Board may take a stand on topical housing policy issues and provides an active panel of tenants whose opinions will be used to support VVO's decisions on housing policies. The Board of Residents also has the opportunity to issue a statement on the criteria for rent determination.

VVO actively engaged in cooperation with residents during the financial year. Nationwide tenant events were organised at Linnanmäki amusement park in Helsinki and Särkänniemi amusement park in Tampere. A total of about 20,000 people took part in the events of 2014. A total of 11 economic theme evenings were organised for residents during 2014.

VVO present an annual award to the residents of a VVO house for exemplary community spirit and management of their shared living environment. Hippoksentie 31–33 in Vasaramäki, Turku was chosen as VVO House of the Year 2014.



60% of all VVO tenancy agreements now signed electronically

About 60 per cent of all new VVO tenancy agreements were signed electronically. Customers now have the flexibility to deal with agreements outside office hours or from another municipality without having to visit a VVO office. An average of 1,000 tenancy agreements are signed per month.

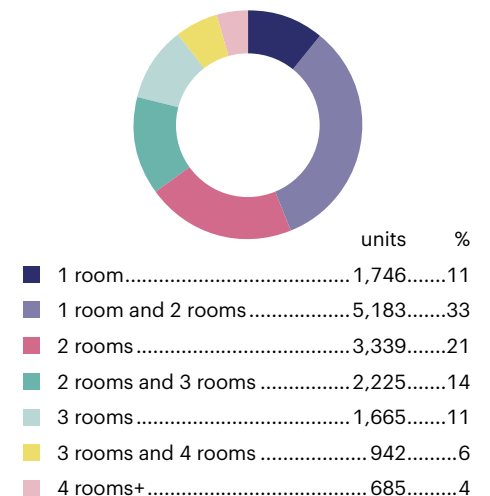
New customers and transferring tenants have been able to sign their tenancy agreements online at vvo.fi since the end of 2013.

This online service enables customers to do business with us easily and effortlessly, whenever and wherever they like.

Financial occupancy rate



Rental housing applications by type of apartment



A responsible landlord

VVO Group's rent trends are predictable. VVO determines maximum rent increases in accordance with its rental practice. The criteria for determining rents are discussed and approved annually by the Board of Residents and at theme evenings organised by the residential management.

Rents are determined using either a market-based or cost-principle approach. The rents for approximately 66 per cent of our apartments are market-based, while the remaining 34 per cent employ the cost principle. Rents for market-based rental properties can be freely determined. VVO determines its market-based rents so as to support the sustainable growth objectives.

VVO Group offers rental housing in areas where demand is high. Sound financial management, systematic property maintenance, and preventative repairs facilitate moderate and predictable rent trends. The construction of new properties also increases the availability of rental housing and helps to ensure moderate rents.

The company offers a versatile range of rental housing that caters for residents' changing needs. Dialogue with residents and close cooperation with residents' associations increase safety and comfort.

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

We use the results of our customer satisfaction survey to develop our operations. In 2014, we developed solutions to increase customer satisfaction, for example, in the areas of waste management and cleaning.

Through the Board of Residents, VVO regularly engages in open discussion with residents about maintenance-related guidelines and operating models. 2014 saw debate on issues such as building management and sauna bookings.

We manage and develop our properties through long-term investments, cost-efficient maintenance and repairs. Our focus is on increasing the value of our property portfolio and ensuring that our properties are available for rent.

Cost-effective maintenance and repairs in 2014:

- The Technical Centre was established in the Helsinki Metropolitan Area and the number of technical personnel was increased.
- Quality controllers for property maintenance and cleaning were hired.
- The repair process was revamped, including a more systematic approach to planning repairs.
- Personnel were hired to analyse the need for future repairs to our property stock.
- Competitive bids were sought for almost all repairs and renovation projects exceeding EUR 5,000.
- We leveraged economies of scale by increasing our volume of centralised procurements.

VVO is strengthening its balance sheet by developing and steering its financial and property portfolio management. We invest in risk management, leadership and expertise, and in enhancing our capacity for innovation.



Assistance from our housing advisor

Essi Honkanen was hired as housing advisor in summer 2014. Her task is to seek solutions to a variety of housing-related issues or problems.

**VVO's tax footprint 2014,
EUR million**



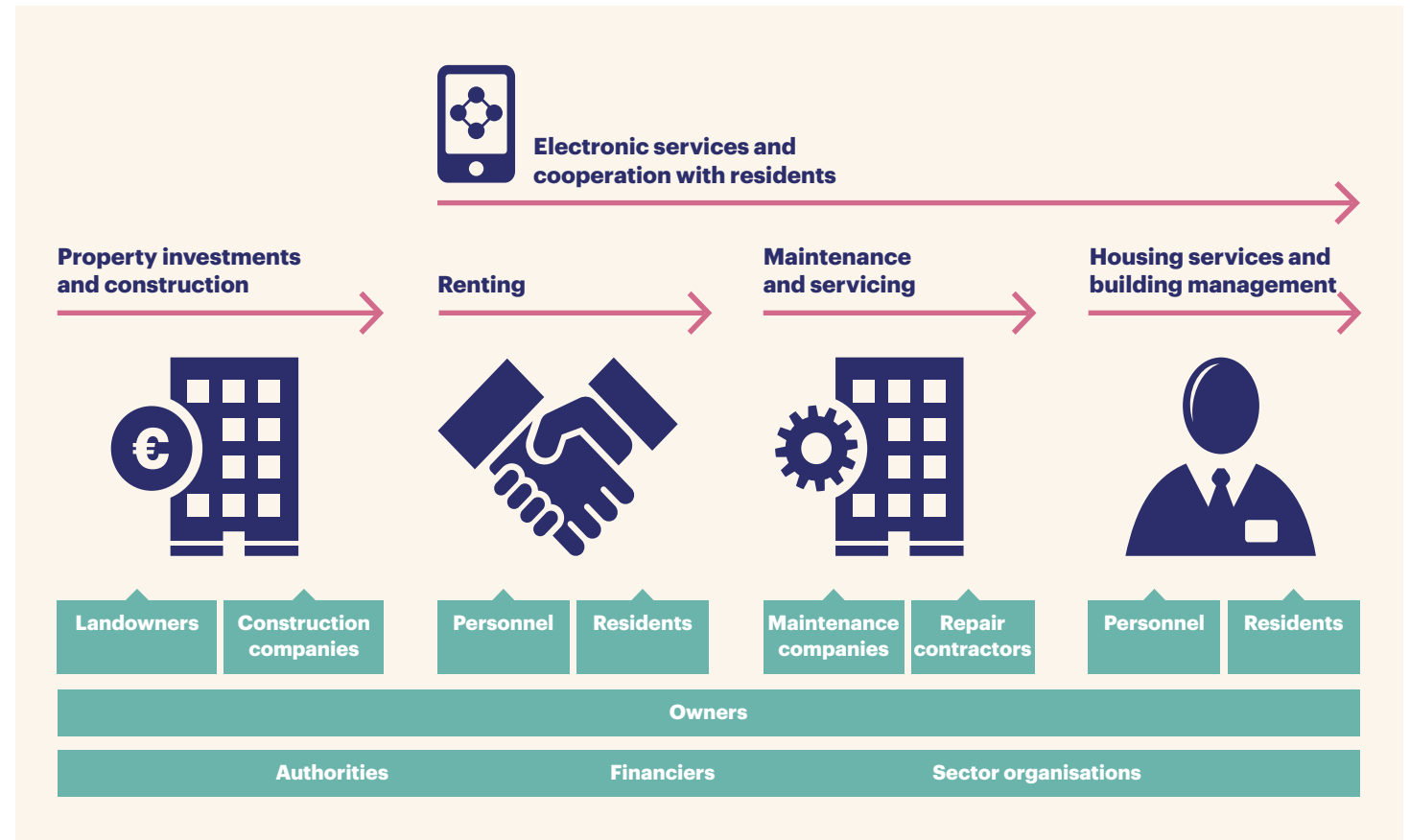
Taxes paid for the financial year

■ Income taxes	23.8
■ Property taxes.....	8.4
■ Transfer taxes.....	1.4
■ Employer contributions.....	4.1
■ VAT not remitted included in investments	16.3
■ VAT not remitted included in other procurements	26.7

**Taxes to be remitted
for the financial year**

■ VAT remitted	3.4
■ Withholding tax for fees	5.7

Value chain





Building the housing solutions of the future

A solid balance sheet and strong profit performance enable VVO to make investments in new housing and maintain its existing properties.



Kahvipavunkuja 3, Vuosaari, Helsinki

EUR 300 million invested in better housing

In 2014, the VVO Group decided to invest over EUR 300 million in new construction, housing acquisitions, and repairs and renovations.

There were more new construction start-ups than in the previous year, mainly in the Helsinki Metropolitan Area. We launched the development of 856 new Lumo apartments during the financial year, and 1,127 privately financed rental apartments were under construction at the end of the year.

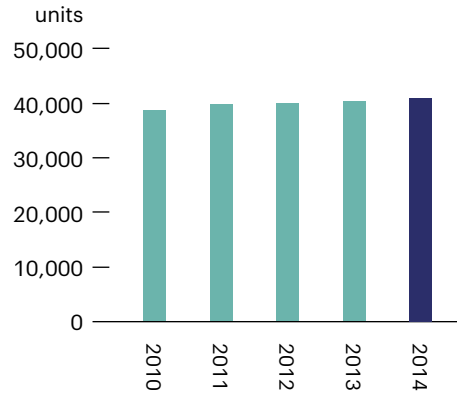
VVO sold a total of 291 apartments during 2014. These divestments largely took place in municipalities where demand for rental housing is expected to decrease in the long term. On 8 April 2014, VVO-group plc sold its holding in Suomen Asumisoikeus Oy to Asuntosäätiön Asumisoikeus Oy, a subsidiary of Asuntosäätiö.



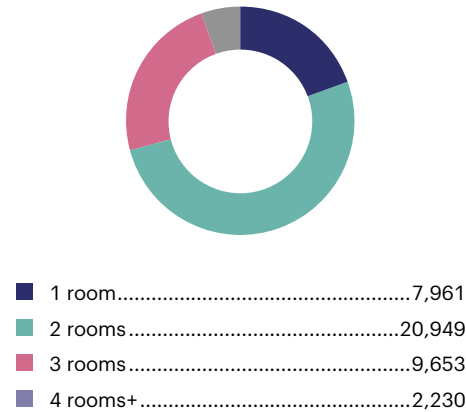
1,127
apartments under
construction

VVO spent a total of EUR 78.7 million on repairs and renovations during 2014. Repairs and renovations sought to harness new, more efficient methods and procedures.

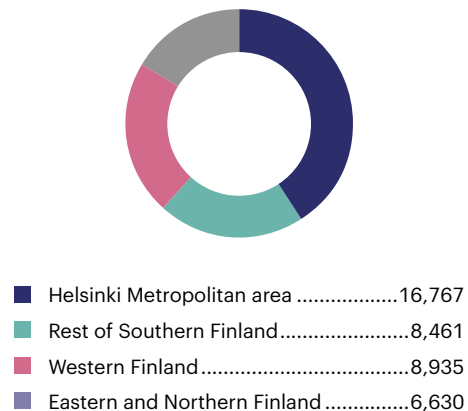
Number of apartments



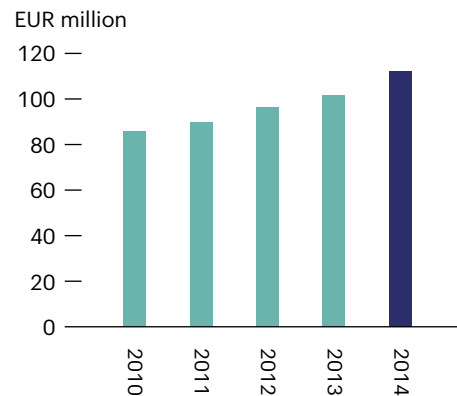
Apartment distribution



Nationwide apartment distribution



Net rental yield, Non-subsidised segment



Lumo is rental housing at its best



The Lumo brand arose from a desire to offer the best possible rental apartments and housing services. Both Lumo and VVO offer resident benefits and a continually developing and expanding range of services that make life easier for tenants – before and after moving in.

For example, we offer an extensive, architect-designed range of paints for interior decoration, and these are available to Lumo residents free of charge on a case-by-case basis. When moving into a new or renovated Lumo building, tenants can also take advantage of our removal and installation services. All tenants are also entitled to the following without additional charge: water, broadband, permission to own pets, an affordable rental deposit of only EUR 250, tenant events, discounts from our partners, and a residents' magazine.

More apartments on offer in growth centres

A solid balance sheet and strong profit performance enable VVO to make investments in new housing and maintain its existing properties. Responsible property ownership involves planned repairs and renovations to ensure that properties retain their value.

VVO responds to demand for rental housing by increasing its offering. New

construction focuses on areas in urban growth centres with good transport connections and services.

Clear design and renovation guidelines ensure quality, lifecycle sustainability, and cost-effective property maintenance while meeting customer demands.

Property development and renovations

Acquired properties and renovation in the Helsinki Metropolitan Area

In 2014, VVO acquired rental apartments in Helsinki from the Helsinki Deaconess Institute (Etu-Töölö district), Signe and Ane Gyllenberg Foundation (Munkkiniemi district) and Paavo Nurmi Foundation (Lauttasaari district). In addition, VVO acquired rental apartments from Tapiolan Lämpö Oy in Pohjois-Tapiola, Espoo. All the acquired apartments – a total of 172 – are privately financed.

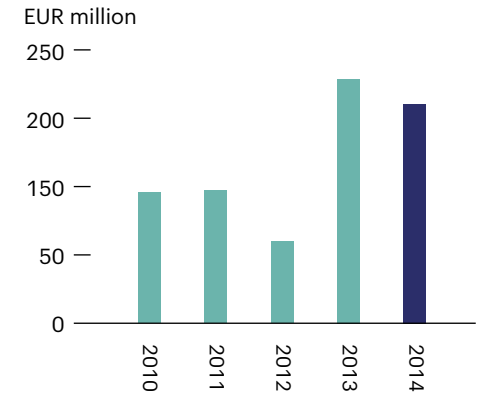
VVO Group is renovating Herneasaarenkatu 17, a building in the Hernesaari district of Helsinki dating from 1929. The renovations were launched in June with demolition work. When renovated, the building will contain 76 top quality Lumo apartments, five of which will be brand new loft apartments. As a result of the renovations, the arrangement of the apart-



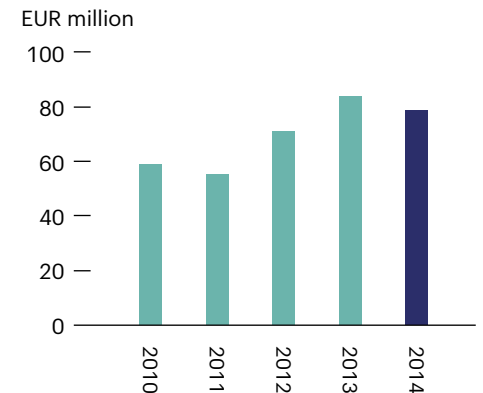
ments in the building will change and their number will decrease, as smaller apartments are combined to form larger, through apartments. The average size of the apartments will be 49 m². Two new sauna areas, a laundry room

and a club room will also be built. Storage space will be moved from the attic to the basement. The ground floor will also contain restaurant premises.

Gross investments



Repairs and renovations, (includes repairs with an impact on the income statement and balance sheet)



New construction

New Lumo and VVO homes with good transport connections



42 new rental homes were completed at Kiloportti 3 in Espoo near good transport connections and services. Residents moving into the building were offered, among others, removal and installation services.

Three apartment buildings with a total of 114 new rental homes were completed at Lehtikallio 4 in the Pähkinärinne district of Vantaa.

44 new rental homes are under construction at Capellan Puistotie 4 in the Kalasatama district of Helsinki. These are studios and one- or two-bedroom apartments with glazed balconies. The two-bedroom apartments feature saunas. Some of the apartments also have open sea views.

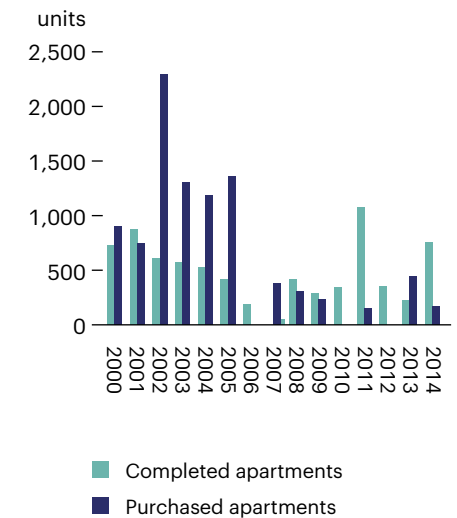
57 rental apartments were completed in the Leinelä artistic quarter of Vantaa. Leinelänkaari 14 is located near the Ring Rail Line. The two buildings with elevators contain 57 high-quality homes: studios and one-bedroom apartments, and two- and three-bedroom apartments with private saunas. All of the apartments have glazed balconies, with the apartments on the lowest storey having glazed, ground-level balconies.

Three seven-story Lumo buildings with a total of 114 apartments were erected in Pähkinärinne, Vantaa. Some of the apartments have a sauna. All apartments have shared use of a common sauna.

VVO and NCC signed contracts for the construction of 238 rental apartments in Puijonlaakso, Kuopio and Laajasalo, Helsinki. The agreement is worth about EUR 40 million. Construction will begin immediately on both sites, and the apartments are scheduled for completion in phases during 2015 and 2016.

New-concept homes were on offer in the Jätkäsaari district of Helsinki. 61 VVO rental apartments plus one privately financed apartment with studio work-space were completed at Juutinraumankatu 10 in 2014. The building is based on a car-free concept, and its basic units are studio apartments that have been designed with a brand-new, slow living approach. Each apartment consists of a central space with surrounding alcoves.

New and purchased properties



Total growth in VVO Group's offerings in the 2000s:

16,842

Financing sources ensure growth

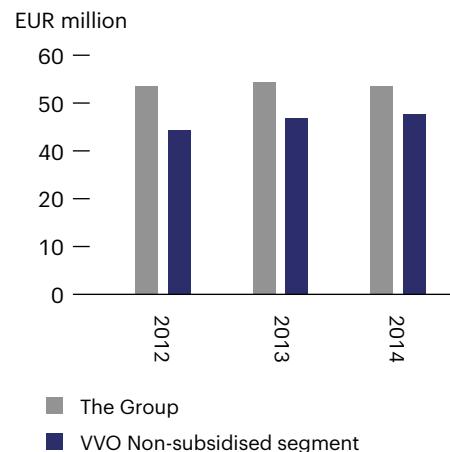
Financing plays an important role in pursuing strategic growth. VVO Group's strong financial performance and stable operations create a solid foundation for ensuring funding availability. Profitable investment activities require long-term, predictive financial planning. VVO Group maintains good relations with financiers and, in recent years, our sources of financing have been diversified with a EUR 100 million secured bond.

Strong investment growth in the future will require versatile funding sources. During 2014, VVO raised EUR 112 million in new long-term bank loans. One vital aspect of funding future growth is to ensure diverse funding sources, and successful experiences from the secured bond issuance in 2013 support this. By diversifying our sources of funding, we will be able to broaden our financing base and manage counterparty and refinancing risks. Another important aspect of systematic operations is to properly distribute the maturity of long-term loans, thereby reducing the risk of refinancing.

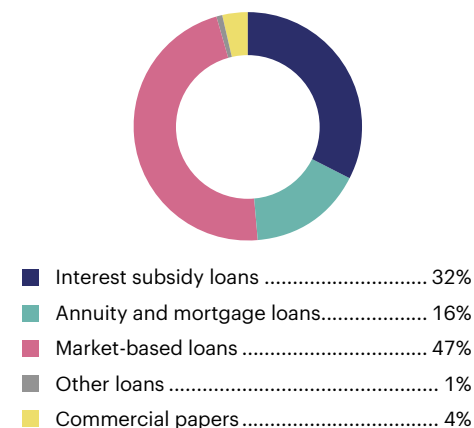
Openness with financiers supports developments in financing. VVO investigates new opportunities and develops its operations by seeking appropriate, strategy-promoting operating models not only for its business operations but also for its financing solutions.

VVO seeks optimal solutions for financing its long-term investments. We have increased our commercial paper programme size to EUR 200 million, which will enable us to react even more rapidly to investment opportunities and give us the breathing space to optimise our long-term financing.

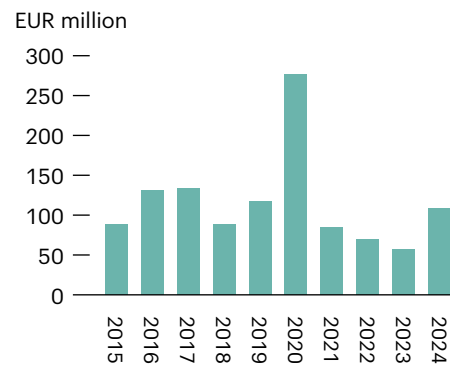
Loan to Value



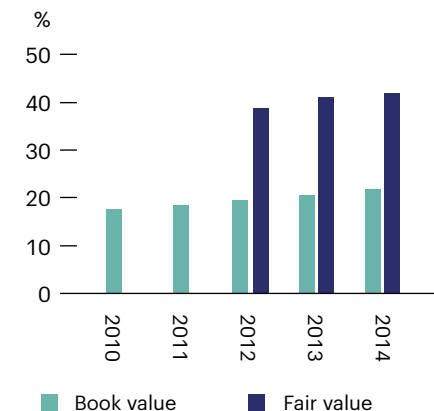
Debt portfolio structure



Distribution of long-term loan maturities



Equity ratio



Actively promoting developments in rental housing

VVO's operations are based on the provision of a diverse range of safe, high-quality rental housing. VVO seeks to participate in debate on Finnish 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 promote favourable developments in rental accommodation in Finland.

VVO hopes to influence both public debate on housing policy and developments in the sector through active and diverse interfacing with stakeholders. VVO actively participates in the work of, for example, the industry lobby group RAKLI and its committees.

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

VVO donated 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.



The Virkeä programme improves young people's well-being



Since 2012, VVO has been supporting young athletes' activities and well-being through its Virkeä programme.

Virkeä already runs a sponsorship programme for successful over-14s and a grant programme for promising young sportspeople. It aims to build long-term cooperation with young people who are actively engaged in sports.

In autumn 2014, VVO decided to continue almost all of its existing Virkeä sponsorships and also sought new top athletes for the programme. Cooperation will continue with Nooralotta Neziri, Lassi Etelätalo, Venla Paunonen, paracanoe-

ist Henry Manni, and speedskater Tommi Pulli. New sponsorships were awarded to swimmer Mimosa Jallow and figure skater Jenni Saarinen. The Virkeä programme also launched a project to develop team sponsorships. Applications for team sponsorships will open in 2015.

There was also a good uptake in Virkeä grant applications and grants were awarded to over 50 young people in 2014. They included athletes involved in both individual and team sports. Those living in Lumo and VVO homes were given priority. A total of 150 grants have been awarded since 2012.

Wise energy consumption

VVO has a long history of seeking better energy efficiency, and wise energy consumption has been a key aspect of our strategy ever since the company was established.

VVO's annual property maintenance costs total approximately EUR 140 million, of which just over a third is spent on energy. Greater energy-efficiency curbs rises in property maintenance costs and reduces greenhouse gas emissions. If VVO had not used its energy wisely, our energy costs would have risen dramatically since the turn of the millennium due to increased prices.

In 2014, the change in the temperature-corrected consumption of heating energy in VVO properties was -0.8 per cent (-2.2%) on 2013. Likewise, the change in water consumption was -0.6 per cent (-0.6%) and electricity consumption -0.7 per cent (-2.7%).

The most significant environmental impacts of VVO's operations are associated with construction and property maintenance. The most significant impact comes from the carbon dioxide emissions caused by our property stock's energy consumption. Our energy choices have already reduced carbon dioxide emissions. District heating is used in most VVO properties, and our buildings use carbon-neu-

tral electricity. In Finland, the energy used by buildings accounts for 39 per cent of total energy consumption, which corresponds to 30 per cent of greenhouse gas emissions.

We boost the energy efficiency of our property stock with a variety of maintenance and operational measures without compromising on residents' comfort and living conditions. Our tenants are provided with the means for both comfortable and environmentally friendly living.

Waste management has improved in residential buildings, and we have sought to provide residents with a range of functional waste sorting facilities.

VVO's operations are based on safe and healthy living conditions. Our property management quality control system (Laaki) helps us maintain energy-efficient building technology settings and ensure healthy living conditions.

These have been increasingly monitored in recent years. Room temperatures and ventilation are automatically monitored in new properties, while regular sample measurements are taken in older properties. This increased volume of data helps us to ensure energy-efficient settings in

our properties and optimum indoor conditions in our apartments.

In addition to its own developments, VVO also engages in energy-efficiency partnerships. VVO signed the Climate Commitment with the City of Helsinki in 2012, and this cooperation continued in 2014. VVO has previously committed to following the Rental Property Action Plan (VAETS), which has set a heating energy savings target of seven per cent compared to 2009. This commitment means that VVO's savings targets are higher in Helsinki than elsewhere. The Rental Property Action Plan (VAETS) savings targets for 2016 have already been achieved and, with regard to property electricity consumption, have even been exceeded.

As part of our renovations and new construction projects, VVO contributes to the development of efficient life-cycle solutions for residential buildings. Stricter construction regulations also steer us towards more energy-efficient solutions. In the coming years, we will use heat pumps to increase heat recovery ventilation in our housing stock.

CO₂ emissions caused by heating energy production for VVO's properties

were approximately 63,000 (68,000) tCO₂. 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.

Energy consumption

	2014	2013
Heating energy, total consumption	384	390
Heat index (kWh/rm ³)	39.4	39.8
Water, total consumption (l/m ³ building volume)	3.7	3.6
Water consumption (l/m ³ building volume)	351	352
Property electricity, total consumption (GWh)	51.3	50.7
Property electricity consumption (kWh/m ³ building volume)	4.9	4.9
CO ₂ (tonnes)	63,000	68,000

Energy costs

1,000 €	2014	2013
Heat	28,221	29,418
Water and wastewater	13,374	12,857
Electricity and gas	6,242	6,194

A responsible cooperation network

VVO fights the grey economy by ensuring that the anti-grey economy models used by the company exceed legislative requirements in many respects. We continuously monitor contractor's liability data for all of the companies in our supplier network, whereas the law only requires data checks at three-month intervals.

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. Our contract programme allows contractor chains to extend only as far as the second tier. Agreements between VVO and its contractors contain sanctions with regard to, for example, failure to use ID cards.

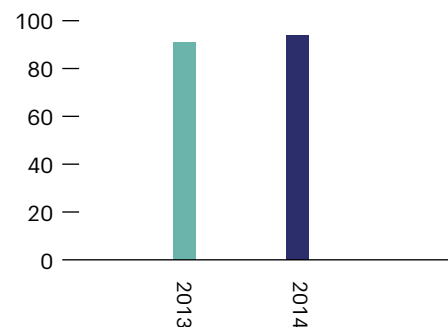
VVO complies with the obligations of the Contractor's Liability Act in its procurements, and any party in our procurement chain or in a permanent business relationship with us must also commit to compliance with the act and our other ethical principles. We require all parties in the pro-

urement chain that are involved in renovation, new construction and property maintenance to be members of the tilaaja-vastuu.fi register, to not use illegal labour, to take care of their statutory social obligations, and to commit to achieving VVO's environmental objectives.

Compliance with the Contractor's Liability Act was included in the agreement signed between VVO and ISS Palvelut (the client and service provider respectively) in 2014. To our knowledge, this is the first time that a contract in Finland has included sanctions for failure to comply with the Contractor's Liability Act. ISS is responsible for the maintenance of almost 300 properties.

According to a new law that came into force in 2014, the Tax Administration must receive certain information about contracts exceeding EUR 15,000. VVO created a system that sends monthly reports to the Tax Administration on all contracts and invoices exceeding this threshold.

Occupational safety and risk management index , average

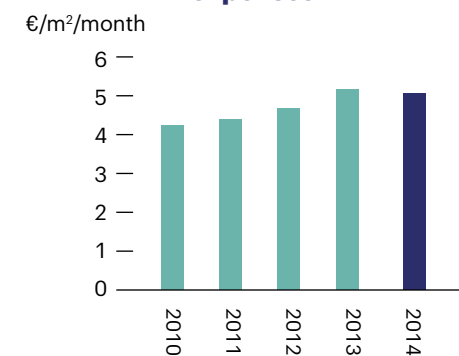


TR measurements

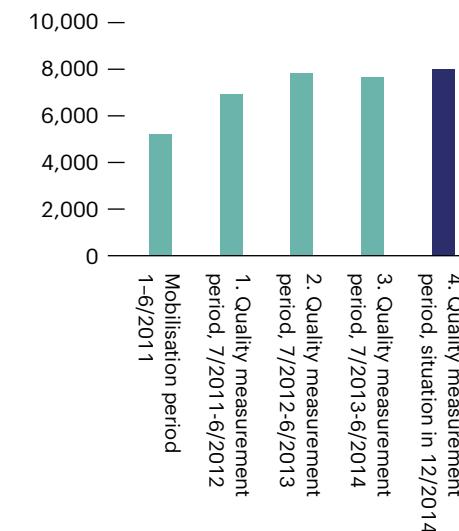
TR measurements (working conditions assessment) are a means of observing occupational safety on construction sites. These measurements monitor key factors affecting on-site accidents. From VVO's perspective, these measurements are important for maintaining occupational safety at a good level. VVO has collected this information as from 2013.

In the tender stage, the project manager sets the minimum level of TR measurements at 85-90 at new sites and at 82-90 at renovation sites. At the site start-up meeting, the target levels are specified with the contractor. At monthly construction site meetings, these TR figures are compared with actual figures measured on the site.

Property stock maintenance expenses



Development of property maintenance quality points





°C



Corporate Governance

**Description of corporate
governance and administration
principles**

Description of 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 administration and decision-making.

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, which are based on the Finnish Limited Liability Companies Act, and adheres to Finnish laws and regulations and the Articles of Association in all administration and decision-making.

VVO-group plc prepares an annual consolidated financial statement, parent company financial statements, an 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 government and control of the company. General Meetings are arranged so that shareholders can exercise their rights as owners effectively. 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 year 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 shareholders before the meeting.

Shareholders must 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 21 March 2014, Riku Aalto was elected Chairman of the Board of Directors, and Tomi Aimonen (Vice Chairman), Matti Harjuniemi, Olli Luukkainen, Antti Rinne, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin were elected members. Antti Rinne resigned from VVO-group plc's Board of Directors on 24 May 2014.

The Board of Directors had eight meetings in 2014, with an average attendance rate of 92 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 its various stakeholders.

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 making 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 Annual General Meeting is 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. Therefore, the main task of the Nomination Committee is to prepare a proposal for these decisions before the meeting, to be submitted to the next Annual General Meeting.

Until 21 March 2014, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Petri Lindroos and Ville-Veikko Laukkanen as members. As of 21 March 2014, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Pasi Pesonen and Ville-Veikko Laukkanen as members.

The Nomination Committee met twice during the review period, with an attendance of 100 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 position and oversee its financial reporting. The committee also assesses the sufficiency and adequacy of internal auditing and risk management.

Until 21 March 2014, the Audit Committee was chaired by Riku Aalto and included Tomi Aimonen and Matti Harjuniemi as members. As of 21 March 2014, the Audit Committee was chaired by Riku Aalto and included Matti Harjuniemi and Reima Rytsölä 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.

Until 21 March 2014, the Remuneration Committee was chaired by Riku Aalto and included Risto Murto and Ann Selin as members. As of 21 March 2014, the Remuneration Committee was chaired by Riku Aalto and included Tomi Aimonen and Ann Selin as members.

The Audit Committee met four times and the Remuneration Committee three times during the period under review. The average attendance rate was 92 per cent at Audit Committee meetings and 100 per cent at 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 and the administrative regulations and instructions issued by the Board of Directors.

The CEO is responsible for the company's business in general, and for ensuring that its operations are properly organised and its objectives achieved. The CEO reports to the Board of Directors on the company's financial position and business environment, and on other significant matters relating to the company's business operations. The CEO also chairs the Management Group.

Jani Nieminen, M.Sc. (Tech.), MBA was CEO during the review period. The CEO's deputy was CFO Raimo Vehkaluoto, 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 operational 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 of CEO Jani Nieminen (Chairman), CFO Raimo Vehkaluoto, Customer Director Juha Heino, Investment Director Mikko Suominen, Real Estate Development Director Kim Jolkkonen, 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

Internal auditing seeks to ensure that VVO's operations comply with current legislation and regulations and the company's operating principles, and 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, thereby enabling its strategic goals to be achieved.

The internal auditing and risk management operating model for 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.

VVO's internal auditing system is based on the framework published by the Com-

Corporate Governance

mittee of Sponsoring Organizations of the Treadway Commission (COSO).

Organisation of internal auditing is the responsibility of the Board of Directors and the CEO. However, responsibility for carrying out internal auditing 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 the 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 organisational structure in which 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's operating principles, HR policy,

treasury policy, information security policy, accounting principles, and reporting instructions.

Risk management

VVO's risk management is based on the company's risk management and treasury policy, corporate governance and ethical guidelines, and the risk assessments carried out in connection with the annual strategic planning process. Risk management forms part of the company's internal auditing, its purpose being to ensure that the company achieves its business objectives. Responsibility for arranging risk management rests with the Board of Directors. Risk management is based on the 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 defining means to manage them. Any significant changes in risks in business operations and the business environment are evaluated regularly and reported to the Board of Directors as part of quarterly interim reporting. The Group's legal counsel is responsible for the risk management process.

Auditing measures

VVO's financial and operational reporting process complies with the Group's

operating instructions and current process descriptions. VVO's financial management 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 the reconciliation of accounts, system-generated controls, and inspections and other measures undertaken by management or others. Control functions have designated managers who are responsible for their sufficiency and the efficacy of their execution.

Auditing of the reporting and budgeting processes is based on the standardised VVO reporting principles drawn up and maintained by VVO's financial management.

Communications and publicity

To ensure an efficient and effective internal auditing environment, VVO strives to keep internal and external communications open and transparent at all times. Key operating principles and instructions are available to the entire organisation via VVO's Intranet.

The purpose of communications is to inform VVO's stakeholders of matters concerning the company, giving correct, sufficient and up-to-date information regularly and equitably to all parties at the same time.

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

Any significant changes in risks in business operations and the business environment are regularly evaluated as part of quarterly interim reporting.

Internal auditing submits a summary report to the Audit Committee every six months concerning the inspections conducted, principal observations made, 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. Internal auditing seeks

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 its inspections, 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 considered important to the risks at hand and the Group's objectives. The relevance and feasibility of the action plan are reviewed with management at six-month intervals.

The internal auditing officer reports administratively to the CEO.

In 2014, internal audits focused on operational and supervisory process inspections of principal and support processes.

Auditing the accounts

Audits are completed by the auditors elected at 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 auditors' term of office 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 2014, the company auditors were KPMG Oy Ab, with Kai Salli, Authorised Public Accountant, as principal auditor.

During the statutory annual audit, the auditor inspects the company's accounts, annual report, financial statements, and governance for the period under review. The auditor of the parent company also inspects the consolidated financial statements 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. The Annual General Meeting held on 21 March 2014 confirmed the attendance allowance for Board meetings as EUR 600 per meeting and set the following annual fees for the term beginning 21 March 2014: 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 2014 came to a total of EUR 105,333.

It was decided that the auditors' fee will be paid to invoice.

CEO and other management

The company's Board of Directors decides on the pay received by 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 CEO, including benefits in kind, came to EUR 794,590.53.

The retirement age for members of the Management Group is 63 years. Members of the Management Group belong to a contribution-based pension system in which an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan. The Deputy CEO is entitled to a benefit-based pension.

The period of notice for terminating the CEO's employment relationship is twelve months.

In 2014, members of the Management Group were included in the annual bonus system, which is based on a balanced score card. Members of the Management Group have also been part of 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 third period ended in 2014.

Board of Directors

From left to right: Riku Aalto, Ann Selin, Reima Rytsölä, Jan-Erik Saarinen, Olli Luukkainen, Matti Harjuniemi ja Tomi Aimonen.

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

Principal employment experience:

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

Tomi Aimonen

- Vice Chairman and 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
- Member of the Board of Directors of VVO-group plc since 2008

Principal employment experience:

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

Matti Harjuniemi

- Member of the Board of Directors of VVO-group plc
- Qualifications: MA
- Year of birth: 1958
- Currently: President, Finnish Construction Trade Union
- Member of the Board of Directors of VVO-group plc since 2010

Principal employment experience:

- Finnish Construction Trade Union: President 2005–
- Teacher
- Joiner
- Department Secretary
- Assistant Department Manager

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

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.

Reima Rytsölä

- Member of the Board of Directors of VVO-group plc
- Qualifications: M.Soc.Sc., CEFA, AMP
- Year of birth: 1969
- Currently: Varma Mutual Pension Insurance Company, Chief Investment Officer
- Member of the Board of Directors of VVO-group plc since 2014

Principal employment experience:

- Pohjola Bank Plc: Senior Executive Vice President, Banking, with Group-level responsibility for major corporate and institutional customers, 2008–2013
- Pohjola Bank Plc and its subsidiaries: managerial and investment-related positions, 1998–2007

Jan-Erik Saarinen

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

Principal employment experience:

- Ajanta Oy: Director of Investments 2010–2013
- Working in business management and finance 1998–2010 inc. Evli Bank plc, Trainers' House plc, 3C Asset Management Oy

Ann Selin

- Member of the Board of Directors of VVO-group plc
- Qualifications: Trade Union Officer Qualification, eMBA
- Year of birth: 1960
- Currently: President, Service Union United PAM
- Member of the Board of Directors of VVO-group plc since 2006

Principal employment experience:

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



Management Group

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

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

Juha Heino

- Customer Director
- Qualifications: B.Sc.
- Year of birth: 1960

Principal employment experience:

- VVO-group plc: Customer Director 2011–
- VVO-group plc: Unit Manager, Marketing, 2009–2011
- VVO-group plc: Marketing Manager 2008–2009
- Realia Group Oy: 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

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: CEO 2010–2012
- Aidema Oy: CEO, owner 2006–2010
- 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
- Mecraster Oy (Mecraster 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





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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.

Risks and risk management

Risk management

Risk management at VVO is based on the risk management policy approved by the Board of Directors. Risk management has been incorporated into the company's integrated management system and internal auditing. Risk management seeks to ensure that strategic and operational objectives can be achieved by identifying and assessing the most notable risks associated with VVO's operations and defining 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 appointed up by the Board of Directors is responsible for evaluating the adequacy and appropriateness of risk management within the company. Responsibility for the practical implementation of risk management 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 the 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 defining 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 apartments 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 hous-

ing stock continues to rise requires investments in urban growth areas, measures to ensure that units are fit to rent, and systematic repairs across all properties.

Major fluctuations in market interest rates and margins may have a negative impact on VVO's financial performance and delay the launch of new development and repairs. 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.

Financial risks

Interest rate risk

The most notable risk relates to interest rate fluctuations affecting the company's loan portfolio, which is controlled with interest rate derivatives and by balancing the loan portfolio between variable and fixed rate loans. 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 hedging ratio is defined as the total of all market-based loans, loans converted into fixed rate loans, divided by the total of market-based loans. The target level is between 50 per cent and 80 per cent.

At the end of 2014, the hedging ratio was 78 (74) per cent. Some loans are tied to a fixed rate at withdrawal, most often for a five-year period. At the end of 2014, fixed-rate loans accounted for 28.5 (31.5) per cent of market-based loans. Interest rate derivatives are used to balance the

effects of market interest rate fluctuations on the loan portfolio. Derivatives are only used for hedging purposes. VVO's longest hedges extend to 2028.

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 from non-profit corporations from cash from deregulated properties. The sufficiency of liquidity is monitored with regular liquidity forecasts.

The liquidity of investments is controlled with the help of the parent company's EUR 200 million commercial paper programme. A total of EUR 65.0 (47.5) million of the facility associated with the programme was in use at the end of 2014. The liquidity of both the Group and the parent company remained good throughout the financial year.

Risks associated with the availability of financing

The financial market has been adversely affected by the negative impact of the increased regulation of banks and lending, particularly with regard to the availability and cost of long-term financing. When it comes to property investments, the risk of refinancing increases as maturities get shorter. Thanks to VVO's solid financial position and robust cash flow, the risks associated with availability of financing are not considered significant. These risks can be controlled as required by varying the volume of investments.

There are only minor risks associated with the diversity and adequacy of the guarantee portfolio.

Credit risk

VVO does not have any significant credit risk concentrations.

Investments and derivative agreements involve a counterparty risk to financing activities. This risk is managed with a diverse portfolio of financially stable counterparties and investments.

Currency risk

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

Board of Directors' Report and Financial Statements for 2014

Board of directors' report

Vvo-group plc in brief

VVO-group plc is Finland's largest market-based, private-sector landlord, offering versatile and effortless rental solutions coupled with an extensive range of housing services. The fair value of our rental apartments is EUR 3.6 billion. VVO Group owns 40,793 apartments, of which 26,841 are Lumo apartments and 13,952 are VVO apartments.

Operating environment

General operating environment

General economic uncertainty persisted, and consumer confidence was lower than average. Growth in the global economy has slowed and the Euro zone sank into deflation towards the end of the year. Economic growth in the Euro zone was weak and interest levels low. The growth outlook for the Finnish economy has also weakened. Both private households and companies are cautious in their investment decisions. Unemployment was also rising. This was seen in, for example, demand for owner-occupied apartments and construction investments. Owner-occupied apartments took longer to sell and prices fell during late 2014.

Industry operating environment

Demand for rental apartments remained at a good level. Business was good for small rental apartments and newly constructed locations, particularly in growth centres. Demand for the most expensive rental apartments continued to decline. There was clear demand for new homes in the Helsinki Metropolitan Area.

New construction clearly focused on privately financed rental apartments. Contractors' prices for new construction fell slightly, while the price level for renovations remained at the same level.

The market situation for the construction of owner-occupied apartments enabled better-than-average implementation of negotiated contracts for rental housing development.

The shortage of suitable plots and the slowness of the zoning process, particularly in the Helsinki Metropolitan Area, made it harder to launch the construction of new rental apartments.

Segment reporting

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).

VVO Non-subsidised segment contains VVO-group plc and the Group companies VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy and VVO Palvelut Oy. These companies can freely distribute their profit. Some of VVO Vuokratalot Oy's housing is subject to property-specific limitations in accordance with the ARAVA Act.

The Group companies VVO Asunnot Oy and VVO Korkotukikiinteistöt Oy, which are subject to the profit distribution limitation specified in the ARAVA Act, belong to the VVO State-subsidised segment. These companies can pay their owner an eight per cent return on 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 companies within the VVO State-subsidised segment totals approximately EUR 3 million.

Housing in the VVO State-subsidised segment is not subject to property-specific limitations in accordance with the ARAVA Act.

Turnover and results

VVO Group had a turnover of EUR 367.9 (346.6) million for the period 1 January–31 December 2014. The VVO Non-subsidised segment recorded a turnover of EUR 192.9 (174.3) million, and the VVO State-subsidised segment EUR 186.8 (183.3) million. Turnover was boosted by increased income from rental activities as well as capital gains from the sale of inventory properties in the VVO Non-subsidised segment.

The Group's operating profit totalled EUR 136.7 (116.2) million, representing 37.2 (33.5) per cent of turnover. Financial income and expenses totalled EUR -46.3 (-40.3) million. Profit before taxes amounted to EUR 90.3 (75.9) million. The result includes EUR 9.8 (8.7) million in capital gains and losses from the sale of fixed assets. VVO's favourable profit performance is based on the successful management of maintenance costs, a low tenant turnover rate, a good occu-

VVO Group's loans and interest rate hedging by loan type

VVO Group loans

EUR million	31 Dec 2014	31 Dec 2013
Interest subsidy loans	602.5	611.9
Annuity and mortgage loans	302.5	312.6
Market-based loans	867.4	802.0
Other loans	14.4	21.0
Commercial papers	65.0	47.5
Total	1,851.9	1,795.1

Interest rate hedging

EUR million	31 Dec 2014	31 Dec 2013
Market-based loans	867.4	802.0
– Fixed rate	244.3	252.2
– Floating rate	623.2	549.8
Interest rate derivatives	429.3	344.9
Interest rate options	28.0	28.0
Fair value of interest rate derivatives	-48.5	-27.6
Hedging ratio, %	78%	74%

pany rate, and low financial costs. The VVO Non-subsidised segment generated EUR 64.1 (57.2) million in profit before taxes and the VVO State-subsidised segment EUR 26.3 (18.9) million.

Balance sheet and financing

At the end of the financial year, the Group's balance sheet total was EUR 2,587.8 (2,468.5) million. Equity totalled EUR 552.6 (497.9) million. At 31 December 2014, the

Interest expenses from mortgages

	1 Jan – 31 Dec 2014		1 Jan – 31 Dec 2013	
	EUR million	average interest, %	EUR million	average interest, %
Interest subsidy loans	9.3	1.5	10.5	1.7
Annuity loans	11.4	3.7	13.1	4.1
Market-based loans	14.2	1.8	12.9	1.8
– Including hedging costs	23.0	3.0	21.1	3.0
Other loans	0.2	3.7	0.3	3.5
Interest expenses from mortgages, total	58.0	2.6	57.8	2.8

equity ratio was 42.0 (41.3) per cent at fair value and 21.8 (20.7) per cent at book value. The Group's return on equity was 13.3 (15.5) per cent and its return on investment 5.9 (5.5) per cent.

At the end of the financial year, the Group's cash, cash receivables and other liquid assets totalled EUR 122.0 (142.3) million. The Group maintained good liquidity throughout the period. In November, the Board of Directors decided to increase the size of VVO-group plc's commercial paper programme to EUR 200 million, of which EUR 65.0 (47.5) million was outstanding at the end of the financial year.

At year-end, interest-bearing liabilities stood at EUR 1,851.9 (1,795.1) million.

Market-based loans totalled EUR 867.4 (802.0) million at the turn of the year. The market-based loans include a EUR 100 million secured bond that will mature in 2020. EUR 429.3 (344.9) million in loan capital was hedged with interest rate derivatives. The average maturity of the hedging was 6.1 (6.6) years.

At year-end, the Group had EUR 602.5 (611.9) million in interest subsidy loans guaranteed by the state. The interest expenses from interest subsidy loans amounted to EUR 9.3 (10.5) million during the period, and the interest subsidy paid by the State to banks was EUR 0.5 (0.8) million. Annuity and mortgage loans totalled EUR 302.5 (312.6) million.

Board of Director's Report

Maturity analysis

Cash flows from instalments and interest payments for loan contracts 31 December 2014:

EUR million	2015	2016–2019	2020–2024	2025–2029	2030 onwards
Interest subsidy loans	51.5	228.3	109.8	44.4	267.9
Annuity and mortgage loans	22.1	84.3	99.3	81.6	294.5
Market-based loans	20.3	241.9	477.8	172.3	80.4
Other loans	0.9	1.6	3.1	0.6	0.7
Commercial papers	65.0	0.0	0.0	0.0	0.0
Interest rate derivatives	9.2	29.2	17.1	3.8	0.0
Total	169.0	585.2	707.1	302.7	643.4

The average interest on mortgages was 2.6 (2.8) per cent and their average maturity at the end of the financial year was 15.5 (15.6) years.

An expense of EUR 3.7 (0.9) million was recognised in the income statement as a negative change in the fair values of swap-tion contracts.

Real estate property and fair value

At the end of the financial year, the Group owned 40,793 (40,194) rental apartments, representing an increase of 599 (248) apartments. The VVO Non-subsidised segment accounted for 20,044 (19,526) of these homes and the VVO State-subsidised segment for 20,749 (20,668). At the end of the

financial year, VVO owned apartments in 42 (43) municipalities.

On 31 December 2014, the book value of VVO's rental apartments and the business premises in rental apartment buildings was EUR 2,184.2 (2,038.1) million, and the fair value EUR 3,557.0 (3,351.1) million. The difference in book and fair value was EUR 1,372.8 (1,313.0) million. This increase in value stemmed from trends in the market price of apartments, trends in rent and maintenance costs, and the end of state-subsidisation for certain properties.

The fair value of VVO's rental apartments and business premises is determined quarterly on the basis of the company's own evaluation. An external expert

gives a statement on the valuation of VVO's rental apartments and the business premises in these rental apartment buildings. Fair value was last determined on the financial statement date of 31 December 2014. The criteria for determining fair value are reported in the notes to the financial statements.

Equity ratio calculated at fair value on 31 December 2014 stood at 42.0 (41.3) per cent, and equity per share as calculated with fair values was EUR 223.01 (209.16). On 31 December 2014, the equity ratio for VVO's Non-Subsidised segment was 48.7 (49.3) per cent calculated with fair values and 26.2 (25.9) per cent with book values.

The plot reserve held by the Group was

about 120,000 floor sq m at the beginning of the financial period and about 110,000 floor sq m at the end of the period. The balance-sheet value of the plot reserve was EUR 39 (48) million at the end of the period.

Rental housing

Demand for rental housing remained high in all municipalities where VVO has a presence. As in previous years, the strongest demand centred on smaller apartments, that is, studios and one-bedroom apartments.

The financial occupancy rate remained high, standing at 98.1 (98.5) per cent for the financial year. At the end of the financial year, 451 (228) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, remained at the same level as in the previous year, that is, 25.8 (25.4) per cent.

The total growth in rent revenue during the period was 3.9 (4.8) per cent. The growth in rent revenue was attributable to rent adjustments of 3.5 (3.4) per cent made in March 2014, changes in VVO's housing stock, and rent adjustments in the Lumo product group carried out in connection with new tenants.

The average rent for VVO's housing stock was EUR 12.91 (12.42) per sq m per month during the financial year, and EUR 13.04 (12.56) at year-end. The average rent in

apartments where rent can be freely determined – the 26,841 (24,799) apartments in the Market-based product group (Lumo) – was EUR 13.17 (12.68) during the financial year and EUR 13.33 (12.87) at year-end. The corresponding figure for apartments rented at cost price – the 13,952 (15,395) apartments in the cost-principle product group (VVO) – was EUR 12.42 (12.00) during the financial year and EUR 12.49 (12.05) at year-end.

The average period of tenancy remained high, at 5.9 (5.9) years. At the end of the financial year, there were 15,785 (17,847) active applications. (Applications are active for three months.) The average number of active applications per rental agreement termination was 22.9 (25.4). The number of new rental housing applications received during the financial year was 67,528 (71,372). The number of applications was affected by, among other things, the low number of vacated apartments due to scant turnover and a greater transparency in supply due to the revamped online application service.

In spite of the general economic situation, the proportion of turnover accounted for by rent receivables stood at 1.2 (1.3) per cent at the end of the financial year.

VVO's Customer Service Centre opened in the Helsinki Metropolitan Area in April and went nationwide in June. The centre serves both new and existing customers. A further 11 VVO Home Centres also provide

local customer service all across Finland.

VVO Group introduced two rental housing brands: Lumo and VVO. Lumo is a market-led rental concept that offers next-generation services for rental housing and gives tenants even more freedom to choose. Apartments covered by the VVO brand are state-subsidised and adhere to the cost-price principle for determining rents.

VVO sought competitive bids to provide broadband and television services to our customers, and signed agreements with DNA and Elisa. These agreements cover close to 39,000 households, which means that the rents for almost all VVO and Lumo apartments will include an even faster 10 megabit broadband connection. The agreements came into force on 1 January 2015 and will be valid until the end of 2019.

The use of electronic signatures has increased steadily throughout Finland. About 60 per cent of all the new tenancy agreements made during the financial year were signed electronically. Approximately 1,000 new tenancy agreements are signed per month.

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. No fewer than 92 (92) per cent had already recommended, or would be willing to recommend, VVO as a landlord.

VVO actively engaged in cooperation with residents during the financial year. Nationwide tenant events were organised at, for example, Linnanmäki amusement park in Helsinki and Särkänniemi amusement park in Tampere. A total of about 20,000 people took part in the year's events.

Investments and real estate development

VVO committed to the construction of 1,553 apartments during 2014, and these sites will be developed over the coming years.

750 (252) rental apartments were completed for VVO in 2014. 517 apartments were constructed in Helsinki and 233 elsewhere in Finland. 630 (252) of these completed apartments were privately financed Lumo brand apartments and 120 (0) were long-term state-subsidised VVO brand homes.

In 2014, VVO decided to invest approximately EUR 300 million in new construction, property acquisitions, and repairs and renovations. There were more new construction start-ups than in the previous year, mainly in the Helsinki Metropolitan Area. VVO launched the construction of 856 (638) Lumo apartments in 2014. A total of 1,127 (1,020) Lumo apartments at 16 (15) sites were under construction at year-end. Of the apartments under construction, 733 (787) are located in the Helsinki region and

394 (233) in other Finnish growth centres.

In 2014, VVO decided that, for the time being, it will not construct any rental housing governed by the legislation on non-profit operations. One of the reasons for this decision stems from changes in official interpretations of the legislation on non-profit operations.

On 29 August 2014, VVO signed an agreement worth EUR 112 million with Rakennusosakeyhtiö Hartela for the development of rental apartments in Helsinki, Espoo, Tuusula and Lahti. The agreement covers the construction of over 500 Lumo apartments for VVO in 2015–2018.

During 2014, VVO acquired rental apartments in Helsinki from the Helsinki Deaconess Institute (Etu-Töölö district), Signe and Ane Gyllenberg Foundation (Munkkiniemi district) and Paavo Nurmi Foundation (Lautasaari district). In addition, VVO acquired rental apartments from Tapiolan Lämpö Oy in Pohjois-Tapiola, Espoo. All the acquired apartments – a total of 172 (443) – are privately financed. The total value of the completed acquisitions was EUR 30.4 million.

During the review period, VVO sold 291 (446) rental apartments in Rovaniemi, Kuopio, Salo, Janakkala, Imatra, Rauma, Joensuu, and Vantaa. A total of EUR 9.8 (8.7) million in capital gains and losses was registered from these divestments. On 8 April 2014, VVO-group plc sold its holding in Suomen Asumisoikeus Oy to Asun-

Board of Director's Report

tosäätiön Asumisoikeus Oy, a subsidiary of Asuntosäätiö.

The Group's gross investments during the period totalled EUR 200.4 (223.2) million, and cash flow from investment activities totalled EUR 200.4 (208.2) million. The VVO Non-subsidised segment accounted for EUR 186.2 (186.0) million of this cash flow from investments, and the VVO State-subsidised segment for EUR 14.3 (22.2) million. EUR 29.1 (35.3) million of the investments was allocated to capitalised renovation costs. Total repair costs were EUR 78.7 (83.7) million, of which EUR 49.6 (48.4) million was recognised as expenses in the income statement. EUR 142.1 (117.2) million of these investments was allocated to new construction.

VVO's property maintenance costs (excluding repair expenses) changed by -2.3 (-2.7) per cent on the previous year. This fall was attributable to a general boost in the efficiency of operations and the broader scale of tendering.

Personnel

At the end of 2014, VVO had a total of 343 (324) employees, of which 317 (313) were on permanent contracts and 26 (11) on temporary contracts. The average number of personnel during the year was 339 (341). The average length of service was 10.0 (11.0) years. Personnel turnover in 2014 was 14.0 (6.6) per cent.

The combined amount of salaries, wages and fees was EUR 17.0 (17.4) million.

Responsibility

VVO-group plc's operations are based on the provision of a diverse range of safe, high-quality rental housing.

VVO's rent trends are predictable. The company adheres to the Fair Rental Conduct (Hyvä vuokratapa) rules jointly drawn up by the industry and VVO's rental practices, which include the determination of recommended maximum rent increases.

The criteria for determining rents are discussed and approved annually by the Board of Residents and at residential management's economic theme evenings.

VVO seeks to participate in debate on Finnish housing policy to improve the standing of rental housing.

VVO fights the grey economy by ensuring that all the anti-grey economy models used by the company exceed legislative requirements in many respects. Legal amendments affecting construction came into force on 1 July 2014. VVO has created a system that sends monthly reports to the Tax Administration on all contracts and invoices exceeding the EUR 15,000 threshold stipulated in the amendment.

The Rental Property Action Plan (VAETS) savings targets for 2016 have already been achieved for heating energy and exceeded for property electricity consumption. This

improvement in energy efficiency has largely been achieved with maintenance and operational measures.

In 2014, the change in the temperature-corrected consumption of heating energy in VVO properties was -0.8 per cent (-2.2%) on 2013. Likewise, the change in water consumption was -0.6 per cent (-0.6%) and electricity consumption -0.7 per cent (-2.7%).

CO₂ emissions caused by heating energy production for VVO's properties were approximately 63,000 (68,000) tCO₂. 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 the company's risk management and treasury policy, corporate governance and ethical guidelines, and the risk assessments carried out in connection with the strategic and annual planning process. Risk assessments identify the most significant risks and define means to manage them.

The most notable risks associated with customer management relate to a potential drop in the financial occupancy rate, an increase in resident turnover, and an increase in rent receivables. Factors affecting these risks include economic fluctua-

tions and shifts in demand, both nationally and locally. The financial occupancy rate of rental apartments, resident turnover, the number of applicants, and the amount of rent receivables and changes thereto are monitored by region on a monthly basis.

VVO is developing its rental housing operations and property renovation activities, and strengthening its customer relations. These measures seek to maintain a high occupancy rate and decrease resident 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. Potential changes in apartment prices can affect the fair value of VVO's property assets.

The financial risks relating to VVO Group's business operations are managed in accordance with the treasury policy confirmed by VVO-group plc's Board of Directors. The treasury policy defines objectives for funding, division of responsibilities, operating principles, financial risk management principles as well as monitoring and reporting principles. VVO Group's financing aims at ensuring the availability of financing and maintaining liquidity cost-effectively at all times, and at managing funding and credit risks.

Financial risks caused by uncertainty concerning the money market relate to

Group structure 31 December 2014	Subsidiaries	Affiliates
VVO-group plc	¹⁾ 8	2
Parent companies of sub-groups		
VVO Asunnot Oy	21	²⁾ 13
VVO Korkotukikiinteistöt Oy	3	5
VVO Kodit Oy	145	²⁾ 17
VVO Vuokra-asunnot Oy	7	1
VVO Vuokratalot Oy	13	²⁾ 4
Parking and maintenance companies		
VVO Palvelut Oy	1	2
Total	201	34

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.

increasing interest margins and rising interest rates, and affect the availability of finance.

Major fluctuations in interest rates and margins may have a significant impact on VVO's financial performance, and could prevent investments in new construction and renovations. Interest rate risks are managed by dividing loans between fixed and floating rate loans, and by different interest rate renewal periods. The interest rate risk associated with market-based loans is also managed using interest rate derivatives. The interest rate of state-subsidi-

dised loans is tied to the Finnish consumer price index, which may cause considerable fluctuations in annual interest costs. Some loans have an interest rate ceiling that reduces the interest rate risk resulting from inflation.

The Group seeks to ensure the availability of financing by diversifying the financing sources and instruments in its loan portfolio and spreading the maturity of its loans.

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.

Internal auditing

The company's internal auditing is an independent function with no operative responsibility. Internal auditing is carried out by 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, and reports to the CEO and the Audit Committee.

Group structure and changes

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

In addition to the parent company, the Group consisted of 201 (169) subsidiaries and 34 (31) affiliates at the end of the financial year. Subsidiaries wholly owned by the Group parent company, VVO-group plc, are VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy, VVO Korkotukiki-

inteistöt Oy and VVO Asunnot Oy, which own rental apartments; and VVO Palvelut Oy, which is 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 (2) limited liability companies or real estate companies and a 50 per cent holding in SV-Asunnot Oy.

In its decision of 19 November 2013, the Administrative Court of Helsinki rejected an appeal regarding the designation of one of VVO's Group companies as a non-profit company. VVO has appealed to the Supreme Administrative Court concerning this decision by the Administrative Court of Helsinki. The procedure is ongoing.

Events after period

There were no significant events after the end of the financial year.

Outlook for 2015

Uncertainty in the Finnish economy persists. Consumer confidence appears to have risen slightly in recent months, even though no improvements appear to have occurred in the state of the economy. The outlook for employment remains weak.

On the other hand, alongside the weakening euro, fluctuations in raw material prices have improved the operating environments of many Finnish companies. The European Central Bank's decision in early

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2015 to purchase EUR 60 billion in securities per month may support the Euro zone's economy and curb deflation.

Key interest rates have remained low. In the near future, the European Central Bank will continue to soften monetary policy with its government bond-buying programme. As a result, general interest rates are forecast to remain low. Low interest rates also have a favourable impact on VVO's operations.

Demand for rental housing is expected to remain at a good level. No considerable changes are expected in the overall supply of rental apartments. New construction will continue to centre on privately financed rental housing, and VVO will continue to invest in developing its Lumo rental homes. Due to the general market situation, construction firms are offering sites for rental housing.

The contraction in construction will most likely continue, with the greatest fall being seen in the number of detached houses being built. The total volume of construction will fall short of the requirements presented in long-term estimates.

VVO's financial occupancy rate and resident turnover are expected to remain at the current level. Rent trends are stable and predictable. The Group's profit performance is expected to remain good, particularly in the VVO Non-subsidised segment.

Administration 2014

Board of Directors

Until 21 March 2014, the Board of Directors consisted of Chairman Riku Aalto and Vice Chairman Risto Murto, with Tomi Aimonen, Matti Harjuniemi, Olli Luukkainen, Antti Rinne, Jan-Erik Saarinen and Ann Selin as members.

For the term beginning on 21 March 2014, Riku Aalto was re-elected Chairman. Tomi Aimonen, Matti Harjuniemi, Olli Luukkainen, Antti Rinne, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin were elected as members. The Board chose Tomi Aimonen as Vice Chairman. Antti Rinne resigned from VVO-group plc's Board of Directors on 24 May 2014.

Board committees

The Board of Directors has two committees: the Remuneration Committee and the Audit Committee.

Until 21 March 2014, the Remuneration Committee was chaired by Riku Aalto and included Risto Murto and Ann Selin as members. As of 21 March 2014, the Remuneration Committee was chaired by Riku Aalto and included Tomi Aimonen and Ann Selin as members.

Until 21 March 2014, the Audit Committee was chaired by Riku Aalto and included Tomi Aimonen and Matti Harjuniemi as members. As of 21 March 2014, the Audit

Committee was chaired by Riku Aalto and included Matti Harjuniemi and Reima Rytsölä as members.

Nomination Committee

Until 21 March 2014, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Petri Lindroos and Ville-Veikko Laukkanen as members. As of 21 March 2014, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Pasi Pesonen and Ville-Veikko Laukkanen as members.

CEO

Jani Nieminen, M.Sc. (Tech.), MBA was CEO. The CEO's deputy was CFO Raimo Vehkaluoto, M.Sc. (Econ.).

Management Group

The VVO Group Management Group consisted of CEO Jani Nieminen (Chairman), CFO Raimo Vehkaluoto, Customer Director Juha Heino, Investment Director Mikko Suominen, Real Estate Development Director Kim Jolkkonen, 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

VVO's auditor is KPMG Oy Ab, with APA Kai Salli as the principal auditor.

Annual General Meeting

The Annual General Meeting was held on 21 March 2014. The following matters were on the agenda for the Annual General Meeting, as specified in section 12 of the Articles of Association:

- The financial statement and consolidated financial statement for 2013 were confirmed.
- A decision was taken to pay a dividend of EUR 2.20 per Series A share, totalling EUR 16,285,632.00, on 4 April 2014.
- The members of the Board of Directors and the CEO were discharged from liability for the financial year ending on 31 December 2013.
- The AGM confirmed the attendance allowance for Board meetings as EUR 600 per meeting and set the following annual fees for the term beginning 21 March 2014: EUR 20,000 for the Chairman, EUR 11,000 for the Deputy Chairman, and EUR 8,000 for each of the members.
- The following were elected as members of the Board of Directors for the term beginning on 21 March 2014:
 - Aalto, Riku (Chairman)
 - Aimonen, Tomi
 - Harjuniemi, Matti

- Luukkainen, Olli
- Rinne, Antti
- Rytsölä, Reima
- Saarinen, Jan-Erik
- Selin, Ann

- KPMG Oy Ab was elected auditor, with APA Kai Salli as the principal auditor.

The following items were also discussed by the AGM:

- An updated proposal by the company's Board of Directors dated 27 February 2014: 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 Series A 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 Series A shares currently held by the company itself to be transferred in a share issue.
- A proposal to the AGM concerning the Nomination Committee, made by

shareholders jointly holding 50.62 per cent of the company's shares: One of the Committee's responsibilities is to prepare an AGM proposal on the election of 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 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
 - Pasi Pesonen, President, Trade Union of Education in Finland OAJ as of 21 March 2014
 - Ville-Veikko Laukkanen, Director, Varma Mutual Pension Insurance Company
- The Chairman of the Board, Riku Aalto, also 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 mini-

imum capital is EUR 30,000,000 and its maximum capital 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 Series A and B shares. There may be no fewer than 1,000,000 and no more than 100,000,000 Series A shares. There may be no more than 100,000,000 Series B shares.

The company's paid-up share capital entered in the Trade Register on 31 December 2014 was EUR 58,025,136.00. The company has issued only Series A shares. The share has no nominal value. At the Annual General Meeting, a Series A share has 20 votes and a Series B share has one vote. The number of shares issued as at 31 December 2014 was 7,402,560.

Board authorisations

The Annual General Meeting held on 21 March 2014 authorised 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 Series

A 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 Series A shares currently 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 shareholders' 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 2014, the Board of Directors had not exercised this authorisation.

	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Share capital	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00
Shares, Series A (no.)	7,402,560	7,402,560	7,402,560	7,402,560	7,402,560

Board of Director's Report

Distribution of shareholdings

There are a total of 59 shareholders in VVO-group plc, the 10 largest being (share register at 31 December 2014):

Shareholders	No. of Series A shares	holding, %
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
Trade Union for the Public and Welfare Sectors	646,320	8.73
Finnish Construction Trade Union	615,300	8.31
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
Others	628,272	8.48
Total	7,402,560	100.00

Distribution of shareholdings	No. of owners	holding, %	No. of shares	holding, %
1-1000	12	20.34	7,560	0.10
1001-2000	6	10.17	9,998	0.14
2001-20000	21	35.59	147,614	1.99
20001-100000	10	16.95	463,100	6.26
100001-200000	1	1.69	102,560	1.39
200001-	9	15.25	6,671,728	90.13
Total	59	100.00	7,402,560	100.00

Members of VVO-group plc's Board of Directors, operational management and employees do not own company shares.

Proposal by the board of directors for the distribution of profits

The parent company VVO-group plc's distributable unrestricted shareholders' equity at 31 December 2014 was EUR 51,348,613.39, of which the profit for the financial period was EUR 22,214,840.53. 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 3.00 per share to be paid for every Series A share, a total of EUR 22,207,680.00, and EUR 29,140,933.39 to be retained in unrestricted shareholders' equity.

Income statements

EUR 1,000	Group 1 Jan–31 Dec 2014	Group 1 Jan–31 Dec 2013	Parent company 1 Jan–31 Dec 2014	Parent company 1 Jan–31 Dec 2013
Turnover	367,862	346,610	11,123	9,704
Other operating income	14,425	11,828	117	1,045
Materials and services	-8,665	-3,124		
Personnel costs	-21,108	-21,229	-3,462	-3,387
Amortisations and depreciation	-52,282	-53,700	-676	-691
Share of income and expenses of associates	931	353		
Other operating costs	-164,495	-164,566	-8,507	-7,323
Operating profit/loss	136,668	116,172	-1,405	-652
Financial income and expenses	-46,333	-40,303	4,136	5,303
Profit before non-recurring items	90,335	75,868	2,731	4,652
Non-recurring items			24,991	16,677
Profit before appropriations and taxes	90,335	75,868	27,722	21,329
Appropriations			2	3
Income tax on operational income	-23,840	-17,101	-5,510	-5,037
Change in deferred tax liability	4,575	15,768		
Minority interest	-101	-285		
Profit for the period	70,969	74,250	22,215	16,295

Balance sheets

EUR 1,000	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2014
ASSETS				
Non-current assets				
Intangible assets	9,003	9,857	1,361	1,690
Tangible assets	2,356,178	2,182,533	5,972	6,105
Investments	26,648	23,341	85,755	79,653
Non-current assets, total	2,391,829	2,215,731	93,088	87,448
Current assets				
Inventories	2,990	42,570		
Non-current receivables	1,520	3,014	161,513	161,617
Current receivables	10,943	12,820	69,286	48,648
Financial securities	65,889	63,969	2,861	2,887
Cash and cash equivalents	114,658	130,446	932	3,784
Current assets, total	196,001	252,819	234,592	216,936
Total assets	2,587,830	2,468,550	327,679	304,384

EUR 1,000	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
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	1,695	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	368,279	310,315	11,278	11,268
Profit for the period	70,969	74,250	22,215	16,295
Equity, total	552,628	497,945	147,296	141,367
Minority interest	10,620	11,241		
Accumulated appropriations			7	10
Obligatory provisions				
Other statutory provisions	1,531	1,348		
Liabilities				
Non-current liabilities	1,804,868	1,789,625	107,954	107,819
Current liabilities	218,183	168,391	72,422	55,189
Total liabilities	2,023,051	1,958,016	180,376	163,008
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,587,830	2,468,550	327,679	304,384

Cash flow statement

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Cash flows from operating activities				
Profit/loss before non-recurring items	90,335	75,868	2,731	4,652
Adjustments:				
Depreciation according to plan and impairment	52,282	53,700	676	691
Other income and expenses not including payments	-3,204	-576		
Financial income and expenses	46,333	40,303	-4,136	-5,303
Other adjustments	-9,885	-8,739	5	-1,017
Cash flow from operating activities before change in working capital	175,862	160,556	-723	-978
Change in working capital:				
Change in sales receivables and other receivables	1,409	1,180	-22,255	-14,787
Change in inventories	10,089	-632		
Change in accounts payable and other liabilities	-4,331	-1,539	-135	328
Change in developer's liability for debts	-6,595	-1,151		
Cash flows from operating activities before financial items, provisions and taxes	176,434	158,413	-23,114	-15,436
Interest paid and payments on other operational financial costs	-44,016	-46,754	-2,756	-1,371
Financial income from operating activities	1,011	2,294	799	551
Direct taxes paid	-18,391	-15,483	-5,000	-4,042
Cash flows from operating activities (A)	115,037	98,470	-30,071	-20,298

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Cash flows from investing activities				
Investments in tangible and intangible assets	-155,521	-148,527	-222	-295
Contributions received for investments	340	1,627		
Capital gains from the disposal of tangible and intangible assets	11,586	10,077		144
Other investments	-460	-212		
Capital gains on other investments	46	892		
Long-term loans granted		-23		-99,423
Repayments on long-term loan receivables	40	43		23
Repayments on short-term loan receivables				2,298
Subsidiary shares acquired *)	-44,330	-60,673	-988	
Subsidiary shares divested *)	5,816	5,745	4,230	3,042
Participating interests acquired	-396	-410		
Participating interests divested	590	102	589	
Interest and dividends received on investments	1,005	650	6,204	3,986
Cash flows from investing activities (B)	-181,284	-190,709	9,813	-90,226

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Cash flows from financing activities				
Withdrawals of long-term loans	111,944	181,977		100,000
Repayments on long-term loans	-60,957	-58,800	-429	-7,754
Change in short-term loans	17,440	5,849	17,443	5,848
Acquired financial securities	-17,810	-75,599	-6	-4,075
Capital gains from financial securities	11,637	66,937	7	14,453
Dividends paid	-16,286	-14,805	-16,286	-14,805
Group contributions received			16,677	13,900
Cash flows from financing activities (C)	45,968	105,559	17,406	107,567
Change in cash and cash equivalents (A+B+C)	-20,279	13,319	-2,851	-2,957
Cash and cash equivalents at beginning of period	142,283	128,963	3,784	6,741
Cash and cash equivalents at end of period	122,004	142,283	932	3,784

*) 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's business consists of the ownership and rental of apartments. Its operations are divided into two segments: VVO Non-subsidised and VVO State-subsidised.

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, Finland. A copy of VVO's 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 under short-term ownership with the intention of being sold are included in inventories but 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 of the company. Divested subsidiaries have been excluded from the financial statements from the date when control ceased.

Intra-Group transactions, receivables and liabilities, and essential internal margins and internal profit distribution have been eliminated in the consolidated finan-

cial statements. The distribution of the profit for the financial year 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 profit for the financial period accounted for by affiliates, corresponding to the Group's holding, is presented as a separate item in the income statement.

Some affiliates use different financial periods; the latest financial statements or, if available, a more recent interim report have been used when consolidating such affiliates.

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 asset's 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
Machinery and equipment in buildings	10–50 years
IT hardware and software.....	4–5 years
Office machinery 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 economic lifetimes and planned depreciation of fixed assets were reviewed during the financial period. Planned depreciation has been updated so that the chosen method and period correspond to the estimated economic lifetime of the asset in question.

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

Fair value

When the financial statements are prepared, the fair value of rental apartments and the business premises in rental apartment buildings are determined on the basis of

the company's own evaluation. Fair values are determined quarterly 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 restricted purchaser group,
- the balance sheet value, if the transfer price is limited in accordance with legislation on State subsidy limitations.

The fair value of business premises is determined using the revenue value. If business premises are located in a residential building whose fair value is determined on the basis of its balance sheet value, then the fair value of these business premises is also based on the balance sheet value.

When using the transaction value method, the 24 months preceding the valuation date are used as comparison data for transaction prices. 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 completed apartments unsold at the closing date.

Inventories for the comparison period also contain land areas (including acquisition costs for projects that have not yet begun) and other inventories (primarily planned projects).

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

VVO Group ceased to recognise founder contracting during the 2014 financial year, and the recognition of incomplete property developments was regrouped under non-current assets. Under the new grouping, the Group consists of 13 subsidiaries and 4 affiliates. Comparison figures have not been altered to conform with current practices.

Valuation of financial assets

Financial securities have been recognised at purchase price, or at market price on the closing date if this was lower.

Changes in the value of interest rate derivative agreements are presented in the notes to the financial statements. However, swaptions are valued at fair value according to the market price on the closing date. VVO Group has separate 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. In the income statement, the difference in residential building provisions and the depreciation difference generated during the financial period is divided 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.

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Deferred tax assets and liabilities

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

The balance sheet includes deferred tax liability in its entirety, and deferred tax assets at the estimated amount. Deferred tax assets have been deducted from tax liabilities, and the net amount is presented as a separate item under non-current liabilities.

VVO exercises caution with regard to the confirmed losses made by subsidiaries, and these losses have not been included in deferred tax liabilities.

Companies subject to profit sharing limitations

VVO Asunnot Oy and VVO Korkotukikiinteistöt Oy are Group companies that are subject to profit-sharing limitations in accordance with the housing legislation amendments that entered into force at the beginning of 2000. These companies can pay their owner, VVO-group plc, a maximum

eight per cent return on own funds invested in them that have been confirmed by the Housing Finance and Development Centre of Finland (ARA). 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 on the basis of the information in the consolidated income statement and balance sheet, and their supplementary information. Changes in Group structure have primarily been considered using the difference between the opening and closing balance sheet totals.

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

Items denominated in foreign currencies

All of the Group's receivables and liabilities are euro-denominated.

Derivative agreements

Except for swaptions, interest rate swaps that hedge against the interest rate risks of long-term loans have not been entered into the balance sheet; they are reported in the notes to the financial statements.

Swaptions have been valued at fair value using the market price at the closing date. Changes in the fair value have been recognised through profit or loss as financial income and expenses.

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

Derivatives used to hedge against the price of electricity have not been entered into the balance sheet. The fair value of electricity derivatives is presented in the notes to the financial statements under other operating expenses.

Income statement by segment

EUR 1,000	VVO Non-subsidised Jan-Dec/2014	VVO State-subsidised Jan-Dec/2014	Group consolidation measures	Group Jan-Dec/2014	VVO Non-subsidised Jan-Dec/2013	VVO State-subsidised Jan-Dec/2013	Group consolidation measures	Group Jan-Dec/2013
External turnover	183,648	184,178	35	367,862	165,943	180,631	36	346,610
Internal turnover	9,220	2,600	-11,820	0	8,391	2,703	-11,094	0
Total turnover	192,869	186,778	-11,785	367,862	174,334	183,334	-11,058	346,610
Other operating income	13,748	677		14,425	10,449	1,179	200	11,828
Amortisations and depreciation	-27,678	-24,640	37	-52,282	-27,729	-25,999	27	-53,701
Share in profits of associated companies	401	670	-140	931	71	331	-50	353
External operating costs	-98,117	-96,097	-54	-194,268	-90,977	-97,879	-63	-188,919
Internal operating costs	-1,585	-10,635	12,220	0	-1,936	-9,168	11,104	0
Total other operating costs	-99,702	-106,732	12,166	-194,268	-92,913	-107,047	11,041	-188,919
Operating profit/loss	79,637	56,754	277	136,668	64,212	51,798	160	116,171
External financial income and expenses	-26,450	-19,883	0	-46,333	-17,688	-22,615	0	-40,303
Internal financial income and expenses	5,806	-5,446	-360	0	5,645	-5,283	-363	0
Financial income and expenses	-20,644	-25,329	-360	-46,333	-12,043	-27,898	-363	-40,303
Profit before non-recurring items and taxes	58,993	31,425	-83	90,335	52,170	23,901	-203	75,868

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Balance sheet by segment

EUR 1,000	VVO Non-subsidised	VVO State-subsidised	Group consolidation measures	Group 31 Dec 2014	VVO Non-subsidised	VVO State-subsidised	Group consolidation measures	Group 31 Dec 2013
Non-current assets								
Intangible assets	2,314	6,688		9,003	4,036	5,820		9,857
Tangible assets	1,272,399	1,079,646	4,134	2,356,178	1,086,497	1,091,939	4,097	2,182,532
Equity investments	20,937	15,286	-9,575	26,648	18,121	14,574	-9,354	23,341
	1,295,650	1,101,620	-5,441	2,391,829	1,108,654	1,112,333	-5,257	2,215,730
Current assets								
Inventories and advance payments	2,990			2,990	42,570			42,570
Receivables	93,067	4,879	-85,483	12,463	93,069	3,767	-81,002	15,834
Other liquid assets	11,819	46,724		58,544	19,562	32,571		52,132
Liquid assets	52,933	69,010	61	122,004	78,418	63,824	41	142,283
	160,810	120,614	-85,423	196,001	233,618	100,162	-80,961	252,819
TOTAL ASSETS	1,456,459	1,222,234	-90,863	2,587,830	1,342,272	1,212,495	-86,218	2,468,549

EUR 1,000	VVO Non-subsidised	VVO State-subsidised	Group consolidation measures	Group 31 Dec 2014	VVO Non-subsidised	VVO State-subsidised	Group consolidation measures	Group 31 Dec 2013
Equity								
Equity and funds	113,800	2,859	-3,280	113,380	113,800	2,859	-3,280	113,380
Retained earnings	263,242	176,275	-269	439,249	228,696	156,142	-273	384,565
	377,042	179,134	-3,548	552,628	342,496	159,001	-3,553	497,945
Minority interest								
Minority interest	3,145	9,710	-2,234	10,620	3,799	9,500	-2,058	11,241
Liabilities								
Interest-free liabilities	104,389	75,000	-6,699	172,690	101,779	68,503	-5,985	164,296
Interest-bearing liabilities								
Non-current	870,216	903,108	-78,126	1,695,199	804,993	949,795	-74,392	1,680,396
Current	101,667	55,281	-255	156,693	89,205	25,697	-231	114,671
	971,883	958,389	-78,381	1,851,891	894,198	975,492	-74,623	1,795,067
	1,076,272	1,033,390	-85,080	2,024,582	995,977	1,043,995	-80,608	1,959,363
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,456,459	1,222,234	-90,863	2,587,830	1,342,272	1,212,495	-86,218	2,468,549

Notes to the income statements

Turnover

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Turnover	367,862	346,610	11,123	9,704

Other operating income

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Capital gains on fixed assets	9,798	9,796		1,017
Income from debt collection	1,344	1,222	4	9
Cancellation of incomplete property developments	1,724			
Other	1,559	810	113	19
Total	14,425	11,828	117	1,045

Materials and services

EUR 1,000	Group 2014	Group 2013
Purchases during the financial year		
Purchases of plots and shares	5,661	308
Change in inventories	3,004	2,816
Total	8,665	3,124

Personnel costs

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Wages, salaries and fees	17,006	17,405	2,752	2,928
Pension costs	3,339	3,037	603	347
Other employer contributions	763	787	107	112
Total	21,108	21,229	3,462	3,387

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 21 March 2014 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 also 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:

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Members of the Board of Directors	105	116	105	116
Committee members	18	11	18	11

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

Number of personnel

	Group 2014	Group 2013	Parent company 2014	Parent company 2014
Average number of people employed by the Group and the parent company during the financial year	339	341	28	29

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 CEO, including benefits in kind, came to EUR 794,590.53 (648,325.04).

The retirement age for members of the Management Group is 63 years. Members of the Management Group belong to a contribution-based pension system in which an insurance premium correspond-

ing to two months' taxable income is paid annually into a group pension insurance plan. The Deputy CEO is entitled to a benefit-based pension.

The period of notice for terminating the CEO's employment relationship is twelve months.

In 2014, members of the Management Group were included in the annual bonus system, which is based on a balanced score card. Members of the Management Group have also been part of 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 third period ended in 2014.

Amortisation and depreciation

	Group 2014	Group 2013	Parent company 2014	Parent company 2014
EUR 1,000				
Depreciation on tangible and intangible assets	52,282	53,700	676	691
Total	52,282	53,700	676	691

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Other operating costs

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Property management expenses				
Administration	4,424	3,734	2	2
Use and maintenance	7,934	9,080		
Maintenance of outdoor areas	5,718	6,802		
Cleaning	6,447	7,334		
Heating	28,221	29,418		
Water and waste water	13,374	12,857		
Electricity and gas	6,242	6,194		
Waste management	6,312	5,999		
Indemnity insurance	1,185	1,157		
Real estate tax	8,090	7,382	148	150
Repairs	49,554	48,436		
Other management costs	0	12		
Rents and maintenance charges	8,354	8,300	447	495
Credit losses	2,388	2,489		
Other expenses	16,251	15,371	7,911	6,676
Total	164,495	164,566	8,507	7,323

Auditors' fees

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
KPMG Oy Ab, authorised public accounting firm				
Audit fees	138	134	21	21
Tax advice	18	18	18	18
Other fees	2	6		
Advisory services	106	41	106	41

Electricity procurement was hedged with electricity derivatives quoted on the Nordic electricity exchange Nord Pool in accordance with the risk policy approved by VVO Group. The market value of the hedges for 2013–2017 was EUR -0.9 (-1.2) million at the closing date. Unrealised changes in fair value have not been taken into account in the consolidated income statement or balance sheet.

Financial income and expenses

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Dividend income				
From joint ventures	482	47	482	47
From others	91	132	81	117
Total dividend income	572	179	562	164
Interest income from long-term investments				
From others	192	236		65
Total income from long-term investments	192	236		65
Other interest and financial income				
From Group companies			7,694	6,076
From others	1,565	5,116	87	1,497
Total other interest and financial income	1,565	5,116	7,781	7,573
Total dividend income, interest income from long-term investments, and other interest and financial income	2,330	5,530	8,343	7,802
Value adjustments in investments				
in non-current investments	-5			
Value adjustments in financial securities	50	649	-37	223
	46	649	-37	223
Interest and other financial expenses				
To Group companies			-21	-20
To others	-48,708	-46,483	-4,150	-2,701
	-48,708	-46,483	-4,171	-2,722
Total financial income and expenses	-46,333	-40,303	4,136	5,303

Non-recurring items

EUR 1,000	Parent company 2014	Parent company 2013
Non-recurring income		
Group contribution	24,991	16,677
	24,991	16,677

Direct taxes

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Income tax on operational income	23,840	17,101	5,510	5,037
Change in deferred tax assets and liabilities	-4,575	-15,768		
	19,265	1,333	5,510	5,037

Notes to the balance sheet

NON-CURRENT ASSETS

Intangible assets

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Intangible rights				
Acquisition cost as at 1 Jan	10,054	7,975	3,182	3,007
Increases	59	51	59	51
Decreases	-836	-98	-824	
Transfers between items	-2,014	2,126	94	124
Acquisition cost as at 31 Dec	7,263	10,054	2,511	3,182
Accumulated depreciation and impairment losses as at 1 Jan	-3,863	-3,489	-2,700	-2,554
Accumulated depreciation on decreases	834	98	824	
Accumulated depreciation on transfers	31			
Depreciation for the financial year	-334	-471	-154	-145
Accumulated depreciation and impairment losses as at 31 Dec	-3,332	-3,863	-2,030	-2,700
Book value as at 31 Dec	3,930	6,192	481	483

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Other long-term expenses				
Acquisition cost as at 1 Jan	10,538	8,299	6,201	5,719
Increases	340	1,643	27	256
Decreases	-4,030	-10	-3,750	
Transfers between items	2,417	607	297	226
Acquisition cost as at 31 Dec	9,264	10,538	2,776	6,201
Accumulated depreciation and impairment losses as at 1 Jan	-7,264	-6,779	-5,384	-5,111
Accumulated depreciation on decreases	4,030	10	3,750	
Accumulated depreciation on transfers	-362			
Depreciation for the financial year	-596	-495	-261	-273
Accumulated depreciation and impairment losses as at 31 Dec	-4,192	-7,264	-1,896	-5,384
Book value as at 31 Dec	5,072	3,274	880	816

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Advance payments				
Acquisition cost as at 1 Jan	391	449	391	449
Increases		295		295
Transfers between items	-391	-353	-391	-353
Acquisition cost as at 31 Dec	0	391	0	391
Book value as at 31 Dec	0	391	0	391

Tangible assets

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Land and water areas				
Acquisition cost as at 1 Jan	256,162	228,220	5,226	5,332
Increases	61,188	34,842		0
Decreases	-196	-8,012		-106
Transfers between items		1,111		
Acquisition cost as at 31 Dec	317,153	256,162	5,226	5,226
Appreciations	84	84		
Book value as at 31 Dec	317,237	256,246	5,226	5,226

The difference between subsidiaries' acquisition costs and the equity corresponding to the acquired share has been allocated to non-current assets. EUR 67.5 (55.7) million has been allocated to land areas.

EUR 1,000	Group 2014	Group 2013
Entry fees		
Acquisition cost as at 1 Jan	26,144	25,737
Increases	37	96
Decreases	-200	-112
Transfers between items	1,138	423
Book value as at 31 Dec	27,119	26,144

EUR 1,000	Group 2014	Group 2013
Buildings and structures		
Acquisition cost as at 1 Jan	2,352,788	2,230,045
Increases	94,710	109,327
Decreases	-5,903	-10,179
Transfers between items	76,231	23,595
Acquisition cost as at 31 Dec	2,517,826	2,352,788
Accumulated depreciation and impairment losses as at 1 Jan	-550,273	-501,979
Accumulated depreciation on decreases	2,175	3,010
Accumulated depreciation on transfers	909	0
Depreciation for the financial year	-49,875	-51,305
Accumulated depreciation and impairment losses as at 31 Dec	-597,065	-550,273
Appreciations	2,035	2,035
Book value as at 31 Dec	1,922,796	1,804,550

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EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Machinery and equipment				
Acquisition cost as at 1 Jan	13,869	12,664	3,000	2,465
Increases	198	1,253	128	607
Decreases	-2,041	-126	-1,466	-76
Transfers between items	141	78		3
Acquisition cost as at 31 Dec	12,166	13,869	1,662	3,000
Accumulated depreciation and impairment losses as at 1 Jan	-11,816	-11,298	-2,315	-2,145
Accumulated depreciation on decreases	2,029	100	1,465	54
Transfers between items	12	0		
Depreciation for the financial year	-530	-619	-259	-225
Accumulated depreciation and impairment losses as at 31 Dec	-10,305	-11,816	-1,110	-2,315
Book value as at 31 Dec	1,861	2,052	552	685

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Other tangible assets				
Acquisition cost as at 1 Jan	10,659	9,515	194	267
Increases	510	807		
Decreases	-103	-94		-73
Transfers between items	2,884	431		
Acquisition cost as at 31 Dec	13,950	10,659	194	194
Accumulated depreciation and impairment losses as at 1 Jan	-5,266	-4,563		-46
Accumulated depreciation on decreases	97	61		46
Transfers between items	-589	0		
Depreciation for the financial year	-452	-764		
Accumulated depreciation and impairment losses as at 31 Dec	-6,209	-5,266	0	0
Book value as at 31 Dec	7,741	5,394	194	194

EUR 1,000	Group 2014	Group 2013
Advance payments and acquisitions in progress		
Acquisition cost as at 1 Jan	88,146	32,437
Increases	73,848	83,951
Decreases	-54	-224
Transfers between items	-82,516	-28,018
Book value as at 31 Dec	79,424	88,146

EUR 1,000	Group 2014	Group 2013
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.

Investments

EUR 1,000	Parent company 2014	Parent company 2013
Shares in subsidiaries		
Acquisition cost as at 1 Jan	75,869	75,881
Increases	6,700	6,280
		-6,292
Acquisition cost as at 31 Dec	82,569	75,869
Appreciations	2,119	2,119
Book value as at 31 Dec	84,688	77,988

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Shares in joint ventures				
Acquisition cost as at 1 Jan	10,973	10,400	771	771
Increases	1,337	778		
Decreases	-685	-205	-594	
Transfers between items	178	0		
Acquisition cost as at 31 Dec	11,804	10,973	177	771
Book value as at 31 Dec	11,804	10,973	177	771

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EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Other securities and shares				
Acquisition cost as at 1 Jan	8,917	9,479	894	894
Increases	141	178		
Decreases	-51	-740	-4	
Transfers between items	88	0		
Acquisition cost as at 31 Dec	9,095	8,917	890	894
Book value as at 31 Dec	9,095	8,917	890	894

EUR 1,000	Group 2014	Group 2013
Other receivables, advance payments		
Acquisition cost as at 1 Jan	3,451	3,286
Increases	453	165
Transfers between items	1,845	
Acquisition cost as at 31 Dec	5,749	3,451
Book value as at 31 Dec	5,749	3,451

	Domicile	Group holding, %
Group companies		
Mummunkujan Pysäköinti Oy	Tampere	53.01
Katajapysäköinti Oy	Tampere	50.93
Hatanpäänhovin Pysäköinti Oy	Tampere	62.51

	Domicile	Parent company holding, %	Group holding, %
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

	Domicile	Parent company holding, %	Group holding, %		Domicile	Parent company holding, %	Group holding, %
VVO Kodit Oy				Asunto OY Espoon Soukanrinne	Espoo	100.00	100.00
As Oy Kuopion Havuketo	Kuopio	100.00	100.00	Asunto Oy Espoon Spinnu	Espoo	100.00	100.00
As Oy Turun Puistokatu 12	Turku	100.00	100.00	Asunto Oy Espoon Suurpelto 44	Espoo	100.00	100.00
As Oy Vantaan Junkkarinkaari 7	Vantaa	100.00	100.00	Asunto Oy Espoon Suurpelto 5	Espoo	100.00	100.00
As. Oy Heinolan Korvenkaarre	Heinola	100.00	100.00	Asunto Oy Helsingin Capellan puistotie 4	Helsinki	100.00	100.00
As. Oy Helsingin Haapaniemenkatu 11	Helsinki	100.00	100.00	Asunto Oy Helsingin Haapsalunkuja 4	Helsinki	100.00	100.00
As. Oy Kuopion Kaarenkulma	Kuopio	100.00	100.00	Asunto Oy Helsingin Hesperiankatu 18	Helsinki	100.00	100.00
As. Oy Malski 3, Lahti	Lahti	100.00	100.00	Asunto Oy Helsingin Hopeatie 9	Helsinki	100.00	100.00
As. Oy Pihavaahtera	Hollola	100.00	100.00	Asunto Oy Helsingin Kadetintie 6	Helsinki	100.00	100.00
Asunto Oy Espoon Fokka	Espoo	100.00	100.00	Asunto Oy Helsingin Kahvipavunkuja 3	Helsinki	100.00	100.00
Asunto Oy Espoon Henttaan Puistokatu C	Espoo	100.00	100.00	Asunto Oy Helsingin Karhulantie 13	Helsinki	100.00	100.00
Asunto Oy Espoon Kilonportti 3	Espoo	100.00	100.00	Asunto Oy Helsingin Katariinankartano	Helsinki	100.00	100.00
Asunto Oy Espoon Klariksantie 6	Espoo	100.00	100.00	Asunto Oy Helsingin Katariinankoski	Helsinki	100.00	100.00
Asunto Oy Espoon Laivapoika	Espoo	100.00	100.00	Asunto Oy Helsingin Koskikartano	Helsinki	100.00	100.00
Asunto Oy Espoon Likusterikatu A	Espoo	100.00	100.00	Asunto Oy Helsingin Kotkankatu 9	Helsinki	100.00	100.00
Asunto Oy Espoon Magneettikatu 5	Espoo	100.00	100.00	Asunto Oy Helsingin Leikkikuja	Helsinki	100.00	100.00
Asunto Oy Espoon Merikadetti	Espoo	100.00	100.00	Asunto Oy Helsingin Maasälväntie 5 ja 9	Helsinki	100.00	100.00
Asunto Oy Espoon Merimaisema	Espoo	100.00	100.00	Asunto Oy Helsingin Marjatanportti	Helsinki	100.00	100.00
Asunto Oy Espoon Navigaattori	Espoo	100.00	100.00	Asunto Oy Helsingin Messeniuksenkatu 1B	Helsinki	100.00	100.00
Asunto Oy Espoon Nihtitorpankuja 3	Espoo	100.00	100.00	Asunto Oy Helsingin Palmseenpolku 2	Helsinki	100.00	100.00
Asunto Oy Espoon Reelinkikatu 2	Espoo	100.00	100.00	Asunto Oy Helsingin Pertunpellontie 8	Helsinki	100.00	100.00
Asunto Oy Espoon Saunalahdenkatu 2	Espoo	100.00	100.00	Asunto Oy Helsingin Pitsi	Helsinki	100.00	100.00

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	Domicile	Parent company holding, %	Group holding, %		Domicile	Parent company holding, %	Group holding, %
Asunto Oy Helsingin Maasälväntie 5 ja 9	Helsinki	100.00	100.00	Asunto Oy Hilapellontie 2 b	Helsinki	100.00	100.00
Asunto Oy Helsingin Marjatanportti	Helsinki	100.00	100.00	Asunto Oy Hilapellontie 4	Helsinki	100.00	100.00
Asunto Oy Helsingin Messeniuksenkatu 1B	Helsinki	100.00	100.00	Asunto Oy Hyvinkään Merino	Hyvinkää	100.00	100.00
Asunto Oy Helsingin Palmseenpolku 2	Helsinki	100.00	100.00	Asunto Oy Hyvinkään Mohair	Hyvinkää	100.00	100.00
Asunto Oy Helsingin Pertunpellontie 8	Helsinki	100.00	100.00	Asunto Oy Hämeenlinnan Hilpi Kummilantie 16	Hämeenlinna	100.00	100.00
Asunto Oy Helsingin Pitsi	Helsinki	100.00	100.00	Asunto Oy Hämeenlinnan Kajakulma	Hämeenlinna	73.97	73.97
Asunto Oy Helsingin Plazankuja 5	Helsinki	100.00	100.00	Asunto Oy Hämeenlinnan Turuntie 38	Hämeenlinna	100.00	100.00
Asunto Oy Helsingin Plyymi	Helsinki	100.00	100.00	Asunto Oy Hämeenlinnan Uusi-Jukola	Hämeenlinna	100.00	100.00
Asunto Oy Helsingin Posetiivari	Helsinki	100.00	100.00	Asunto Oy Hämeentie 48	Helsinki	100.00	100.00
Asunto Oy Helsingin Puuhka	Helsinki	100.00	100.00	Asunto Oy Jyväskylän Runkotie 5 C	Jyväskylä	100.00	100.00
Asunto Oy Helsingin Pärnunkatu 6	Helsinki	100.00	100.00	Asunto Oy Jyväskylän Tellervonkatu 8	Jyväskylä	95.89	95.89
Asunto Oy Helsingin Ratarinne	Helsinki	100.00	100.00	Asunto Oy Jyväskylän Väinönkatu 15	Jyväskylä	100.00	100.00
Asunto Oy Helsingin Risupadontie 6	Helsinki	100.00	100.00	Asunto Oy Järvenpään Antoninkuja 3	Järvenpää	100.00	100.00
Asunto Oy Helsingin Salome	Helsinki	100.00	100.00	Asunto Oy Järvenpään Metallimiehenkuja 2	Järvenpää	100.00	100.00
Asunto Oy Helsingin Silkkinauha	Helsinki	100.00	100.00	Asunto Oy Järvenpään Peltotilkku	Järvenpää	100.00	100.00
Asunto Oy Helsingin Sörnäistenkatu 12	Helsinki	100.00	100.00	Asunto Oy Järvenpään Reki-Valko	Järvenpää	100.00	100.00
Asunto Oy Helsingin Tanhuantie	Helsinki	100.00	100.00	Asunto Oy Kalasääksentie 6	Espoo	100.00	100.00
Asunto Oy Helsingin Tilketori 2	Helsinki	93.06	93.06	Asunto Oy Kauniaisten Asematie 10	Kauniainen	100.00	100.00
Asunto Oy Helsingin Tuulensuunkuja 3	Helsinki	100.00	100.00	Asunto Oy Kauniaisten Asematie 12-14	Kauniainen	100.00	100.00
Asunto Oy Helsingin Valanportti	Helsinki	100.00	100.00	Asunto Oy Kauniaisten Bredantie 8	Kauniainen	100.00	100.00
Asunto Oy Helsingin Viuhka	Helsinki	100.00	100.00	Asunto Oy Kauniaisten Kavallinterassit	Kauniainen	100.00	100.00
Asunto Oy Helsingin Vuorenpaikontie 5	Helsinki	100.00	100.00				

	Domicile	Parent company holding, %	Group holding, %
Asunto Oy Kauniaisten Thurmanipuistotie 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	99.57	99.57
Asunto Oy Kirkkonummen Vernerinkuja 5	Kirkkonummi	100.00	100.00
Asunto Oy Kivivuoreнкуja 1	Vantaa	100.00	100.00
Asunto Oy Kivivuoreнкуja 3	Vantaa	100.00	100.00
Asunto Oy Konalantie 14	Helsinki	100.00	100.00
Asunto Oy Kuopion Kelkkailijantie 4	Kuopio	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 21	Oulu	100.00	100.00
Asunto Oy Oulun Tervahanhi 1	Oulu	97.96	97.96
Asunto Oy Pirtinketosato	Kuopio	63.55	63.55
Asunto Oy Pohtolan Kynnys	Espoo	100.00	100.00

	Domicile	Parent company holding, %	Group holding, %
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 Tukkipartio	Rovaniemi	100.00	100.00
Asunto Oy Saarentiala	Helsinki	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 Tuuran 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

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	Domicile	Parent company holding, %	Group holding, %		Domicile	Parent company holding, %	Group holding, %
Asunto Oy Vantaan Krassitie 8	Vantaa	97.17	97.17	Kilterin Kehitys Oy	Espoo	100.00	100.00
Asunto Oy Vantaan Lauri Korpisen katu 10	Vantaa	100.00	100.00	Volaria Oy	Helsinki	100.00	100.00
Asunto Oy Vantaan Lehtikallio 4	Vantaa	100.00	100.00				
Asunto Oy Vantaan Leinelänkaari 13	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 Espoon Henttaankaari A	Espoo	100.00	100.00				
Kiinteistö Oy Espoon Kynäkatu C	Espoo	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 Ylä-Malmintori	Helsinki	100.00	100.00				
Kiinteistöosakeyhtiö Keijuaho	Espoo	100.00	100.00				
Kiinteistöosakeyhtiö Näsilinnankatu 40	Tampere	100.00	100.00				
				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 Soittajantie 2	Helsinki	100.00	100.00
				Asunto Oy Helsingin Välimerenkatu 8	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

	Domicile	Parent company holding, %	Group holding, %
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
	Domicile	Parent company holding, %	Group holding, %
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 Nurmelaanpirtti	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

	Domicile	Parent company holding, %	Group holding, %
Asunto Oy Kaarinan Hovirinnan Luumu	Kaarina	100.00	100.00
Asunto Oy Oulun Tuiranmaja	Oulu	100.00	100.00
Kiinteistö Oy Kanavanpirtti	Lappeenranta	100.00	100.00
Kiinteistö Oy Nummenpirtti	Hämeenlinna	100.00	100.00
Kiinteistö Oy Oulun Kotkankynsi	Oulu	65.00	65.00
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	55.56
	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
	Domicile	Parent company holding, %	Group holding, %
VVO Palvelut Oy			
Koy Mannerheimintie 168a	Helsinki	100.00	100.00

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	Domicile	Parent company holding, %	Group holding, %
Joint ventures			
VVO-group plc			
Asunto Oy Nilsian Ski	Nilsia	28.33	28.33
SV-Asunnot Oy	Helsinki	50.00	50.00
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VVO Asunnot Oy			
As. Oy Jarvenpään Jampanpaju	Jarvenpää	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	34.40	34.40
SKIPA Kiinteistöpalvelut Oy	Espoo	20.63	20.63

	Domicile	Parent company holding, %	Group holding, %
Tamppi Pysäköinti Oy	Tampere	23.21	23.21
Veturitallin Parkki Oy	Jyväskylä	45.31	45.31
<hr/>			
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	Jarvenpää	31.44	44.06
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VVO Korkotukikiinteistöt Oy			
Kiinteistö Oy Myllytullin Autotalo	Oulu	24.39	24.39
Lintulammenkadun Pysäköintilaitos oy	Kerava	39.19	39.19
Paavolan Parkki Oy	Lahti	24.93	24.93
Ruukuntekijäntien paikoitus Oy	Vantaa	26.24	26.24
Virvatulentien Pysäköinti Oy	Helsinki	25.15	25.15

	Domicile	Parent company holding, %	Group holding, %
VVO Kodit Oy			
AsOy Kuopion Vilhelmiina	Kuopio	21.62	100.00
Hatanpäänhoivin Pysäköinti Oy	Tampere	41.88	62.51
Katajapysäköinti Oy	Tampere	34.26	50.93
Kiinteistö Oy Helsingin Eliksentalo 1	Helsinki	23.01	23.01
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	42.63	42.63
Kiinteistö Oy Oulun Tullivahdin Parkki	Oulu	33.78	33.78
Koy Bäckisåker	Espoo	50.00	50.00
Koy Pohjois-suurpelto	Espoo	50.00	50.00
Kiinteistö Oy Espoon Lukukatu A	Espoo	50.00	50.00
Suurpellon Kehitys Oy	Espoo	50.00	50.00
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

	Domicile	Parent company holding, %	Group holding, %
Pihlajapysäköinti Oy	Tampere	30.56	30.56
Asunto Oy Vantaan Lehtikallio 4			
Koy Lehtikallion pysäköinti	Vantaa	39.84	39.84

	Domicile	Parent company holding, %	Group holding, %
VVO Vuokra-asunnot Oy			
Äyhönjärven Autopaikoitus Oy	Rauma	24.79	24.79
Other joint ventures			
VVO-konserni			
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.

Financial Statements

Current assets

Inventories

EUR 1,000	Group 2014	Group 2013
Inventory shares as at 1 Jan	10,689	13,443
Change	-3,004	-2,754
Transfers between items	-4,695	
Inventory shares as at 31 Dec	2,990	10,689
Land areas and other inventories as at 1 Jan	31,881	28,495
Change	-7,131	3,386
Transfers to non-current assets	-24,750	
Land areas and other inventories as at 31 Dec	0	31,881
Total inventories as at 31 Dec	2,990	42,570

Receivables

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2014
Non-current				
Loan receivables from Group companies			160,947	160,947
Receivables from joint ventures				
Loan receivables	492	532		
Loan receivables	506	506	170	170
Other receivables	130	1,488	4	12
Accrued income	392	488	392	488
	1,520	3,014	161,513	161,617
Current				
Accounts receivable	4,347	9,050	2	4,241
Receivables from Group companies				
Accounts receivable			1,975	1,250
Loan receivables				
Other receivables			64,948	40,807
Accrued income			1,938	1,929
Receivables from joint ventures				
Loan receivables	63	40		
Accrued income	9	10		
Loan receivables		401	107	121
Other receivables		1,295	19	85
Accrued income		2,025	296	214
	10,943	12,820	69,286	48,648

Financial securities

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2014
Securities and shares				
Replacement value (without interest)	68,256	65,705	3,570	3,496
Book value	65,889	63,969	2,861	2,887
Difference	2,367	1,736	710	610

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

Equity

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
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	1,695	1,600	2,119	2,119
increase		95		
Revaluation reserve as at 31 Dec	1,695	1,695	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	384,565	325,121	27,563	26,073
Dividend distribution	-16,286	-14,805	-16,286	-14,805
Retained earnings as at 31 Dec	368,279	310,315	11,278	11,268
Profit for the period	70,969	74,250	22,215	16,295
Total equity	552,628	497,945	147,296	141,367

Financial Statements

Calculation on distributable equity as at 31 Dec

	Parent company 2014	Parent company 2013
Reserve for invested unrestricted equity	17,856	17,856
Retained earnings	11,278	11,268
Profit for the period	22,215	16,295
Total	51,349	45,419

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

	Parent company 2014	Parent company 2013
Series A (20 votes per share)	7,402,560	7,402,560

Accumulated appropriations

EUR 1,000	Parent company 2014	Parent company 2013
Accumulated depreciation difference as at 1 Jan	10	13
change	-2	-3
Accumulated depreciation difference as at 31 Dec	7	10
Total accumulated appropriations as at 31 Dec	7	10

Statutory provisions

EUR 1,000	Group 2014	Group 2013
Other statutory provisions	1,531	1,348

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 1.2 (1.3) million, and VVO Asunnot Oy's future costs of EUR 0.3 (0.0) million, which will no longer generate future income and which the company is committed to perform.

Deferred tax assets and liabilities

EUR 1,000	Group 2014	Group 2013
Laskennalliset verovelat ja -saamiset		
Due to appropriations		
Calculated on depreciation difference		
Value as at 1 Jan	27,932	31,037
Increases	3,859	0
Decreases	-629	-3,106
Value as at 31 Dec	31,162	27,932
Calculated on residential housing reserve		
Value as at 1 Jan	60,775	74,745
Increases	11,701	508
Decreases	-17,439	-14,478
Value as at 31 Dec	55,037	60,775

EUR 1,000	Group 2014	Group 2013
Calculated on consolidation measures		
Deferred tax liabilities		
Value as at 1 Jan	15,709	7,790
Increases	6,363	9,607
Decreases	-405	-1,689
Value as at 31 Dec	21,667	15,709
Deferred tax assets due to consolidation measures and other timing differences between accounting and taxation		
Value as at 1 Jan	-3,933	-5,403
Increases	-2,042	-527
Decreases	356	1,997
Value as at 31 Dec	-5,619	-3,933
Total deferred tax liabilities as at 31 Dec	102,247	100,482

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Non-current liabilities				
Deferred tax liabilities	102,247	100,482		
Capital loans	2,355	2,355		
Loans from financial institutions				
Primary loans		22		
Mortgages	489	1,248		
State-subsidised loans	290,486	301,214		
Interest subsidy loans	559,828	597,980		
Third-sector loans	2,516	3,144		
Market-based loans	839,524	774,432	107,390	107,819
Advance payments received	34	6		
Trade payables	1	2		
Debts to Group companies				
Promissory notes				
Accrued expenses	666		564	
Other debts	6,721	8,739		
Total non-current liabilities	1,804,868	1,789,625	107,954	107,819

Financial Statements

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Derivatives				
Nominal value				
Interest rate swaps	404,346	311,513	7,234	7,637
Cancellable interest rate swaps	10,000	10,000		
Interest rate options	14,933	23,398		
Swaptions	28,010	28,010		
Total	429,279	344,911	7,234	7,637
Fair value				
Interest rate swaps	-45,391	-25,702	-593	-659
Cancellable interest rate swaps	-3,032	-1,573		
Interest rate options	-107	-308		
Swaptions	-5,297	-1,551		
Total	-48,530	-27,583	-593	-659

Of the above-mentioned fair values, only swaptions have been recognised through profit or loss.

Current liabilities

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Loans from financial institutions				
Instalments of primary loans in the next financial year		410		
Instalments of mortgages in the next financial year	759	949		
Instalments of state-subsidised loans in the next financial year	10,728	9,222		
Instalments of interest-subsidy loans in the next financial year	42,712	13,905		
Instalments of third-sector loans in the next financial year	696	361		
Instalments of market-based loans in the next financial year	28,965	34,416	429	429
Overdraft limits				
Advance payments received	5,627	5,706		
Trade payables	15,058	12,996	533	661
Liabilities to Group companies				
Trade payables			45	50
Other debts				
Other debts	74,351	59,788	66,935	49,457
Accrued expenses				
Financial expenses	17,575	14,528	1,942	1,944
Payroll including social security contributions	5,468	6,240	1,139	1,762
Tax liabilities	12,252	5,715	1,399	886
Construction	1,978	1,039		
Other accrued expenses	2,013	3,114		
Total current liabilities	218,183	168,391	72,422	55,189

On 2 January 2015, EUR 10,000 in commercial papers were issued (transaction date in December 2014), which have not been entered into the balance sheet.

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 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.

Related party transactions

Information on the management's salary and fees is presented in the section Salaries and remuneration. There were no related party transactions in 2014.

Guarantees and contingent liabilities

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Guarantees given				
Loans that mature in more than five years				
Capital loans	2,355	2,355		
Loans from financial institutions				
Annuity loans	244,859	257,880		
Interest subsidy loans	365,446	401,882		
Third-sector loans	1,435	1,577		
Other non-current loans	679,768	592,834	102,255	102,481
Total	1,293,863	1,256,527	102,255	102,481
Loans for which mortgage on and shares in property have been given as a guarantee				
Loans from financial institutions	1,780,461	1,716,709	2,839	2,839
Mortgages given	2,540,125	2,400,829	4,870	4,870
Security deposit		849		
Shares	212,488	161,515		
Total value of pledged guarantees	2,752,612	2,563,193	4,870	4,870
Loans from financial institutions	6,546	24,483		
Mortgages given	1,427	38,102		
Shares of loans allocated to unsold apartments owned by VVO Kodit Oy (VVO Rakennuttaja Oy)	1,046	1,874		

Financial Statements

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Pledges given as guarantees for rent payment and street maintenance				
Real estate mortgages given	8,428	8,215		
Guarantees given				
Counter-guarantee	327,440	250,691	236,053	199,059
Counter-guarantees for received external guarantees				
Counter-guarantee for guarantees	14,564	14,564	8,587	8,587

EUR 1,000		Group 2014	Group 2013
Other guarantees given			
Guarantees given on behalf of others			
Pledged deposits		14	18
Total		14	18
Guarantees given on behalf of others			
Counter-guarantees		2,015	3,259
Guarantees given		100	1,800
Total		2,115	5,527

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Other liabilities				
Leasing liabilities				
Cars				
Payable during the next financial year	866	857	135	126
Payable later	1,228	1,263	206	237
Total	2,094	2,119	341	364
Rent liabilities				
Rent liabilities on commercial premises	396	786		
Rent liabilities on plots	199,387	189,419		
Most notable procurement commitments relating to investments in progress, which are not entered in the accounts				
New construction	265,906	68,132		
Renovations	35,016	25,977		
Total	300,922	94,109		

EUR 1,000	Group 2014	Group 2013	Parent company 2014	Parent company 2013
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	2,497	3,163		
Land purchase liabilities				
Transaction prices based on target construction rights and the draft local plan	15,285	8,659		3,813
Liabilities for building public services	5,514	5,974		

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 Jokiniemi quarters 62007 and 62025 located in the City of Vantaa are subject to a schedule 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	2014	2013	2012	2011	2010
SCOPE OF OPERATIONS					
Turnover	367,862	346,610	335,430	327,278	328,647
Change %	6.1	3.3	2.5	-0.4	-4.2
Share of apartment rental, %	97.0	99.1	97.7	94.1	88.6
Share of liquidation of inventories, %	3.0	0.9	2.3	5.9	11.4
Balance sheet total	2,587,830	2,468,550	2,276,091	2,252,237	2,184,152
Salaries and remunerations	17,007	17,405	17,908	16,995	15,369
Average number of personnel	339	341	343	349	341
Turnover/employee	1,085	1,016	978	938	964
PROFITABILITY					
Operating profit	136,668	116,172	112,674	105,719	100,616
% of turnover	37.2	33.5	33.6	32.3	30.6
Profit before appropriations and taxes	90,335	75,868	62,487	55,823	57,510
% of turnover	24.6	21.9	18.6	17.1	17.5
Profit for the period	70,969	74,250	45,854	44,776	40,478
% of turnover	19.3	21.4	13.7	13.7	12.3
Return on equity, % (ROE)	13.3	15.5	10.6	11.2	11.3
Return on investment, % (ROI) ¹⁾	5.9	5.5	5.5	5.2	5.1

EUR 1,000	2014	2013	2012	2011	2010
FINANCING AND FINANCIAL POSITION					
Current ratio	0.9	1.5	1.5	1.4	1.3
Equity ratio, %, fair value ²⁾	42.0	41.3	38.8		
Equity ratio, %, book value	21.8	20.7	19.8	18.5	17.7
Interest-bearing liabilities ¹⁾	1,851,891	1,795,067	1,664,261	1,683,872	1,654,923
Liquid assets	122,004	142,283	128,963	126,823	96,462
KEY RATIOS PER SHARE ³⁾					
Earnings per share, EUR	9.60	10.07	6.19	6.07	5.49
Equity per share, EUR	74.65	67.27	59.22	54.63	50.27
Equity per share, EUR, fair value ²⁾	223.01	209.16	178.6		
Dividend per share, EUR ⁴⁾	3.00	2.20	2.00	1.60	1.50
Dividend as % of result ⁴⁾	31.3	21.8	32.3	26.4	27.3
Number of shares at the end of the financial year	7,402,560	7,402,560	7,402,560	7,402,560	7,402,560

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) Including deferred tax liability.

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

4) The Board of Directors proposes that a dividend of EUR 3.00 per share be paid.

Calculation formulae for key indicators

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

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

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

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

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

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

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

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 2015

Riku Aalto
Chairman of the Board

Tomi Aimonen
Deputy Chairman of the Board

Matti Harjuniemi

Olli Luukkainen

Reima Rytsölä

Jan-Erik Saarinen

Ann Selin

Jani Nieminen
CEO

An auditor's report has been issued today.

Helsinki, 5 March 2015

KPMG Oy Ab

Kai Salli, APA

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 2014. 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, 5 March 2015
KPMG OY AB

Kai Salli
Authorized Public Accountant



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