VVO Group plc

Board of Directors' Report and Financial Statements 2015

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VVO Group plc in brief

Under the Lumo and VVO brands, VVO Group Plc offers versatile and effortless rental solutions coupled with an extensive range of housing services for different life situations. At the end of 2015, VVO Group owned approximately 41,153 rental apartments across Finland. VVO Group aims to invest heavily in increasing housing supply in the next three years by developing new properties and buying existing properties.

Future outlook for 2016

In 2016, economic growth in Finland is expected to remain clearly slower compared with the rest of the euro zone. Export has not improved as briskly as expected. The outlook for the Finnish economy is influenced by factors such as the structural change in industry, the decreased cost competitiveness and the contraction in the number of working-age population. The outlook for employment is weak.

The European Central Bank's monthly EUR 60 billion security purchases are supporting the euro zone's economy, although the outlook weakened in the latter part of 2015. As a result of the ECB's policy, general interest rates are forecast to remain low.

Demand for rental housing is expected to remain at the current good level. At the moment, no considerable changes are foreseeable in the overall supply of rental apartments. New development is expected to continue focusing on privately financed rental apartments. Due to the general market situation, construction firms are actively offering sites for rental housing.

Continuing urbanisation can be seen in the growing number of apartment blocks being built in major growth centres. The increase in the number of asylum seekers may result in growing demand for rental apartments in growth centres.

Price trends in owner-occupied apartments are expected to continue to be stable. A slight rise is expected in the prices of small, centrally located apartments, while the prices of large apartments on the outskirts may fall slightly. New development of owner-occupied housing is challenging.

New start-ups by construction firms are at a low level. The increase in renovation volume is expected to continue, and interest rates are expected to remain low.

Outlook for VVO Group

VVO Group’s rental occupancy rate is expected to remain at a good level throughout 2016, due to continuing stable demand for rental housing. VVO Group estimates that net rental income adjusted with the effect of selling will increase. Investments are expected to exceed the 2015 level.

Operating environment

General operating environment

In Europe, the economic situation improved slightly during the review period. The US economy developed favourably, as expected. Uncertainty in the world economy increased towards the end of the year.

In Finland, economic development continued to be subdued. Export and industrial production have not picked up to a significant degree. The confidence of households and companies is weak. This was seen in, for example, demand for owner-occupied housing and construction investments.

On average, the prices of old apartments in apartment blocks and row houses rose somewhat throughout the country. In the Helsinki Metropolitan Area, prices rose moderately, while in other parts of Finland prices fell.

Industry operating environment

Demand for rental housing remained high. Business was good for small rental apartments and newly constructed locations, particularly in growth centres. There was still demand for new rental apartments in the Helsinki Metropolitan Area.

New construction clearly focused on privately financed rental housing. There were no noticeable changes in the price level of either new construction or renovations. The market situation for the construction of owner-occupied housing enabled better-than-average implementation of negotiated contracts for rental housing development.

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

Business operations

Under the Lumo and VVO brands, VVO Group plc offers versatile and effortless rental solutions coupled with an extensive range of housing services for different life situations.

At the end of the review period, the fair value of VVO’s investment properties was EUR 3.5 (3.7) billion. A total of EUR 0.5 billion have been transferred from investment properties to non-current assets held for sale. At the end of 2015, VVO Group owned 41,153 (40,793) rental apartments, including investment properties classified as held for sale.

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 in different kinds of economic situations.

Segment reporting

VVO Group's business operations are divided into two segments: VVO Non-subsidised and VVO State-subsidised.

The VVO Non-subsidised segment contains the Group's parent company VVO Group plc and the group companies VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy and VVO Palvelut Oy, as well as those other group companies in whose apartments the restrictions on the determi-nation of rent, related to the ARAVA and interest subsidy legislation, will end by the close of 2017. The division of Korkotukikiinteistöt Oy into seven receiving companies took effect on 1 September 2015. Some of the housing included in the VVO Non-subsidised segment is subject to property-specific restrictions in accordance with the ARAVA Act.

Until 30 September 2015, VVO Asunnot Oy was included in the VVO State-subsidised segment. The company's division into fourteen receiving companies took effect on 1 October 2015. As a result of the division, some of the companies were transferred to the VVO Non-subsidised segment.

The group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end after 2017 belong to the VVO State-subsidised segment. The companies of the VVO State-subsidised segment are subject to the profit distribution restriction, and they 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 subject to revenue recognition restrictions totals approximately EUR 3 million. Some of the housing in the VVO State-subsidised segment is not subject to property-specific restrictions in accordance with the ARAVA Act.

The segments will be renamed as of the beginning of 2016 in accordance with the VVO brands (Lumo and VVO). The changes have no effect on the reported figures.

Turnover

VVO Group had a turnover of EUR 370.9 (356.5) million for the period 1 January–31 December 2015. The VVO Non-subsidised segment recorded a turnover of EUR 208.8 (176.4) million, and the VVO State-subsidised segment EUR 165.8 (184.9) million. Turnover is entirely generated by rental income.

Result and profitability

The Group’s net rental income totalled EUR 227.4 (210.0) million, representing 61.3 (58.9) per cent of turnover. The VVO Non-subsidised segment recorded a net rental income of EUR 134.6 (111.8) million, and the VVO State-subsidised segment EUR 94.9 (100.9) million.

The Group’s profit before taxes amounted to EUR 224.7 (146.5) million. The result includes a EUR 70.3 (26.2) million change in the fair value of investment properties, and capital gains and losses of EUR 2.7 (-4.6) million. The good result is based on changes in the fair value of investment properties, a good rental occupancy rate, the successful management of maintenance costs and low fi-nancial costs. Financial income and expenses totalled EUR -37.1 (-47.3) million.

Balance sheet and financing

The Group's balance sheet total at year-end amounted to EUR 4,236.1 (3,957.2) million. Equity totalled EUR 1,739.1 (1,579.5) million. Equity ratio on 31 December 2015 was 41.1 (40.0) per cent, and the equity ratio of the VVO Non-subsidised segment on 31 December 2015 was 45.7 (45.8) per cent. Equity per share was EUR 234.85 (213.30). The Group's return on equity was 10.8 (7.2) per cent and return on investment 7.6 (5.9) per cent.

The Group's liquidity remained good throughout the financial year. At the end of the financial year, the Group's liquid assets totalled EUR 116.0 (114.4) million. A total of EUR 108.8 (64.9) million of the facility associated with the commercial paper programme was in use at the end of the financial year. In 2015, VVO Group plc signed bilateral committed credit facility agreements of EUR 100 million, maturing in 2–5 years. In addition, an uncommitted credit facility agreement of EUR 5 million was signed. The credit facilities were unused on the balance sheet date.

At the end of the financial year, interest-bearing liabilities stood at EUR 1,494.6 (1,850.1) million, of which EUR 1,114.9 (930.7) million was accounted for by market-based loans. The hedging ratio of market-based loans was 72 (68) per cent. During the financial year, EUR 195.9 (124.2) million of new long-term financing was raised. A total of EUR 460.7 million of interest-bearing liabilities were transferred to non-current liabilities held for sale.

During the review period, the Group's net financial expenses totalled EUR 37.1 (47.3) million. Lower interest expenses, the change in fair value of derivatives not included in hedge accounting and sales profit from investments reduced the financial costs.

At the end of the review period, the average interest rate of the loan portfolio stood at 2.2 (2.6) per cent, including interest rate derivatives. The average maturity of loans at the end of the financial year was 9.8 (10.4) years.

Real estate property and fair value

The total number of rental apartments owned by VVO Group increased by 360 (599) and was 41,153 (40,793) at the end of the financial year. The VVO Non-subsidised segment accounted for 28,716 (20,044) and the VVO State-subsidised segment for 12,437 (20,749) of these apartments. At the end of the financial year, The Group owned apartments in 40 (42) municipalities.

The fair value of the rental apartments and business premises owned by VVO Group was EUR 3,999.2 (3,708.8) million on 31 December 2015, including the EUR 534.3 million amount classified as Non-current assets held for sale. In 2015, the fair value increased by EUR 290.4 (198.2) million. The changes include EUR 70.3 (26.2) million in net valuation gains on the fair value assessment of investment properties. Changes in market prices of apartments, rents and maintenance costs, as well as the expiry of state-subsidy limitations on individual properties contributed to the change.

The fair value of the rental apartments and business premises owned by the Group is determined quarterly on the basis of the company's own evaluation. An external expert issues a statement on the valuation of rental apartments and business premises owned by the Group. The last valuation statement was issued on the balance sheet date 31 December 2015. The criteria for determining fair value are presented in the Notes to the Financial Statements.

At the end of the financial year, the plot reserve held by the Group totalled approximately 130,000 floor sq m, being approximately 120,000 floor sq m at the beginning of the year. The value of the plot reserve on the balance sheet was approximately EUR 60 (39) million at the end of the financial year.

Rental housing

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

The rental occupancy rate remained good, standing at 97.6 (98.1) per cent for the financial year. At the end of the year, 334 (451) apartments were vacant due to renovations.

Tenant turnover, including internal turnover, increased slightly and was 27.2 (25.8) per cent.

The total increase of rental income was in the financial year was 4.1 (3.9) per cent. The increase in rental income was influenced by the rent adjustment, 3.5 (3.5) per cent on average, implemented in March 2015, as well as the change in the housing stock.

With regard to the housing stock as a whole, the average rent during the year was EUR 13.45 (12.91) per sq m per month. At the end of the financial year, the average rent was EUR 13.66 (13.04). The average rent for the Group’s 28,167 (26,841) rental apartments subject to market-based determination of rent (the Lumo brand) was EUR 13.72 (13.17) during the period and EUR 13.99 (13.33) at the end of the financial year. The corresponding figure for the 12,968 (13,952) cost principle, state-subsidised rental apartments of the VVO brand was EUR 12.87 (12.42) during the period and EUR 12.93 (12.49) at the end of the financial year.

The average duration of tenancy remained high, at 5.9 (5.9) years. At the end of the financial year, there were 14,456 (15,785) active applications. (Applications are active for three months.) The average number of active applications per rental agreement termination was 18.6 (22.9). A total of 61,201 (67,528) new housing applications were received during the financial year. The deployment of the Lumo Kotinyt.fi service was one of the factors contributing to the number of applications.

Thanks to successful rental control and our housing advisory service, the proportion of

annual turnover from rental operations accounted for by rent receivables remained low and stood at 0.9 (1.2) per cent at the end of the review period. During the financial year, VVO Group's housing ad-visory service was expanded to the entire country.
VVO Group launched an online apartment rental service at www.lumo.fi/kotinyt during the period. The Kotinyt.fi service is a new method for renting an apartment without waiting: the customer chooses a suitable Lumo rental apartment, pays the rent for the first month and can move in on the next weekday, for instance. The new service was an immediate success.

In Helsinki, Espoo, Tampere, Jyväskylä, and Turku, we introduced car sharing co-operation with 24Rent. The car-share vehicle can be reserved by the residents of the respective Lumo property and picked up from the building's own designated car park.

The agreements signed with DNA and Elisa on faster broadband connections entered into force on 1 January 2015: a 10-megabit broadband connection that is included in the rent is now available in nearly all of the Group's apartments.
The results of the annual client satisfaction survey were finalised during the period and, according to them, tenant satisfaction has remained high: nearly 90 per cent of them have recommended or ready to recommend VVO Group as a landlord. In 2015, the net promoter score (NPS) was 38 (New tenant survey).

The Building of the Year 2015 was Koulukatu 1 in Lappeenranta, announced at VVO Group's annual Housing Day event.

Investments, divestments and real estate development

The Group’s gross investments during the financial year totalled EUR 235.0 (200.5) million. Total repair costs and modernisation investments during the financial year amounted to EUR 92.3 (78.6) million, of which modernisation investments accounted for EUR 45.8 (29.1). The VVO Non-subsidised segment accounted for EUR 228.1 (186.4) million of gross investments, and the VVO State-subsidised segment for EUR 6.9 (14.3) million.

The year-on-year change in property maintenance costs excluding repair costs has remained similar to the previous year, being -0.1 (-2.9) per cent. More extensive competitive bidding procedures, general improvement of efficiency and the exceptionally warm late-year weather contributed to the decrease in maintenance costs.

At the end of the financial year, binding acquisition agreements totalled EUR 253.9 (265.9) million. Approximately 1,768 new apartments will be built under the acquisition agreements, of which 1,189 were under construction at the end of the financial year.

During the review period, properties’ consumption of heating energy was 346 (384) GWh.

In 2015, the VVO Group decided to invest over EUR 230 million in new construction, property acquisitions and repairs and renovations. The number of new development start-ups remained nearly unchanged compared with the previous year. The new start-ups are mainly located in the Helsinki Metropolitan Area. The construction of a total of 798 (856) new Lumo apartments began in 2015. At the end of the financial year, 1,189 (1,127) Lumo apartments were under construction at 16 (16) sites. Of the apartments under construction, 908 (733) are located in the Helsinki region and 281 (394) in other Finnish growth centres.

In 2015, 736 (750) Lumo rental apartments were completed in VVO Group. Of these, 502 were built in the Helsinki region and 234 in other parts of Finland.

VVO Group bought 64 (172) apartments during the financial year.

In addition, the Group signed an agreement with Rakennusosakeyhtiö Hartela on the development of rental apartments in Helsinki, Espoo, Tuusula and Lahti, with a total value of approximately EUR 41 million. This agreement involves the construction of 205 apartments and is a continuation to the more than EUR 100 million agreement published in autumn 2014. In addition, the City of Espoo sold a specified parcel of an apartment block plot to VVO Group in an open competitive tendering. The plot is located in the Jousenpuisto city plan zone in the Tapiola district of Espoo. The purchase price of the plot was EUR 9 million.

During the financial year, a total of 458 (291) apartments were sold from the rental housing stock at different locations, including Jyväskylä, Rovaniemi, Salo, Mäntsälä, Kouvola, Hyvinkää, Mikkeli, Kerava, Imatra, Rauma, Oulu and Lempäälä. The recognised profit/loss on sales of investment properties totalled EUR 2.7 (-4.6) million.

Personnel

At the end of 2015, VVO Group had a total of 356 (343) employees, of which 323 (317) were on permanent contracts and 33 (26) were on temporary contracts. The average number of personnel during the year was 364 (339). The average length of service was 11.4 (11.2) years. Personnel turnover in 2015 was 13.5 (14.0) per cent.

In accordance with the preliminary agreement signed on 30 November 2015, 66 employees will transfer to the Y-Foundation group as so-called established employees.

The salaries and fees paid in 2015 totalled EUR 18.0 (17.2) million.

Responsibility

VVO Group plc's operations are based on the provision of a diverse range of safe, high-quality rental housing. VVO Group seeks to participate in the debate on Finnish housing policy to improve the standing of rental housing.

During the review period, the Group published its theses for the improvement of housing policy. The theses address the possibilities to increase the production of rental apartments, the factors affecting the costs of construction and housing, as well as support for housing and construction.

The anti-grey economy models used by the company exceed legislative requirements in many respects. We continuously monitor the fulfilment of contractor obligations for all of the companies in our supplier network through the Reliable Partner service at the tilaajavastuu.fi website.

VVO Group will continue its climate partnership agreement with the City of Helsinki. The Group has also committed to following the Rental Property Action Plan (VAETS), which has set a 2016 heating energy savings target of seven per cent compared with 2009. 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.

VVO Group plc was approved as a member of Climate Leadership Council (CLC). CLC is a com-munity of leading Finnish companies and organisations. Its objective is to improve the ability of Finnish businesses and research organisations to respond to the threats posed by climate change and to utilise related business opportunities.

Under VVO Group's Virkeä programme, sponsorships were awarded to 50 promising athletes in 2015. A total of 300 grants have been awarded since 2012. The sponsorship grant may be awarded to a young athlete of 12–20 years of age who has shown commitment and desire to succeed in his/her sport. In 2015, the Virkeä athletes are Lassi Etelätalo (athletics), Henry Manni (wheelchair racing), Nooralotta Neziri (athletics), Venla Paunonen (athletics), Tommi Pulli (speed skating), Mimosa Jallow (swimming) and Jenni

Saarinen (figure skating). The first Virkeä team sponsorship programme was opened for applications towards the end of the review period.

Risk and risk management

VVO Group’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 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 rental occupancy rate, an increase in resident turnover and an increase in rent receivables. Factors affecting these risks include economic fluctuations 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 Group is developing its rental 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.

A drop in apartment prices can affect the fair value of property assets.

The financial risks associated with VVO Group’s business are managed in accordance with the treasury policy confirmed by VVO Group plc’s Board of Directors. The treasury policy defines the objectives of VVO Group’s financing activities, division of responsibilities, operating principles, financial risk management principles as well as monitoring and reporting principles. The objectives of VVO Group’s treasury function are to ensure the availability of financing, maintain liquidity cost-efficiently at all times and manage financial risks.

The most significant financial risks are associated with the availability and costs of financing. The refinancing risk is mitigated by diversifying the financing sources and instruments in the loan portfolio, spreading the maturity of loans and maintaining a strong balance sheet structure. The interest risk associated with the loan portfolio is managed by dividing loans between fixed and floating rate loans, by different interest rate renewal periods and by the use of interest rate derivatives. The company’s financial risks and risk management are described in more detail in Note 25 to the fi-nancial statements.

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 control and risk management and reports to the CEO and the Audit Committee.

Group structure and changes

At the end of the financial year, the legal VVO Group comprised 235 (201) subsidiaries and 32 (34) associated companies. In addition, VVO Group plc 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.

On 1 September 2015, Korkotukikiinteistöt Oy was divided into seven companies. The new companies are VVO Korkotuki 2015 Oy, VVO Korkotuki 2016 Oy, VVO Korkotuki 2017 Oy, VVO Korkotuki 2018 Oy, VVO Korkotuki 2019 Oy, VVO Korkotuki 2020 Oy and VVO Korkotuki 2021 Oy.

On 1 October 2015, VVO Asunnot Oy was divided into fourteen companies. The new companies resulting from the division are VVO Asunnot Oy, VVO Hoivakiinteistöt Oy, VVOhousing 1 Oy, VVOhousing 2 Oy, VVOhousing 3 Oy, VVOhousing 4 Oy, VVOhousing 5 Oy, VVOhousing 6 Oy, VVOhousing 7 Oy, VVOhousing 8 Oy, VVOhousing 9 Oy, VVOhousing 10 Oy, VVOhousing 11 Oy and VVOhousing 12 Oy.

Subsidies wholly owned by VVO Group plc are VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy, VVO Palvelut Oy (in charge of invoicing for the Group’s internal and external property business), as well as the receiving companies that were formed as a result of the division of VVO Korkotukikiinteistöt Oy and VVO Asunnot Oy.

VVO has been engaged in administrative litigation to overturn the designation of VVO Vuokra-asunnot Oy as a non-profit company, and the Supreme Administrative Court has now resolved the case in VVO Group’s favour. The case was returned to the Housing Finance and Development Centre of Finland (ARA) for reconsideration early this year. On VVO Group’s application, ARA cancelled VVO Vuokra-asunnot Oy’s non-profitstatus. On 1 January 2016, VVO Vuokra-asunnot Oy merged with VVO Kodit Oy.

Group structure 31 Dec 2015	Subsidiaries	Associated companies
VVO Group plc	1) 27	2
Parent companies of sub-groups		
VVO Asunnot Oy	17	2) 10
VVO Korkotuki 2015 Oy	1	1
VVO Korkotuki 2016 Oy		1
VVO Korkotuki 2017 Oy	1	2
VVO Korkotuki 2018 Oy	1	
VVO Korkotuki 2020 Oy		1
VVO Korkotuki 2021 Oy	1	
VVO Kodit Oy	160	2) 18
VVOhousing 1 Oy	4	3
VVO Vuokra-asunnot Oy	6	
VVO Vuokratalot Oy	13	2) 3
Parking and maintenance companies	3	2
VVO Palvelut Oy	1	
Total	235	43

1) Includes the parent companies of the sub-groups and other subsidiaries listed, excluding parking and maintenance companies.
2) 11 of the associated companies are subsidiaries in the remaining group

Events after the period

In accordance with the preliminary agreement signed on 30 November 2015, a total of 8,631 cost principle, state-subsidised ARA rental apartments, located around Finland, are transferred to Kiinteistö OY Y-Asunnot which is part of the Y-Foundation. The details of this transaction are still pending.

Administration 2015

Board of Directors

Until 19 March 2015, the Board of Directors consisted of Chairman Riku Aalto and Vice Chairman Tomi Aimonen, with Matti Harjuniemi, Olli Luukkainen, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin as members.

Riku Aalto was elected Chairman of the Board of Directors for the term beginning on 19 March 2015. Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin were elected as members. The Board chose Tomi Aimonen as Vice Chairman.

Board Committees

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

Until 19 March 2015, the Remuneration Committee was chaired by Riku Aalto and included Tomi Aimonen and Ann Selin as members. As of 19 March 2015, the Remuneration Committee was chaired by Riku Aalto and included Olli Luukkainen, Reima Rytsölä and Ann Selin as members.

Until 19 March 2015, the Audit Committee was chaired by Riku Aalto and included Matti Harjuniemi and Reima Rytsölä as members. As of 19 March 2015, the Audit Committee was chaired by Tomi Aimonen and included Matti Harjuniemi, Jorma Malinen and Jan-Erik Saarinen as members.

Nomination Committee

Until 19 March 2015, the Nomination Committee was chaired by Jarkko Eloranta and included Timo Ritakallio, Pasi Pesonen and Ville-Veikko Laukkanen as members. As of 19

March 2015, the Nomination Committee was chaired by Jarkko Eloranta and included Ville-Veikko Laukkanen, Pasi Pesonen and Esko Torsti as members.

CEO

Jani Nieminen, M.Sc. (Tech.), MBA was CEO during the review period. The CEO's deputy was CFO Raimo Vehkaluoto, M.Sc. (Econ.) until 18 May 2015, at which date Erik Hjelt started his em-ployment as the new CFO and Deputy CEO.

Management Group

The VVO Group Management Group was composed of CEO Jani Nieminen (Chairman), CFO Raimo Vehkaluoto until 18 May 2015 and CFO Erik Hjelt as of 18 May 2015, Director of Customer Relations Juha Heino, Investment Director Mikko Suominen, Real Estate Development Director Kim Jolkkonen, Marketing and 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, also attended Management Group meetings.

Auditor

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

Annual General Meeting

The Annual General Meeting was held on 19 March 2015. The AGM adopted the financial statements and consolidated financial statements for 2014. A decision was made to pay a dividend of EUR 3.00 per series A share, totalling EUR 22,207,680.00, on 8 April 2015. The members of the Board of Directors and the CEO were discharged from liability for the financial year ending on 31 December 2014. Furthermore, the AGM decided to confirm the attendance allowance for Board meetings as EUR 600 per meeting and set the following annual fees for the term beginning on 19 March 2015: EUR 20,000 for the Chairman, EUR 11,000 for the Deputy Chairman and EUR 8,000 for each of the members.

The following members were elected by the Annual General Meeting to the Board of Directors for the term beginning on 19 March 2015: Riku Aalto (Chairman), Tomi Aimonen, Matti Harjuniemi, Olli Luukkainen, Jorma Malinen, Reima Rytsölä, Jan-Erik Saarinen and Ann Selin.

Authorised public accountants KPMG Oy Ab was elected auditor by the AGM, with APA Kai Salli as the principal auditor.

The AGM also discussed the proposal of the company's Board of Directors, dated 27 February 2015, 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.

Furthermore, the AGM discussed a proposal to the AGM concerning the Nomination Committee, made by shareholders jointly holding 51.25 percent of the company's shares. One of the Commit-tee's responsibilities is to prepare a proposal on the election of members of the Board and their fees to the AGM. The term of the Nomination Committee lasts until the end of the next Annual General meeting.

The AGM elected the following persons to the Nomination Committee: Jarkko Eloranta (Chairman, Trade Union for the Public and Welfare Sectors), Pasi Pesonen (President, Trade Union of Education in Finland OAJ), Ville-Veikko Laukkanen (Director, Varma Mutual Pension Insurance Compa-ny), Esko Torsti (Director, Ilmarinen Mutual Pension Insurance Company). In addition, the Chair-man of the Board, Riku Aalto, has the right to attend the meetings.

Share capital and shares

According to the Articles of Association of VVO Group plc, the company's minimum capital is EUR 30,000,000 and 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 2015 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 2015 was 7,402,560.

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Share capital (€)	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00	58,025,136.00
Share, Series A (no.)	7,402,560	7,402,560	7,402,560	7,402,560	7,402,560

Board authorisations

The Annual General Meeting held on 19 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 sub-scription prices and other terms and conditions of subscription, the terms and conditions of transfer including the transfer price, which must, however, be the fair 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 2015, the Board of Directors had not exercised this authorisation.

Shareholdings

There are a total of 59 shareholders in VVO Group plc, the largest 10 being (share register at 31 December 2015):

Distribution of shareholdings

Shares	No. of owners	Holding, %	No. of shares	% of shares
1–1,000	12	20.34	7,560	0.10
1,001–2,000	6	0.10	9,998	0.14
2,001–20,000	21	0.36	147,614	1.99
20,001–100,000	10	0.17	463,100	6.26
100,001–200,000	1	0.02	102,560	1.39
200,001–	9	0.15	6,671,728	90.13
Total	**59**	**100.00**	**7,402,560**	**100.00**

Shareholder	No. of Series A shares	Holding, %
Ilmarinen Mutual Pension Insurance Company	1,338,076	18.08
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
Industrial Union TEAM	443,270	5.99
Union of Health and Social Care Professionals TEHY	102,560	1.39
Others	622,526	8.41
Total	**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 2015 was EUR 188,723,664.19, of which the profit for the financial period was EUR 159,582,730.80. No significant changes have taken place in the company’s financial position 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 5.00 per share to be paid for every Series A share, totalling EUR 37,012,800.00, and EUR 151 710 864,19 to be retained in unrestricted shareholders’ equity.

Main » Financial Statements » Financial Statements » Consolidated income statement, IFRS

Consolidated income statement, IFRS

M €	Note	1-12/2015	1-12/2014
Total revenue		**370.9**	**356.5**
Maintenance expenses		-97.0	-97.1
Repair expenses		-46.5	-49.5
Net rental income		**227.4**	**210.0**
Administrative expenses	5, 7	-39.7	-38.7
Other operating income	4	2.1	2.9
Other operating expenses	4	-0.4	-0.9
Profit/loss on sales of investment properties	4	2.7	-4.6
Profit/loss on sales of trading properties		0.0	-0.2
Fair value change of investment properties	11	70.3	26.2
Depreciation, amortisation and impairment losses	6	-1.2	-1.7
Operating profit / loss		**261.2**	**192.9**
Financial income		7.8	2.7
Financial expenses		-44.8	-50.0
Total amount of financial income and expenses	8	**-37.1**	**-47.3**
Share of result from associated companies		0.6	0.9
Profit before taxes		**224.7**	**146.5**
Current tax expense	9	-22.1	-23.5
Change in deferred taxes	9	-23.2	-12.2
Profit/loss for the period		**179.4**	**110.8**
Profit of the financial period attributable to			
Shareholders of the parent company		179.3	110.7
Non-controlling interests		-0.1	-0.1

Earnings per share based on profit attributable to equity holders of the parent company			
Basic, euro	10	24.23	14.95
Diluted, euro	10	24.23	14.95
Average number of the shares, millions	10	7.4	7.4

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

M €		1-12/2015	1-12/2014
Profit/loss for the period		**179.4**	**110.8**
Other comprehensive income			
Items that may be reclassified subsequently			
to profit or loss			
Cash flow hedgings	8	4.6	-19.5
Available-for-sale financial assets		-1.6	0.6
Deferred taxes		-0.6	3.8
Items that may be reclassified subsequently to profit or loss		**2.4**	**-15.1**
Total comprehensive income for the period		**181.8**	**95.7**
Total comprehensive income attributable to			
Shareholders of the parent company		181.7	95.6
Non-controlling interests		-0.1	-0.1

Consolidated balance sheet, IFRS

M €	Note	31 Dec 2015	31 Dec 2014	1 Jan 2014
ASSETS				
Non-current assets				
Intangible assets	13	1.1	1.4	1.7
Investment properties	3, 11	3,464.9	3,708.8	3,510.3
Property, plant and equipment	12	31.2	31.7	32.3
Investments in associated companies		1.0	3.5	3.2
Financial assets	14	0.5	0.6	0.6
Non-current receivables	15	2.2	2.8	3.8
Deferred tax assets	16	12.0	11.8	7.4
Non-current assets total		**3,513.1**	**3,760.6**	**3,559.4**
Investment properties held for sale	3, 11	541.0	0.0	0.0
Current assets				
Trading properties	17	1.0	3.0	5.3
Current tax assets		1.7	1.4	0.1
Trade and other receivables	18	8.8	9.6	13.2
Financial assets		54.6	68.3	65.8
Cash and cash equivalents	19	116.0	114.4	130.2
Current assets total		**182.0**	**196.7**	**214.6**
ASSETS TOTAL		**4,236.1**	**3,957.2**	**3,774.0**
SHAREHOLDER' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	20	58.0	58.0	58.0
Share issue premium		35.8	35.8	35.8
Fair value reserve		-32.6	-35.0	-19.9
Invested non-restricted equity reserve		17.9	17.9	17.9
Retained earnings		1,659.4	1,502.3	1,407.9

Equity attributable to shareholders of the parent company		**1,738.5**	**1,579.0**	**1,499.6**
Non-controlling interests		0.6	0.5	0.4
Total equity		**1,739.1**	**1,579.5**	**1,500.1**
LIABILITIES				
Non-current liabilities				
Liabilities	21	1,259.8	1,689.3	1,657.2
Deferred tax liabilities	16	429.8	405.9	392.8
Derivatives	22	48.4	53.7	29.1
Provisions	23	0.9	1.5	1.3
Other non-current liabilites		7.1	7.4	8.0
Non-current liabilities total		**1,746.0**	**2,157.7**	**2,088.5**
Liabilities held for sale	3	467.1	0.0	0.0
Current liabilities				
Current liabilities	21	234.7	160.8	132.6
Derivatives	22	1.3	1.1	1.2
Current tax liabilities		9.9	12.3	5.9
Trade and other payables	24	38.0	45.9	45.7
Current liabilities total		**283.9**	**220.0**	**185.4**
Total liabilities		**2,497.1**	**2,377.8**	**2,273.9**
TOTAL EQUITY AND LIABILITIES		**4,236.1**	**3,957.2**	**3,774.0**

Main » Financial Statements » Financial Statements » Consolidated statement of cash flows, IFRS

Consolidated statement of cash flows, IFRS

M €	Note	1-12/2015	1-12/2014
Cash flow from operating activities			
Profit for the period		179.4	110.8
Adjustments	27	9.0	61.7
Change in net working capital		0.0	2.1
Interest paid		-42.4	-45.2
Interest received		0.6	1.0
Other financial items		-0.5	-0.2
Taxes paid		-24.8	-18.4
Net cash flow from operating activities		**121.3**	**111.7**
Cash flow from investing activities			
Acquisition of investment properties		-230.9	-200.3
Acquisition of property, plant and equipment and intangible assets		-0.5	-0.3
Proceeds from sale of investment properties		15.4	26.4
Proceeds from sale of associated companies		0.0	0.6
Purchases of financial assets		-39.0	-13.2
Proceeds from sale of financial assets		53.7	11.7
Non-current loans, granted		-0.2	
Repayments of non-current receivables		0.5	0.1
Interest and dividends received on investments		1.3	1.1
Net cash flow from investing activities		**-199.8**	**-173.8**
Cash flow from financing activities			
Non-current loans, raised		195.9	124.2
Non-current loans, repayments		-134.2	-60.9

Current loans, raised	252.3	197.4
Current loans, repayments	-209.1	-198.1
Dividends paid	-22.2	-16.3
Net cash flow from financing activities	**82.7**	**46.3**
Change in cash and cash equivalents	**4.2**	**-15.8**
Cash and cash equivalents in the beginning of period	**114.4**	**130.2**
Cash and cash equivalents at the end of period	**118.6**	**114.4**

*) 31 Dec 2015 includes liquid assets related to Assets held for sale

Main » Financial Statements » Financial Statements » Consolidated statement of changes in shareholders' equity, IFRS

Consolidated statement of changes in shareholders' equity, IFRS

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2015	58.0	35.8	-35.0	17.9	1,502.3	1,579.0	0.5	1,579.5
Comprehensive income								
Cash flow hedging			3.7			3.7		3.7
Available-for-sale financial assets			-1.3			-1.3		-1.3
Result for the financial period					179.3	179.3	0.1	179.4
Total comprehensive income	**0.0**	**0.0**	**2.4**	**0.0**	**179.3**	**181.7**	**0.1**	**181.8**
Transactions with shareholders								
Dividend payment					-22.2	-22.2		-22.2
Total transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**-22.2**	**-22.2**	**0.0**	**-22.2**
Total change in equity			2.4		157.1	159.5	0.1	159.6
Equity at 31 Dec 2015	**58.0**	**35.8**	**-32.6**	**17.9**	**1,659.4**	**1,738.5**	**0.6**	**1,739.1**

M €	Share capital	Share issue premium	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Equity attri-butable to share-holders of the parent company	Non-controlling interests	Total equity
Adjusted equity at 1 Jan 2014	58.0	35.8	-19.9	17.9	1,407.9	1,499.7	0.4	1,500.1
Comprehensive income								
Cash flow hedging			-15.6			-15.6		-15.6
Available-for-sale financial assets			0.5			0.5		0.5
Result for the financial period					110.7	110.7	0.1	110.8
Total comprehensive income	**0.0**	**0.0**	**-15.1**	**0.0**	**110.7**	**95.6**	**0.1**	**95.7**
Transactions with shareholders								
Dividend payment					-16.3	-16.3		-16.3
Total transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**-16.3**	**-16.3**	**0.0**	**-16.3**
Total change in equity			-15.1		94.4	79.3	0.1	79.4
Equity at 31 Dec 2014	**58.0**	**35.8**	**-35.0**	**17.9**	**1,502.3**	**1,579.0**	**0.5**	**1,579.5**

Notes to the consolidated financial statements

1. Accounting policies for consolidated financial statements

Basic information of the Group

VVO Group plc is Finland's largest market-based, private-sector landlord that has offered versatile and effortless rental solutions for over 45 years. Its range of apartments is extensive. On 31 December 2015, the Group owned 41,153 rental apartments across Finland. Of these, 28,167 are Lumo apartments (market-based rent) and 12,986 are VVO apartments (cost principle rent).

VVO Group's parent company, VVO Group plc, is a Finnish public limited company established under Finnish law and domiciled in Helsinki. Its registered address is Mannerheimintie 168, 00300 Helsinki, Finland. The Board of Directors approved the financial statements for 2015 on 2 March 2016. A copy of the consolidated financial statements is available at www.vvo.fi or the parent company head office.

In its meeting on 2 March 2016, VVO Group plc's Board of Directors has approved these financial statements to be published. According to the Finnish Limited Liability Companies Act, the shareholders may approve or reject the financial statements in a General Meeting held after the publication of the financial statements. Moreover, the General Meeting may make a decision on altering the financial statements.

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs). All IFRS and IAS, as well as SIC and IFRIC interpretations in force on 31 December 2015 and approved by the EU for application have been applied to the preparation of the financial statements. The International Financial Reporting Standards refer to the standards and associated interpretations in the Finnish

Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No. 1606/2002. VVO has not early adopted any standards or interpretations. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS rules.

The figures in the consolidated financial statements are in euro, presented mainly as million euro. All the figures presented are rounded. Consequently, the sum of individual figures may deviate from the aggregate amount presented. The key figures have been calculated using exact values. The consolidated financial statements are presented for the calendar year, which is also the reporting period for the parent company and the Group.

Investment properties, derivative instruments and available-for-sale financial assets are measured at fair value after initial recognition. In other respects, the consolidated financial statements are prepared on the basis of original acquisition cost, unless otherwise stated in the accounting policies.

Transition to IFRS

The financial statements for 2015 are VVO's first consolidated IFRS financial statements. For periods up to and including the year ended 31 December 2014, VVO has prepared its consolidated financial statements in accordance with Finnish Accounting Standards (FAS). VVO's Annual Report 2014 includes FAS accounting policies. The Group's date of transition to IFRS was 1 January 2014. VVO has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in the transition. The accounting policies described below have been applied to the preparation of the financial statements for the financial year ended 31 December 2015, the comparative information for the financial year ended 31 December 2014 and the opening IFRS balance sheet 1 January 2014.

The transition from FAS to IFRS has affected the reported financial position, financial performance and cash flows of VVO. The effects of the transition are described in more detail in the notes to the consolidated financial statements, including:

- reconciliations of the consolidated equity reported in accordance with FAS to the consolidated equity in accordance with IFRS, as at 1 January 2014 (opening IFRS balance sheet) and as at 31 December 2014
- a reconciliation of total comprehensive income in accordance with FAS to total comprehensive income in accordance with IFRS for the financial year 2014.

Consolidation policies

The consolidated financial statements include the parent company VVO Group plc, the subsidiaries, interests in joint arrangements (joint operations) and investments in associated companies.

More detailed information on entities consolidated on the consolidated financial statements for 2015 is provided in Note 31 to the consolidated financial statements.

Subsidiaries

Subsidiaries are companies that are under the parent company's control. VVO is considered to control an entity when VVO is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its control over the entity. The control is usually based on the parent company's direct or indirect holding of more than 50 per cent of the voting rights in the subsidiary. Should facts or circumstances change in the future, VVO will reassess whether it continues to have control over the entity.

Mutual shareholdings are eliminated using the acquisition cost method. Subsidiaries acquired during the financial year are consolidated in the financial statements from the day of acquisition, when the Group gained control of the company. Divested subsidiaries are consolidated until the date of divestment, when control ceases. Intra-Group transactions, receivables, liabilities, essential internal margins and internal profit distribution have been eliminated in the consolidated financial statements.

The result for the financial year and total comprehensive income are allocated to the owners of the parent company and non-controlling interests, and this allocation is presented in the income state-ment and comprehensive income. The result for the financial year and total comprehensive income are allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company. Equity attributable to non-controlling interests is presented on the balance sheet separate from equity attributable to shareholders of the parent company.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or joint venture. In a joint operation, VVO has rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is an arrangement in which VVO has rights to the net assets of the arrangement. All of VVO's joint arrangements are joint operations. They include those housing companies and mutual real estate companies in which VVO has a holding of less than 100 per cent. In these companies, the shares held by VVO carry entitlement to control over specified premises.

VVO includes in its consolidated financial statements on a line-by-line basis and in proportion to its ownership its share of the assets and liabilities on the balance sheet related to joint operations, as well as its share of any joint assets and liabilities. In addition, VVO recognises its income and expenses related to joint operations, including its share of the income and expenses from joint operations. VVO applies this proportional consolidation method to all the joint operations described above, regardless of the Group's holding. If the proportionally consolidated companies have such items on the consolidated comprehensive income statement or balance sheet that solely belong to VVO or other owners, these items are dealt with accordingly also in VVO's consolidated financial statements.

Associated companies

Associated companies are entities over which VVO has considerable influence. Considerable influence is basically defined as VVO holding 20–50 per cent of the votes in the company or VVO is otherwise exercising considerable influence but does not have control in the company. Holdings in associated companies are consolidated in the financial statements using the equity method from the date of acquiring considerable influence until the date when the considerable influence ends. VVO's share of the results of associated companies is shown on a separate line on the income statement.

Business combinations and asset acquisition

Acquisitions of investment properties by VVO are accounted for as an acquisition of asset or a group of assets, or a business combination within the scope of IFRS 3 Business Combinations. Reference is made to IFRS 3 to determine whether a transaction is a business combination. This requires the management's judgment.

IFRS 3 is applied to the acquisition of investment property when the acquisition is considered to constitute an entity that is treated as a business. Usually, a single property and its rental agreement does not constitute a business entity. To constitute a business entity, the acquisition of the property should include acquired operations and people carrying out these operations, such as marketing of properties, management of tenancies and property repairs and renovation.

The consideration transferred in the business combination and the detailed assets and accepted liabilities of the acquired entity are measured at fair value on the acquisition date. Goodwill is recognised at the amount of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus VVO's share of the fair value of the acquired net assets. Goodwill is not amortised, but it is tested for impairment at least annually.

Acquisitions that do not meet the definition of business in accordance with IFRS 3 are accounted for as asset acquisitions. In this event, goodwill or deferred taxes, etc., are not recognised.

Translation of foreign currency items

Transactions in foreign currency are recorded in EUR at the exchange rate on the transaction date. On the last date of the reporting period, monetary receivables and liabilities denominated in foreign currencies are translated into EUR at the exchange rate of the last date of the reporting period. Gains and losses arising from transactions denominated in foreign currency and from translating monetary items are recognised in profit or loss, and they are included in financial income and expenses. Consolidated financial statements are presented in EUR, which is the parent company's functional and presentation currency.

The Group has very few transactions denominated in foreign currencies. VVO has no units abroad.

Investment properties

General recognition and measurement principles for investment property

Investment property refers to an asset (land, building or part of a building) that VVO Group retains to earn rental income or capital appreciation, or both. An investment property can be owned directly or through an entity. Properties used for administrative purposes are owner-occupied property and included in the balance sheet line item “Property, plant and equipment”. An investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property.

Investment property is measured initially at acquisition cost, including related transaction costs, such as transfer taxes and professional fees, as well as capitalised expenditure arising from eligible modernisation. The acquisition cost also includes related borrowing costs, such as interest costs and arrangement fees, directly attributable to the acquisition or construction of an investment property. The capitalisation of borrowing costs is based on the fact that an investment property is a qualifying asset, i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation commences when the construction of a new building or extension begins and continues until such time as the asset is substantially ready for its intended use or sale. Capitalisable borrowing costs are either directly attributable costs accrued on the funds borrowed for a construction project or costs attributable to a construction project.

After initial recognition, investment property is carried at fair value. The resulting changes in fair values are recognised in profit or loss as they arise. Fair value gains and losses are presented netted as a separate line item in the income statement. According to IFRS 13, Fair value measurement, fair value refers to the price that would be received from selling an asset or paid to trans-fer a liability in an orderly transaction between market participants at the measurement date.

Some of the investment properties are subject to legislative divestment and usage restrictions. The so-called non-profit restrictions apply to the owning company, and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, permanent restrictions on the company’s operations, distribution of profit, lending and provision of collateral, and the divestment of investments. The property-specific restrictions include fixed-term restrictions on the use of apartments, the selection of residents, the determination of rent and divestment of apartments.

VVO's investment property portfolio incorporates the completed investment property, investment property under construction and under major renovation and VVO Group's plot reserve. Properties classified as trading properties as well as properties classified as held for sale are included in the Group's property portfolio but excluded from the balance sheet item "Investment properties". A property is reclassified from 'Investment properties' under 'Trading properties' in the event of a change in the use of the property, and under 'Investment property held for sale', when the sale of an investment property is deemed highly probable.

An investment property is derecognised from the balance sheet on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are presented netted as a separate line item in the income statement.

Valuation techniques

The fair value of investment property determined by VVO Group is based on transaction value, income value and acquisition cost.

Transaction value

Properties of which apartments can be sold by VVO Group without restrictions are measured using transaction value. The value as of the measurement date is based on actual sales prices of com-parable apartments for the two preceding years. The source of market data applied by VVO Group is price tracking service provided by the Central Federation of Finnish Real Estate Agencies (KVKL), including pricing information on sales of individual apartments in Finland provided by real estate agents. The resulting transaction value is individually adjusted based on the condition, loca-tion, and other characteristics of the rental property.

Income value (yield value)

Yield value is applied when a property is required to be kept in rental use based on state-subsidised loans (so-called ARAVA loans) or interest subsidy loans, and it can be sold just as an entire property and to a restricted group of buyers. In the yield value method, the fair value is determined by capitalising net rental income, using property-specific required rate of net rental income. The method also considers the impact of future renovations and the present value of any interest subsidies.

Acquisition cost (Balance sheet value)

VVO Group estimates that the acquisition cost of properties under construction, interest subsidised (long-term) rental properties and state-subsidised rental properties (so-called ARAVA properties) approximate their fair values. State-subsidised and interest subsidised (long-term) rental properties are carried at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

Fair value hierarchy

Inputs used in determining fair values (used in the valuation techniques) are classified on three levels in the fair value hierarchy. The fair value hierarchy is based on the source of inputs.

Level 1 inputs

Quoted prices (unadjusted) in active markets for identical investment property.

Level 2 inputs

Inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 3 inputs

Unobservable inputs for investment property.

An investment property measured at fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The fair value measurement for all of the investment property of VVO Group has been categorised as a Level 3 fair value, as observable market information for the determination of fair values has not been available.

Investment properties classified as held for sale

If the sale of an operative investment property is deemed highly probable, such a property is transferred from the balance sheet item “Investment property” to “Investment property held for sale”. On that date, the carrying amount of the property is considered to be recovered principally through a sale transaction rather than through continuing use in rental. Reclassification requires that a sale is deemed highly probable and:

- the investment property is available for immediate sale in its present condition subject to usual and customary terms
- management is committed to an active plan to sell the property and VVO Group has ini-tiated a programme to locate a buyer and complete the plan
- the property is actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale should be expected to qualify for recognition as a completed sale within 12 months of the date of classification.

Investment properties classified as held for sale are measured at fair value.

Trading properties

Trading properties include properties meant for sale which do not meet the objectives of the company due to their location, type or size. A property is reclassified from the balance sheet item “Investment properties” under “Trading properties” in the event of a change in the use of the property. This is evidenced by commencement of development with a view to sale. If an investment property is being developed with a view to a sale, it will be accounted for as a trading property.

Trading properties are measured at the lower of the acquisition cost or the net realisation value. The net realisation value is the estimated selling price in the ordinary course of business deducted by the estimated costs necessary to make the sale. If the net realisation value is lower than the carrying amount, an impairment loss is recognised.

When a trading property becomes an investment property measured at fair value, the difference between the fair value on the transfer date and its previous carrying amount is recognised in the income statement under “Profit/loss on sales of trading properties”.

VVO Group's trading properties includes mainly single apartments ready for sale, business premises and parking facilities that are meant for sale but have not been sold by the balance sheet date.

Property, plant and equipment

Property, plant and equipment are measured at their original acquisition cost, less accumulated depreciation and possible impairment losses, adding capitalised costs related to modernisations. VVO's property, plant and equipment consist mainly of buildings, land and machinery and equipment.

The acquisition cost includes costs that are directly attributable to the acquisition of the property, plant and equipment item. If the item consists of several components with different useful lives, they are treated as separate items of property, plant and equipment. In this case, costs related to the replacement of a component are capitalised, and any remaining carrying amount is derecognised from the balance sheet in connection with the replacement. Government grants received for the acquisition of property, plant and equipment are recorded as a reduction of the acquisition cost of said property, plant and equipment asset. The grants are recognised in income as lower depreciation charges over the useful life of the asset.

Costs that arise later as a result of additions, replacements of parts or maintenance, such as modernisation costs, are included in the carrying amount of the property, plant and equipment asset only in the event that the future financial benefit related to the asset will probably benefit VVO and the acquisition cost can be reliably determined. Maintenance and repair expenses are recognised immediately through profit and loss.

Depreciation on property, plant and equipment is recognised as straight-line depreciation during the useful life. No depreciation is charged on land, as land is considered to have an indefinite useful life.

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

Buildings	67 years
Machinery and equipment in buildings	10-50 years
Office machinery and equipment	4 years
Cars	4 years

Gains and losses from sales and disposals of property, plant and equipment are recognised in the income statement and presented as other operating income and expenses.

Intangible assets

Intangible assets are recognised in the balance sheet only in the event that the acquisition cost of the asset can be reliably determined and the expected future financial benefit related to the asset will probably benefit VVO. Any other costs are immediately recognised as expenses. Intangible assets are valued at acquisition cost less amortisation and any impairment loss. The Group's intangible assets consist of licences and IT systems. Intangible assets are amortised on a straight-line basis over their estimated useful lives. Intangible assets with a time limit are amortised over the life of the contract. The amortisation periods for intangible assets are four to five years.

Research costs are recognised as an expense as incurred. Development costs are recognised as ingangible assets in the balance sheet, providing that they can be reliably determined, the product or process is technically and commercially feasible, it will probably generate financial benefit in the future and the Group has the resources required for completing the research work and for using or selling the intangible asset.

The residual value, useful life and amortisation method of the asset are checked at least at the end of each financial year. When necessary, they are adjusted to reflect changes in the expectations on financial benefit.

VVO's consolidated balance sheet did not include goodwill in the periods being presented.

Impairment of intangible assets and property, plant and equipment

At least once a year, VVO carries out an assessment of possible signs of impairment of intangible assets and property, plant and equipment. In practice, this is usually an asset group-specific assessment. If any signs of impairment are detected, the recoverable amount of the asset is determined.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on the expected future net cash flows resulting from the asset, discounted to the present. The recoverable amount is compared with the asset's carrying amount. An im-pairment loss is recognised if the recoverable amount is lower than the carrying amount. Impair-ment losses are recognised in the statement of income. In connection with the recognition of the impairment loss, the useful life of the amortisable/depreciable asset is reassessed.

The impairment loss will be reversed later if the circumstances change and the recoverable amount has increased after the recognition of the impairment loss. However, reversal of impairment loss shall not exceed the asset's carrying amount less impairment loss. An impairment loss recognised for goodwill cannot be reversed under any circumstances.

Financial assets and liabilities

VVO applies the following principles to the classification of financial assets and liabilities and their recognition, derecognition and measurement.

The fair value hierarchy related to the fair value determination of financial assets and liabilities is similar to the hierarchy described in the Fair value hierarchy note to the consolidated financial statements.

Financial assets are classified as follows for the determination of measurement principles:

Financial asset group	Instruments	Measurement principle
1. Financial assets recognised at fair value through profit or loss	Derivative instruments: interest rate and electricity, non-hedge accounting	Fair value, changes in value are recognised in the income statement
2. Available-for-sale financial assets	a) Investments in unlisted securities b) Investments in other instruments with a reliably determinable fair valu: fund investments and investments in bonds	a) Original acquisition cost less impairment loss b) Fair value, changes in value are basically recognised through other comprehensive income less impairment loss
3. Loans and other receivables	Sales and loan receivables, fixed-term deposits and similar receivables	Amortised cost
4. Held-to-maturity investments	Bonds and similar assets	Amortised cost

The classification depends on the purpose for which the financial assets were acquired and takes place at initial recognition. Transaction costs are included in the original carrying amount of financial assets for items that are not measured at fair value through profit and loss. All purchases and sales of financial assets and liabilities are recognised on the transaction date, which is the date on which the VVO undertakes to purchase or sell the financial instrument. Financial assets are derecognised from the balance sheet when VVO has lost its contractual right to the cash flows or when it has transferred a significant part of the risks and yield outside the Group.

Financial assets recognised at fair value through profit and loss
VVO uses derivative instruments only for hedging purposes. Those derivative instruments that do not meet the requirements of IAS 39 Financial instruments: Recognition and Measurement con-cerning the application of hedge accounting, or if VVO has decided not to apply hedge accounting to the instrument, are included in financial assets or liabilities recognised at fair value through profit and loss. These instruments are classified as held for trading.

Derivative instruments are initially recognised at fair value and are subsequently recognised at fair value on the last day of each reporting period.

VVO's derivative instruments consist of interest rate derivatives and electricity derivatives. The Group uses interest rate derivatives to hedge its interest rate risk exposure related to long-term loans. This refers to changes caused by fluctuating market interest rates to future interest payment cash flows (cash flow hedging) and resulting volatility in profits. The purpose of electricity deriva-tives is to limit fluctuations in the Group's result caused by changing electricity prices.

Financial assets held for sale
Available-for-sale financial assets are non-derivatives that are either designated to this category or not classified in any other financial asset category. They are included in non-current assets, unless the investment matures or the company intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value. If the fair value cannot be reliably determined (unlisted securities), they are measured at cost less any impairment loss. The fair value is determined using quoted market rates and market prices and other appropriate valuation methods, such as recent transaction prices. Fair value changes of available-for-sale financial assets are recognised as other comprehensive income and presented in the fair value reserve net of tax. When a financial asset classified as available for sale is sold or an impairment is recognised on it, the cumulative change in fair value is transferred from equity and recognised in profit or loss.

Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments. They do not have quoted market prices and they are not held for trading. Loans and other receivables include VVO's financial assets obtained by handing over cash, goods or services directly to a debtor. VVO's loans and other receivables consist of sales receivables and other receivables.

Loans and other receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. They are included in current financial assets if they mature within 12 months of the end of the reporting period. Otherwise, they are included in non-current financial assets.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or definable related payments. They mature on a given date and VVO firmly intends and is able to keep them until this date. They are measured at amortised cost less any impairment loss, using the effective interest method. They are included in non-current assets, providing that they do not mature within 12 months of the end of the reporting period.

Cash and cash equivalents
Cash and cash equivalents consist of cash and other liquid assets. Cash equivalents include bank deposits that can be raised on demand and other short-term highly liquid investments, such as interest securities. Items classified as cash equivalents mature within three months of the date of acquisition. They are readily convertible to a known amount of cash, and the risk of changes in value is insignificant. The cash and cash equivalents of non-profit companies are kept separate from those of other companies.

Impairment of financial assets
At the end of each reporting period, VVO assesses whether there is objective evidence of the impairment of any single financial asset or group of assets. 'Objective evidence' may refer to evidence such as a significant or long-lasting decrease in the value of an equity instrument, falling below the instrument's acquisition cost. Impairment loss is immediately recognised in the income statement. If the value is later restored, the reversal of the impairment is recognised in equity for equity instruments and through profit or loss for

other investments.

Sales receivables are amounts that arise from renting our apartments. VVO recognises an impairment loss on an individual sales receivable when there is objective evidence that VVO will not be able to collect the full amount due. Credit losses are included in other operating expenses. Subsequent recoveries of amounts recognised as expenses are credited against other operating expenses in the income statement.

Financial liabilities are classified as follows:

Financial liability group	Instruments	Measurement principle
1. Financial liabilities recognised at fair value through profit and loss	Derivative instruments: interest rate and electricity, non-hedge accounting	Fair value, changes in value are recognised in the income statement
2. Financial liabilities measured at amortised cost (other financial liabilities)	Various debt instruments	Amortised cost

A financial liability is classified as current unless VVO has the unconditional right to defer the payment of the debt to at least 12 months from the end of the reporting period. Financial liabilities, or parts thereof, are not derecognised from the balance sheet until the debt has extinguished, i.e. once the contractually specified obligation is discharged or cancelled or expires.

Financial liabilities recognised at fair value through profit and loss
Financial liabilities recognised at fair value through profit and loss include electricity derivatives and those interest rate derivatives that are not subject to hedge accounting in accordance with IAS 39. Realised and unrealised gains and losses from changes in fair value are recognised in the income statement in the period in which they have arisen. In the balance sheet, the fair values of interest rate derivatives and electricity derivatives are included in current liabilities.

Financial liabilities measured at amortised cost (other financial liabilities)
Financial liabilities measured at amortised cost are initially recognised at fair value. Transaction costs directly attributable to the acquisition of loans, such as arrangement fees that can be allocated to a particular loan, are deducted from the original amortised cost of the loan. Other financial liabilities are subsequently measured at amortised cost

using the effective interest method. The difference between the proceeds and the redemption value is recognised as financial cost through profit and loss over the loan period.

Derivative instruments and hedge accounting
VVO Group uses interest rate derivatives to hedge its exposure to changes in future interest payment cash flows concerning long-term loans. The majority of interest rate derivatives is subject to cash flow hedge accounting in accordance with IAS 39. Fluctuations in the Group's result caused by changing electricity prices are restricted by using electricity derivatives. Electricity derivatives are not subject to hedge accounting in accordance with IAS 39, even though these instruments are used for hedging.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently recognised at fair value.

At the beginning of the hedging relationship, the Group documents the relationships between each hedging instrument and hedged item as well as the objectives of risk management and the hedging strategy. The hedge effectiveness is assessed both at the beginning of and during hedging in all financial statements. This includes demonstrating whether the derivatives are effective in reversing the changes in the cash flows of the hedged items.

Changes in the fair values of derivatives within hedge accounting are recognised in components of other comprehensive income insofar as the hedging is effective. Changes in value are reported in fair value reserve in equity. Interest payments arising from interest rate derivatives are recognised in interest costs. If market interest rates are negative, interest rate swat hedges may lead to a situation in which both fixed and variable interest must be paid. The ineffective portion of a hedge is immediately recognised in the income statement in financial items. The gains and losses accumulated in equity are recognised in the income statement at the same time with the hedged item.

Changes in value from derivatives not included in hedge accounting are recognised in financial items through profit and loss.

Government grants
VVO may receive various grants for its operations from different representatives of public administration. State-subsidised loans granted by the State Treasury constitute the most important form of government grants. VVO may receive a state-subsidised low-interest

loan for specific properties supported by the government. The actual net interest rates of these loans may be lower than interest expenses of market-based loans. The interest advantage obtained through the support from government is therefore netted into interest expenses in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and is not shown as a separate item in interest income.

Government grants are recognised only where it is reasonably certain that they will be received and VVO meets the criteria attached to the grant. Public grants are accounted for as part of the effective interest rate of the loan in question. The amount of government grants was low in the financial year.

Borrowing costs
Borrowing costs are usually recognised as financial costs in the financial year during which they are incurred. However, borrowing costs attributable to qualifying assets, that is, mainly borrowing costs attributable to VVO's investment properties, such as interest costs and arrangement fees, directly resulting from the acquisition or construction of the above assets, are capitalised as part of the cost of the asset. The capitalisation principles of borrowing costs are described in more detail in section 1.2.1 of the Accounting policies for consolidated financial statements, General recognition and measurement principles for investment property.

Equity

An equity instrument is any contract that demonstrates a residual interest in VVO's assets after deducting all of its liabilities. The share capital consists of the parent company's ordinary shares classified as equity. Transaction costs directly attributable to the issue of new shares are presented in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases parent company's shares (treasury shares), the considera-tion paid, including any directly attributable transaction costs (net of taxes), is deducted from equity attributable to the owners of the parent company, until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and net of taxes, is directly recognised in equity attributable to the owners of the parent company.

Dividend distribution to the parent company's shareholders is recognised as a liability in the consolidated balance sheet in the period in which the dividends are approved by the company's General Meeting of Shareholders.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when all the following criteria are met:

- VVO has a present legal or constructive obligation as a result of past events
- it is probable that an outflow of resources will be required to settle the obligation
- the amount of the obligation can be reliably estimated.

Provisions may result from restructuring plans, onerous contracts or obligations related to the environment, legal action or taxes. The Group's provisions on 31 December 2015 consisted ten-year guarantee reserves for VVO Kodit Oy's (VVO Rakennuttaja Oy's) founder construction. Their amount is based on VVO's experience of costs arising from the realisation of such liabilities.

The amount recognised as provision is the management's best estimate of costs required for settling an existing obligation on the last day of the reporting period. Where it can be expected some of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a potential obligation resulting of past events and may be incurred depending on the outcome of an uncertain future event that is beyond the Group's control (such as the result of pending legal proceedings). In addition, an existing obligation that will probably not require meeting the liability to pay or the amount of which cannot be reliably determined is considered as a contingent liability. Contingent liabilities are presented in the notes.

Turnover and revenue recognition principles

VVO's turnover consists of rental income and charges for utilities. The turnover has been adjusted with indirect taxes and sales adjustment items. In addition, VVO recognises income for the selling of investment properties and financial income.

VVO's turnover consists mainly of rental income from investment properties. Rental agreements of investment properties with VVO as the lessor are classified as other rental agreements, as VVO retains a substantial proportion of the risks and rewards of ownership. Most of the rental agreements are in force until further notice. Rental income accrued from other rental agreements is dis-tributed evenly across the rental period. As a lessor, VVO does not have rental agreements that could be classified as financial leasing agreements.

Relating to the rental agreements, VVO collects utility charges, mainly sauna fees. This income is allocated to the period during which the related cost is recognised as expense.

Interest income is recognised using the effective interest method, and dividend income is recog-nised when a right to receive payment has arisen.

An existing property owned by VVO is considered as sold, once the substantial risks and rewards associated with ownership have been transferred from VVO to the buyer. This usually takes place when control over shares is transferred. Income from selling property is presented in the income statement under Profit/loss on sales of investment properties.

Other operating income

Other operating income includes income not related to the actual business. It includes items such as sales profit from intangible assets and property, plant and equipment, as well as income from debt collection activities.

Net rental income

Net rental income is calculated by deducting property maintenance and repair costs from turnover. These expenses comprise maintenance and annual repair costs arising from the regular and continuous maintenance of the properties and are recognised immediately in the income statement.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. At VVO, operating profit is defined as the net amount after adding other operating income to net rental income, then deducting sales and marketing expenses, administrative expenses and other operat-ing expenses, the share in profits of associated companies and amortisation, depreciation and impairment, and then adding/deducting gains/losses from the disposal of investment properties, from assessment at fair value, and from the disposal of trading properties. All the other income statement items except those mentioned above are presented below operating profit. Changes in the fair values of derivative instruments are included in the business result if they arise from items related to business operations;

otherwise they are recognised in financial items.

Employee benefits

The Group's employee benefits include the following:

- short-term employee benefits
- post-employment benefits
- termination benefits (benefits provided in exchange for the termination of an employment)
- other long-term employee benefits.

Short-term employee benefits
Wages, salaries, fringe benefits, annual leave and bonuses are included in short-term employee benefits.

Post-employment benefits (pension plans)
Post-employment benefits are payable to employees after the completion of employment. At VVO, these benefits are related to pensions. Pension coverage in the Group is arranged through external pension insurance companies.

Pension schemes are classified as defined contribution and defined benefit plans. VVO has only defined contribution schemes. A defined contribution plan is a pension plan under which VVO pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the payee does not hold sufficient assets to pay out all pension benefits. Pension plans that are not defined contribution plans are defined benefit plans. Payments made into defined contribution systems are recognised through profit and loss in the periods that they concern.

Termination benefits
Termination benefits are not based on work performance but the termination of employment. These benefits consist of severance payments. Termination benefits result either from the Group's decision to terminate the employment or the employee's decision to accept the benefits offered by VVO in exchange for the termination of employment.

Other long-term employee benefits
VVO has a remuneration scheme that covers the entire personnel, entitling them to benefits after a specific number of years of service. The discounted present value of the

obligation resulting from the arrangement is recognised as a liability in the balance sheet on the last day of the reporting period.

Operating leases

Group as lessee
Leases in which the risks and rewards of ownership substantially remain with the lessee are ac-counted for as operating leases. Payments made under operating leases are recognised as ex-pense through profit and loss as balance sheet items over the lease term. More information about VVO's operating leases is available in Note 26 to the consolidated financial statements (Operating leases).

Income tax

Recognition and measurement principles

The tax expense in the income statement comprises current tax and the change in deferred tax liabilities and receivables. Income tax is recognised in profit and loss, except when income tax is related to items recognised directly in equity or components of other comprehensive income. In this event, the tax is also included in these items.
Current taxes are calculated from taxable profit determined in Finnish tax legislation with reference to a valid tax rate, or a tax rate that is in practice approved by the balance sheet date. Taxes are adjusted by possible taxes related to previous years.

As a rule, deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities using the liability method. Acquisitions of individual assets constitute an exception to this rule. In VVO, these assets include such investment property acquisitions that do not meet the criteria of business entities and are therefore classified as asset acquisitions.

The most significant temporary difference in the Group is the difference between the fair values and tax bases of investment properties owned by VVO. After the initial recognition, the investment property is measured at fair value through profit and loss at the end of the reporting period. At the same time, deferred tax is recognised in profit and loss on the basis of the temporary difference. The tax is based on the assumption that, as a rule, VVO will dispose of the investment property by selling it in the form of property. Other temporary differences arise, for example, from the meas-urement of financial instruments at fair value.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available to VVO against which temporary differences can be utilised. The eligibility of the de-ferred tax asset for recognition is reassessed on the last day of each reporting period. Deferred tax liabilities are usually recognised in the balance sheet in full.

Deferred taxes are determined applying those tax rates (and tax laws) that will probably be valid at the time of paying the tax. Tax rates in force on the last day of the reporting period are used as the tax rate, or tax rates for the year following the financial year if they are in practice approved by the last day of the reporting period.

Accounting policies that require management's judgement and key sources of estimation uncertainty

Management’s judgement related to the application of the accounting policies

The preparation of financial statements in accordance with the IFRS requires VVO’s management to make judgement-based decisions on the application of the accounting policies, as well as esti-mates and assumptions that affect the amounts of reported assets, liabilities, income and expenses and the presented notes.
Management’s judgment-based decisions affect the choice of accounting policies and their application. This particularly applies to cases for which the current IFRS norms include alternative recognition, measurement or presentation methods.

VVO’s management must make judgement-based decisions when applying the following accounting policies:

Classification of properties:
VVO classifies its property portfolio into investment properties, trading properties and investment properties held for sale, in accordance with the principles described above. For instance, determin-ing when selling is considered to be very likely in different circumstances requires judgement from the management. The classification has an effect on the financial statements, as the character of the intended use of a property held by VVO affects the content of the required IFRS financial statements information.

Classification of long-term leases:
Long-term leases are classified as financial leases or operating leases. These leases signed by VVO with different municipalities have been analysed and on the basis of the analyses VVO has deemed them to be operating leases. This is based on the management's opinion that the significant risks and rewards associated with these lease arrangements are not transferred to VVO. More information about VVO's operating leases is available in Note 26 to the consolidated financial statements (Operating leases).

Business acquisitions and asset acquisitions:
Acquisitions of investment properties are classified either as acquisitions of asset or assets (IAS 40) or business combinations (IFRS 3) If the acquisition of an investment property involves other operations in addition to the property, it is considered as a business combination.

Deferred tax assets:
Determining whether to recognise a deferred tax asset on the balance sheet requires the management's judgement. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to VVO against which deductible temporary differences or tax losses carried forward can be utilised. A deferred tax asset recognised in a previous reporting period is recognised as an expense in the income statement, if VVO is not expected to accrue enough taxable income to utilise the temporary differences or unused losses that constitute the basis for the deferred tax asset.

Recognition principle of deferred taxes:
As a rule, the deferred tax for investment properties measured at fair value is determined assuming that the temporary difference will reverse through selling. VVO can usually dispose of an investment property either by selling it in the form of property or by selling the shares in the company, such as a housing company.

Exception to the initial recognition of deferred taxes:
As a rule, deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities. An exception to this principal rule is constituted by acquisitions of single investment properties, which are not considered to meet the definition of business according to IFRS 3. In this case, they are classified as asset acquisitions, for which no deferred tax is recorded in the balance sheet at initial recognition. Therefore, the classification of property acquisitions described above has an effect on the recognition of deferred taxes.

Key sources of estimation uncertainty

The estimates and related assumptions are based on VVO's historical experience and other factors, such as expectations concerning future events. These are considered to represent the man-agement's best understanding at the time of evaluation and believed to be reasonable considering the circumstances. The actual results may differ from the estimates and assumptions used in the financial statements. Estimates and related assumptions are continually evaluated. Changes in accounting estimates are recorded for the period for which the estimate is being checked, if the change in the estimate concerns only that period. If the change in the estimate concerns both the period in question and later periods, the change in the estimate is recorded both for the period in question and the future periods.

Below are presented the most significant sections of the financial statements where the judgement described above has been applied by management, as well as the assumptions about the future and other key uncertainty factors in estimates at the end of the reporting period which create a significant risk of change in the carrying amounts of VVO's assets and liabilities within the next financial year.

The key sources of estimation uncertainty concern the following section of the financial statements

Fair value measurement of investment property:
In VVO's consolidated financial statements, the determination of the fair value of investment prop-erty is the key area that involves the most significant uncertainty factors arising from the estimates and assumptions that have been used. The determination of the fair value of investment property requires significant management discretion and assumptions, particularly with respect to return requirements, vacancy rates, the development of rent levels and the comparability of transaction values in relation to the property being evaluated. More information about the fair value determina-tion for VVO's investment properties is available in Note 11 to the consolidated financial statements (Investment properties).

VVO uses valuation techniques that are appropriate under those circumstances, and for which sufficient data is available to measure fair value. VVO aims to maximise the use of relevant ob-servable inputs and minimise the use of unobservable inputs.

Determination of the fair value and impairment of financial instruments:
If there is no active market for the financial instrument, judgement is required to determine fair value and impairment. External mark to market valuations may be used for some interest rate derivatives. Recognition of impairment is considered if the impairment is significant or long-lasting. If the amount of impairment loss decreases during a subsequent financial year and the decrease can be considered to be related to an event occurring after the recognition of impairment, the impairment loss will be reversed. More information about VVO's financial instruments is available in Note 14 to the consolidated financial statements (Amounts of financial assets and liabilities by category).

New and revised standards and interpretations to be applied in subsequent financial years

IASB has issued new and amended standards and interpretations, the application of which is mandatory in financial years beginning on or after 1 January 2016. VVO has not applied these standards and interpretations to the preparation of these consolidated financial statements. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. VVO estimates that, in practice, the following new standards may have significant effects on the Group's future financial statements
(* = Not yet endorsed for use by the European Union as at 31 December 2015.)

Amendment to IAS 1 *Presentation of Financial Statements:* Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining the information to be presented in the financial statements. For example, the amendments clarify the application of the concept of materiality and judgement when determining where and in what order information is presented in the notes to the financial statements. The amendments to the standard are not expected to have a significant impact on VVO's consolidated financial statements.

Amendments to *IFRS 11* Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. In this case, the application of business combination accounting is required. The amendments to the standard are not expected to have a significant impact on VVO's consolidated financial statements.

Annual Improvements to IFRS, 2012–2014 cycle (effective for financial years beginning on or after 1 January 2016): In the Annual Improvements process, minor and non-urgent amendments to the standards are grouped into a package and issued once a year. The amendments cover four standards. The impacts vary depending on the standard, but they are not significant.

New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue can be recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15, an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

New IFRS 9 *Financial Instruments** (effective for financial periods beginning on or after 1 January 2018): The standard replaces the existing standard IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. This also covers a new expected credit loss model for determining impairment on financial assets. The requirements concerning general hedge accounting have also been revised. The requirements on recognition and derecognition of financial instruments from IAS 39 have been retained. The Group is still assessing the impact of the standard.

The adoption of the other amended standards and interpretations is not expected to have any ma-terial effect on the Group’s financial statements.

2. Operating segment information

An operating segment is a component of VVO Group that engages in business activities from which it may earn revenues and incur expenses. Separate financial information is available about it and VVO's chief operating decision-maker evaluates it on a regular basis in order to make decisions on the allocation of resources to the segment and to assess its performance.

VVO Group's business operations are divided into two segments: VVO Non-subsidised and VVO State-subsidised.

The VVO Non-subsidised segment contains the Group's parent company VVO Group plc and the group companies VVO Kodit Oy, VVO Vuokra-asunnot Oy, VVO Vuokratalot Oy and VVO Palvelut Oy, as well as those other group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end by the close of 2017. The division of Korkotukikiinteistöt Oy into seven receiving companies took effect on 1 September 2015. Some of the housing included in the VVO Non-subsidised segment is subject to property-specific restrictions in accordance with the ARAVA Act.

Until 30 September 2015, VVO Asunnot Oy was included in the VVO State-subsidised segment. The company's division into fourteen receiving companies took effect on 1 October 2015. As a result of the division, some of the companies were transferred to the VVO Non-subsidised segment.

The Group companies in whose apartments the restrictions on the determination of rent, related to the ARAVA and interest subsidy legislation, will end after 2017 belong to the VVO State-subsidised segment. The companies of the VVO State-subsidised segment are subject to the profit distribution restriction, and they 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 subject to revenue recognition restrictions totals approximately EUR 3 million.

Some of the housing in the VVO State-subsidised segment is not subject to property-specific restrictions in accordance with the ARAVA Act.

The principles for preparing operating segment information are the same as the accounting principles for the Group.

Group consolidation measures include mainly expenses, assets and liabilities of the Group's joint operations.

M €	VVO Non-subsidised 1-12/2015	VVO State subsidised 1-12/2015	Group consolidation methods	VVO Group Total 1-12/2015
Rental income	203.3	164.4	1.9	369.6
Sales income, other	1.9	1.0	-1.6	1.4
Internal income	3.6	0.4	-3.9	0.0
Total revenue	**208.8**	**165.8**	**-3.6**	**370.9**
Maintenance expenses	-53.5	-44.9	1.4	-97.0
Repair expenses	-20.6	-25.9	0.0	-46.5
Net rental income	**134.6**	**94.9**	**-2.2**	**227.4**
Administrative expenses	-24.1	-18.9	3.3	-39.7
Other operating income	1.3	1.9	-1.1	2.1
Other operating expenses	-0.4	-0.2	0.2	-0.4
Profit/loss on sales of				
investment properties	2.2	0.6	0.0	2.7
Fair value change of investment properties	32.7	38.4	-0.8	70.3
Depreciation, amortisation and impairment losses	-1.2	0.0	0.0	-1.2
Operating profit / loss	**145.1**	**116.7**	**-0.6**	**261.2**
Financial income				7.8
Financial expenses				-44.8
Total amount of financial income and expenses				**-37.1**
Share of result from associated companies				0.6
Profit before taxes				**224.7**
Current tax expense				-22.1
Change in deferred taxes				-23.2
Profit/loss for the period				**179.4**
Investments	**228.1**	**6.9**	**-0.1**	**235.0**

Investment properties	3,331.7	133.1	0.2	3,464.9
Investments in associated companies	1.0	0.0	0.0	1.0
Investment properties held for sale	0.0	541.0	0.0	541.0
Liquid assets	14.9	101.2	0.0	116.0
Other assets	213.5	81.3	-181.7	113.1
Total Assets	**3,561.2**	**856.5**	**-181.6**	**4,236.1**
Interest bearing liabilities	1,435.1	235.2	-175.7	1,494.6
Liabilities held for sale	0.0	467.1	0.0	467.1
Other liabilities	500.7	39.8	-5.1	535.4
Total Liabilities	**1,935.7**	**742.1**	**-180.8**	**2,497.1**

M €	**VVO Non-subsidised 1-12/2014**	**VVO State subsidised 1-12/2014**	**Group consolidation methods**	**VVO Group Total 1-12/2014**
Rental income	171.6	183.5	0.0	355.1
Sales income, other	0.9	0.6	0.0	1.5
Internal income	3.9	0.8	-4.7	0.0
Total revenue	**176.4**	**184.9**	**-4.7**	**356.5**
Maintenance expenses	-47.5	-51.5	2.0	-97.1
Repair expenses	-17.1	-32.4	0.0	-49.5
Net rental income	**111.8**	**100.9**	**-2.7**	**210.0**
Administrative expenses	-20.6	-22.2	4.2	-38.7
Other operating income	2.2	2.1	-1.4	2.9
Other operating expenses	-0.9	-0.3	0.3	-0.9
Profit/loss on sales of investment properties	-4.6	0.0	0.0	-4.6
Profit/loss on sales of trading properties	0.0	0.0	-0.2	-0.2
Fair value change of investment properties	13.3	13.0	-0.1	26.2
Depreciation, amortisation and impairment losses	-1.2	-0.5	0.0	-1.7
Operating profit / loss	**99.8**	**92.9**	**0.2**	**192.9**
Financial income				2.7
Financial expenses				-50.0
Total amount of financial income and expenses				**-47.3**
Share of result from associated companies				0.9
Profit before taxes				**146.5**
Current tax expense				-23.5

Change in deferred taxes				-12.2
Profit/loss for the period				**110.8**
Investments	**187.8**	**13.3**	**0.0**	**201.1**
Investment properties	2,300.7	1,407.8	0.2	3,708.8
Investments in associated companies	0.9	2.6	0.0	3.5
Liquid assets	52.0	62.4	0.0	114.4
Other assets	158.6	62.4	-90.4	130.6
Total Assets	**2,512.3**	**1,535.2**	**-90.2**	**3,957.2**
Interest bearing liabilities	972.7	955.8	-78.4	1,850.1
Other liabilities	390.4	144.4	-7.1	527.7
Total Liabilities	**1,363.1**	**1,100.1**	**-85.5**	**2,377.8**

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 3. Non-current assets held for sale

3. Non-current assets held for sale

VVO Group is shifting its focus to the Lumo service business. Under the preliminary agreement signed on 30 November 2015, VVO Group sells 8,631 cost principle rental apartments located around Finland to Kiinteistö OY Y-Asunnot which is part of the Y-Foundation. The management considers it very likely that the deal will be completed in the first quarter of 2016. The sales price is the transfer price confirmed by the Housing Finance and Development Centre of Finland (ARA), approximately EUR 75 million.

Non-current assets held for sale

M €	31 Dec 2015	31 Dec 2014
Investment properties	534,3	0,0
Investments in associated companies	3,0	0,0
Receivables	1,2	0,0
Liquid assets	2,6	0,0
Assets total	541,0	0,0
Liabilities	460,7	0,0
Trade and other payables	6,4	0,0
Liabilities total	467,1	0,0
Net asset value	73,9	0,0

The investment properties have been subsequently measured at fair value in the financial statements (fair value hierarchy level 3). The balance sheet value method was used as the valuation technique.

The collateral and contingent liabilities related to these items are presented in Note 28.

4. Profit/loss on sale of investment properties and Other operating income and costs

Profit/loss on sales of investment properties

M €	1-12/2015	1-12/2014
Profit on sales of investment properties	3,2	2,9
Loss on sales of investment properties	-0,4	-7,5
Total	**2,7**	**-4,6**

The most significant sales made in 2015 concerned the following addresses: Kaakonpyrstö 5, Jyväskylä (87 apartments), Lehtikuusentie 5, Rauma (55 apartments) and Salmentöyryntie 12, Kouvola (35 apartments).

Other operating income

M €	1-12/2015	1-12/2014
Income from the sales of fixed assets	0,3	0,0
Income from debt collection	1,3	1,3
Other	0,4	1,6
Total	**2,1**	**2,9**

Other operating expenses

M €	1-12/2015	1-12/2014
Costs on construction contracting	0,4	0,9
Total	**0,4**	**0,9**

Auditors fee

M €	1-12/2015	1-12/2014
KHT-yhteisö KPMG Oy Ab		

Audit	0,2	0,1
Tax consultancy	0,1	0,0
Other services	0,0	0,1
Total	**0,3**	**0,3**

5. Employee benefits expense

M €	1-12/2015	1-12/2014
Salaries and wages	18,0	17,2
Defined contribution pension plans	3,6	3,4
Other social security costs	0,7	0,8
Total	**22,4**	**21,4**

The management's employee benefits are presented in Note 29, Related party transactions.

	31 Dec 2015	31 Dec 2014
Number of personnel, average	364	339

6. Amortisation, depreciation and impairment

M €	1-12/2015	1-12/2014
Intangible assets	0.4	0.4
Property, plant and equipment	0.7	1.2
Total	**1.2**	**1.7**

No impairment has been recognised on intangible assets or property, plant and equipment.

7. Research and development expenditure

M €	**1-12/2015**	**1-12/2014**
Research and development	0.3	0.2
Yhteensä	**0.3**	**0.2**

VVO has no capitalised development expenditure. Development activities focus on the development of product concepts, improvement of electronic services and renewal of information systems.

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 8. Financial income and expenses

8. Financial income and expenses

M €	1-12/2015	1-12/2014
Dividend income	0.2	0.1
Interest income	1.8	1.5
Change in fair value		
Recognised at fair value through profit and loss	3.0	0.2
Other financial income	2.8	0.4
Financial income, total	7.8	2.7
Interest expenses		
Interest expenses on liabilities recognised		
at amortised cost	-31.2	-35.5
Interest expenses from derivatives	-9.8	-8.8
Change in fair value		
Recognised at fair value through profit and loss	-2.6	-5.2
Other financial expences	-1.3	-0.5
Financial expenses, total	-44.8	-50.0
Financial income and expenses, total	**-37.1**	**-47.3**

Other financial income includes EUR 2.7 (0.3) million of sales profit from Available-for-sale financial assets.

Other comprehensive income

M €	1-12/2015	1-12/2014
Cash flow hedges	4.6	-19.5
Available-for-sale financial assets	-1.6	0.6
Total	**3.0**	**-18.9**

Cash flow hedging was initiated when transferring to IFRS on 1 January 2014. The changes to cash flow hedging come from interest rate derivatives.

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 9. Income tax

9. Income tax

The tax expense in the income statement is broken down as follows:

M €	2015	2014
Current tax expense	22,1	23,5
Change in deferred taxes	23,2	12,2
Total	**45,3**	**35,7**

Tax effects relating to components of other comprehensive income:

2015 M €	Before taxes	Tax effect	After taxes
Cash flow hedges	4,6	-0,9	3,7
Available-for-sale financial assets	-1,6	0,3	-1,3
Total	**3,0**	**-0,6**	**2,4**

2014 M €	Before taxes	Tax effect	After taxes
Cash flow hedges	-19,5	3,9	-15,6
Available-for-sale financial assets	0,6	-0,1	0,5
Total	**-18,9**	**3,8**	**-15,1**

Reconciliation between tax expense shown in the income statement and tax calculated using the parent company's tax rate (tax rate 20 %):

M €	2015	2014
Profit before taxes	224,7	146,5
Taxes with current tax rate	44,9	29,3
Tax-free Income / nondeductible costs	0,7	0,9
Confirmed losses recognised through profit and loss	-1,3	0,0
Write-off in deferred tax receivables from confirmed		
losses recognised through profit and loss	-0,3	0,1
Share of result of associated companies	-0,1	-0,2
Acquired investment properties	1,2	5,4
Other	0,2	0,2
Adjustments total	**0,3**	**6,4**
Taxes total recognised in profit and loss	**45,3**	**35,7**

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 10. Earnings per share

10. Earnings per share

Earnings per share is calculated by dividing the profit for the financial period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the financial year.

M €	1-12/2015	1-12/2014
Profit of the financial period attributable to shareholders of the parent company	179.3	110.7
Average number of the shares during the period, millions	7.4	7.4
Earnings per share		
Basic, euro	24.23	14.95
Diluted, euro	24.23	14.95

The company has no diluting instruments.

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 11. Investment properties

11. Investment properties

M €	2015	2014
Fair value of investment properties, at 1 Jan	**3 708,8**	**3 510,3**
Acquisition of investment properties *)	187,1	169,5
Modernisation investments	45,8	29,1
Disposals of investment properties	-14,9	-28,8
Capitalised borrowing costs	2,0	2,5
Valuation gains/losses on fair value assessment	70,3	26,2
Fair value of investment properties, at 31 Dec	**3 999,2**	**3 708,8**

The fair values include the investment properties classified into Non-current assets held for sale, totalling EUR 534.3 million.
The Group has acquisition agreements for new development and renovations, presented in Note 28.
*) Includes the acquisition costs of new properties under construction.

The change in the fair value of investment properties results from investments, changes in market prices and parameters used in valuation as well as from expiry of restrictions on some properties.

Some of the investment properties are subject to legislative divestment and usage restrictions. Usage and divestment restrictions are mainly related to balance sheet value properties and usage restrictions to yield value properties. The so-called non-profit restrictions apply to the owning company, and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, permanent restrictions on the company’s operations, dis-tribution of profit, lending and provision of collateral, and the divestment of investments. The property-specific restrictions include fixed-term restrictions on the use of apartments, the selection of residents, the determination of rent and divestment of apartments.

Investment properties by valuation classes **M €**	**31 Dec 2015**	**31 Dec 2014**	**1 Jan 2014**
Properties measured at market value	2 417,6	2 117,7	1 932,9
Properties measured at yield value	697,2	705,3	686,7
Properties measured at acquisition method	884,4	885,7	890,7
Total	**3 999,2**	**3 708,8**	**3 510,3**

The above fair values include the investment properties classified into Non-current assets held for sale on 31 December 2015 (mainly balance sheet properties), totalling EUR 534.3 million.

Measurement process of investment property

In the transaction value method, the measurement is performed with the help of the price tracking service provided by the Central Federation of Finnish Real Estate Agencies (KVKL), including pricing information on sales of individual apartments in Finland provided by real estate agents. The resulting property-specific transaction value is individually adjusted based on the condition, location, and other characteristics of the rental property.

In the yield value method, the fair value is determined by capitalising net rental income, using property-specific required rate of net rental income.

In the acquisition cost method, rental properties are carried at original acquisition cost, deducted by the depreciation accumulated up to the IFRS transition date and any impairment losses.

VVO Group performs intra-company measurement of investment property each quarter. The results of the assessment are reported to the Management Group, Audit Committee and Board of Directors. The measurement process, market conditions and other factors affecting the assess-ment of the fair value of properties are reviewed on a quarterly basis with the CEO and CFO in accordance with the Group's reporting schedule. Each quarter, an external independent expert, Realia Management Oy, issues a statement on the valuation methods applied in the valuation of rental apartments and business premises owned by VVO Group as well as on the quality and reli-ability of the valuation.

Sensitivity analysis of investment property fair value

Sensitive analysis of investment properties			**31 Dec 2015**		
			Change %		
M€	**-10 %**	**-5 %**	**0 %**	**5 %**	**10 %**
Properties measured at market values					
Change in market prices	-241,8	-120,9		120,9	241,8
Properties measured at yield values					
Yield requirement	76,9	36,4		-33	-62,9
Lease income	-118,8	-59,4		59,4	118,8
Maintenance costs	45	22,5		-22,5	-45
Financial Occupancy rate					
(change in procent points)	**-2 %**	**-1 %**	**0 %**	**1 %**	**2 %**
Rent income	-2,4	-1,7		0,4	

All of VVO's investment properties are classified into the fair value hierarchy level 3 in accordance with IFRS 13. Hierarchy level 3 includes assets the fair value of which is measured using input data concerning the asset that are not based on observable market data.

The weighted average for the return requirement was 7.2% for rental homes included within the scope of the yield value method in 2015, and 11.0% for business premises.

12. Property, plant and equipment

M €	Land areas	Entry fees	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Balance at 1 Jan 2015	5,5	0,2	27,6	3,6	1,6	38,4
Increases				0,2	0,1	0,3
Decreases				-0,1	0,0	-0,1
Balance at 31 Dec 2015	5,5	0,2	27,6	3,7	1,6	38,5
Accumulated depreciation 1 Jan 2015			-3,6	-3,0	-0,1	-6,7
Depreciation for the period			-0,4	-0,3		-0,7
Decreases				0,1		0,1
Accumulated depreciation 31 Dec 2015			-4,0	-3,2	-0,1	-7,3
Carrying value at 1 Jan 2015	5,5	0,2	23,9	0,6	1,5	31,7
Carrying value at 31 Dec 2015	**5,5**	**0,2**	**23,5**	**0,5**	**1,6**	**31,2**

	Land areas	Entry fees	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Balance at 1 Jan 2014	5,5	0,2	27,6	5,0	1,6	39,8
Increases				0,2		0,2
Decreases				-1,6		-1,6
Balance at 31 Dec 2014	5,5	0,2	27,6	3,6	1,6	38,4

Accumulated depreciation 1 Jan 2014			-3,2	-4,2	-0,1	-7,5
Depreciation for the period			-0,4	-0,3		-0,7
Decreases				1,6		1,6
Accumulated depreciation 31 Dec 2014			-3,6	-3,0	-0,1	-6,7
Carrying value at 1 Jan 2014	5,5	0,2	27,6	5,0	1,6	39,8
Carrying value at 31 Dec 2014	**5,5**	**0,2**	**23,9**	**0,6**	**1,5**	**31,7**

13. Intangible assets

M €	Intangible rights	Other intangible assets	Total
Balance at 1 Jan 2015	2,5	2,8	5,3
Increases		0,2	0,2
Balance at 31 Dec 2015	2,5	3,0	5,5
Accumulated depreciation 1 Jan 2015	-2,0	-1,9	-4,0
Depreciation for the period	-0,2	-0,3	-0,4
Accumulated depreciation 31 Dec 2015	-2,2	-2,2	-4,4
Carrying value at 1 Jan 2015	0,5	0,9	1,4
Carrying value at 31 Dec 2015	**0,3**	**0,8**	**1,1**

M €	Intangible rights	Other intangible assets	Total
Balance at 1 Jan 2014	3,2	6,7	9,9
Increases	0,1		0,1
Decreases	-0,8	-3,9	-4,7
Movement between items	0,1	-0,1	0,0
Balance at 31 Dec 2014	2,5	2,8	5,3
Accumulated depreciation 1 Jan 2014	-2,7	-5,5	-8,2
Depreciation for the period	-0,2	-0,3	-0,4
Decreases	0,8	3,9	4,7
Accumulated depreciation 31 Dec 2014	-2,0	-1,9	-4,0
Carrying value at 1 Jan 2014	3,2	6,7	9,9
Carrying value at 31 Dec 2014	**0,5**	**0,9**	**1,4**

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 14. Values of financial assets and liabilities by category

14. Values of financial assets and liabilities by category

			31 Dec 2015		
M€	**Carrying value total**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**Fair value total**
Financial assets					
Measured at fair value					
Interest rate derivatives	1.9	-	1.9	-	1.9
Electricity derivatives	0.8	0.8	-	-	0.8
Available-for-sale financial assets	29.7	27.3	2.0	0.5	29.7
Measured at amortised cost					
Held-to-maturity investments	6.2	2.0	4.2	-	6.2
Loans and receivables	19.0	19.0	-	-	19.0
Trade receivables	3.6				3.6
Financial liabilities					
Measured at fair value					
Interest rate derivatives	-50.3	-	-50.3	-	-50.3
Electricity derivatives	-2.0	-2.0	-	-	-2.0
Measured at amortised cost					
Other interest-bearing liabilities	1395.0	-	1395.0	-	1395.0
Bond	99.6	-	100.0	-	100.0
Trade payables	10.6				10.6

M€	Carrying value total	LEVEL 1	31 Dec 2014 LEVEL 2	LEVEL 3	Fair value total
Financial assets					
Measured at fair value					
Interest rate derivatives	1.1	-	1.1	-	1.1
Electricity derivatives	0.5	0.5	-	-	0.5
Available-for-sale financial assets	56.1	49.1	6.4	0.6	56.1
Measured at amortised cost					
Held-to-maturity investments	6.8	2.0	4.8	-	6.8
Loans and receivables	6.0	6.0	-	-	6.0
Trade receivables	4.3				4.3
Financial liabilities					
Measured at fair value					
Interest rate derivatives	-54.9	-	-54.9	-	-54.9
Electricity derivatives	-1.5	-1.5	-	-	-1.5
Measured at amortised cost					
Other interest-bearing liabilities	1,750.6	-	1,750.6	-	1,750.6
Bond	99.5	-	100.0	-	100.0
Trade payables	15.0				15.0

The fair value of loans is the same as their nominal value. During the year there were no transfers between the fair value hierarchy levels.

A more detailed analysis of the fair values of interest rate derivatives included and not included in hedge accounting is presented in Note 22.

Financial assets and liabilities measured at fair value are classified into three fair value hierarchy levels in accordance with the reliability of the valuation technique:

Level 1:

The fair value is based on quoted prices for identical instruments in active markets.

Level 2:
A quoted market price exists in active markets for an instrument on the same terms, but the price may be derived from directly or indirectly quoted market data.

Level 3:
There is no active market for the instrument, the fair value cannot be reliably derived and input data used for the determination of fair value are not based on observable market data.

Level 3 reconciliation

Non-current assets held for sale

M€	31 Dec 2015	31 Dec 2014
Beginning of period		0,6
Deductions		0,0
End of period	0,5	0,6

Non-current assets held for sale on hierarchy level 3 are investments in unlisted securities. They are measured at cost, as their fair value cannot be reliably measured in the absence of an active market.

15. Non-current receivables

M €	31 Dec 2015	31 Dec 2014
Loan receivables from associated companies	0.5	0.5
Other long-term receivables	0.0	0.1
Loan receivables from others	1.7	2.2
Total	**2.2**	**2.8**

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16. Deferred tax assets and liabilities

Changes to deferred tax assets and liabilities in 2015 are as follows:

M €	**1 Jan 2015**	**Recognised in profit and loss**	**Recognised in other comprehensive income**	**Other changes**	**31 Dec 2015**
Deferred tax assets					
Confirmed losses		1.3			1.3
Cash flow hedges	9.1		-0.9		8.2
Electricity derivatives measured					
at fair value	0.2	0.1			0.2
Other items/transfers	2.5	-0.3			2.2
Total	**11.8**	**1.1**	**-0.9**	**0.0**	**12.0**
Deferred tax liabilities					
Investment properties measured					
at fair value	405.3	24.3			429.6
Financial instruments measured					
at fair value	0.3		-0.3		0.0
Other items/transfers	0.2				0.2
Total	**405.9**	**24.3**	**-0.3**	**0.0**	**429.8**

M €	**1 Jan 2014**	**Recognised in profit and loss**	**Recognised in other comprehensive income**	**Other changes**	**31 Dec 2014**
Deferred tax assets					
Confirmed losses	0.6	-0.6			0.0
Cash flow hedges	5.2		3.9		9.1
Electricity derivatives measured					

at fair value	0.2				0.2
Other items/transfers	1.4	1.1			2.5
Total	**7.4**	**0.5**	**3.9**	**0.0**	**11.8**
Deferred tax liabilities					
Investment properties measured					
at fair value	392.4	12.7		0.2	405.3
Financial instruments measured					
at fair value	0.2		0.1		0.3
Other items/transfers	0.2				0.2
Total	**392.8**	**12.7**	**0.1**	**0.2**	**405.9**

Expiration years for unrecognised confirmed losses

Year of expiration	**2016-2017**	**2018-2019**	**2020-2021**	**2022-2023**	**2024-2025**	**Yhteensä**
Confirmed losses	0.2	0.4	2.2	2.1	0.2	5.1
Unrecognised defered tax	0.0	0.1	0.4	0.4	0.0	1.0

Unrecognised deferred taxes include EUR 0.7 million of tax assets from tax losses carried forward for properties transferred to Non-current assets held for sale.

17. Trading properties

M €	31 Dec 2015	31 Dec 2014
Trading properties	1.0	3.0
Yhteensä	**1.0**	**3.0**

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18. Sales receivables and other receivables

M €	**31 Dec 2015**	**31 Dec 2014**
Trade receivables	3.6	4.3
Receivables from associated companies	0.1	0.1
Loan receivables	0.3	0.3
Other receivables	3.1	0.3
Prepaid expenses and accrued income	1.7	4.6
Total	**8.8**	**9.6**

Specification of prepaid expenses and accrued income	**31 Dec 2015**	**31 Dec 2014**
Rental services	0.6	0.5
Investments	0.8	3.6
Prepayments	0.2	0.4
Interests	0.0	0.1
Other prepaid expenses and accrued income	0.1	0.1
Total	**1.7**	**4.6**

The term of notice for rental agreements is usually one month. The fair value of sales receivables and other receivables matches their carrying amount.

19. Cash and cash equivalents

M €	31 Dec 2015	31 Dec 2014
Cash and cash equivalents	116.0	114.4
Total	**116.0**	**114.4**

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20. Share capital and other equity funds

M €	Number of shares (1.000)	Share capital	Share premium reserve	Fair value reserve	Invested non-restricted equity reserve	Total
1 Jan 2015	7,403	58.0	35.8	-35.0	17.9	76.7
Change in other comprehensive income				2.4		2.4
31 Dec 2015	**7,403**	**58.0**	**35.8**	**-32.6**	**17.9**	**79.1**

M €	Number of shares (1.000)	Share capital	Share premium reserve	Fair value reserve	Invested non-restricted equity reserve	Total
1 Jan 2014	7,403	58.0	35.8	-19.9	17.9	91.8
Change in other comprehensive income				-15.1		-15.1
31 Dec 2014	**7,403**	**58.0**	**35.8**	**-35.0**	**17.9**	**76.7**

VVO Group plc has one type of share. The share has no nominal value. All issued shares have been paid for in full.

Description of equity funds:

Shares

- The number of VVO Group plc shares issued as at 31 December 2015 was 7,402,560.

Share premium

- VVO Group plc has no such instruments in force that would accrue a share premium under the new Limited Liability Companies Act. The share premium was generated under the previous Limited Liability Companies Act.

Fair value reserve

- The fair value reserve contains the changes in fair values of the derivatives used to hedge cash flow and the current assets held for sale.

Invested non-restricted equity reserve

- The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

Dividends

- A dividend of EUR 3.00 per share was paid in 2014. After the balance sheet date, 31 December 2015, the Board of Directors has proposed that a dividend of EUR 5.00.

Non-controlling interest

The non-controlling interest consists mainly of the result of Kiinteistö Oy Kotkankynnys.

Restrictions related to the Group's equity

- VVO Group's retained earnings for 2015, EUR 1,659.4 million (EUR 1,502.3 million in 2014) include a total of EUR 531.2 million (EUR 431.3 million in 2014) of equity subject to profit distri-bution restrictions relating to non-profit operations. Equity subject to profit distribution restrictions includes the measurement of investment property at fair value.
- Some of the Group companies are subject to revenue recognition restrictions under the non-profit provisions of housing legislation, according to which an entity cannot pay its owner more than the profit regulated by housing legislation.

21. Interest-bearing liabilities

Non-current

M €	31 Dec 2015	31 Dec 2014	1 Jan 2014
Interest subsidy loans	223.4	559.8	598.0
Annuity and mortgage loans	68.3	291.0	302.4
Market-based loans	964.5	832.6	749.4
Other loans	3.6	5.9	7.4
Total	**1,259.8**	**1,689.3**	**1,657.2**

Current

M €	31 Dec 2015	31 Dec 2014	1 Jan 2014
Interest subsidy loans	75.3	42.7	13.9
Annuity and mortgage loans	1.7	11.5	10.2
Market-based loans	41.6	33.2	34.4
Other loans	7.3	8.5	26.7
Commercial papers	108.8	64.9	47.5
Total	**234.7**	**160.8**	**132.6**
Total interest-bearing liabilities	**1,494.6**	**1,850.1**	**1,789.8**

Liabilities at 31 December 2015 do not include the liabilities related to Non-current assets held for sale, totalling EUR 460.7 million.

Market loans include the EUR 100 million secured bond, maturing in 2020, issued by VVO Group plc in 2013. The bond has a fixed interest rate of 3.25 %. The committed and non-committed credit limit agreements, signed for short-term financing, remained unused at the balance sheet date.

Other long-term loans include the EUR 2.4 million capital loan received by VVO Kodit Oy from City of Tampere in 2001. The interest rate is six-month Euribor + 0.75 % The loan is repaid in 20 years.

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22. Derivative instruments

Fair values of derivative instruments

		31 Dec 2015		31 Dec 2014	1 Jan 2014
M€	Positive	Negative	Net	Net	Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	1.9	-42.7	-40.9	-45.4	-25.7
Interest rate options, cash flow hedges	0.0	0.0	0.0	-0.1	-0.3
Interest rate derivatives, not in hedge accounting	0.0	-7.6	-7.6	-8.3	-3.1
Electricity derivatives	0.8	-2.0	-1.2	-0.9	-1.2
Total	**2.7**	**-52.4**	**-49.7**	**-54.8**	**-30.3**

Nominal values of derivative instruments

M€	31 Dec 2015	31 Dec 2014
Interest rate derivatives		
Interest rate swaps, cash flow hedges	690.4	404.3
Interest rate options, cash flow hedges	0.0	14.2
Interest rate derivatives, not in hedge accounting	38.0	38.8
Total	**728.4**	**457.3**
Electricity derivatives, MWh	245,494	230,087

During the financial year, EUR 4.6 (-19.5) million were recognised in the fair value reserve from interest rate derivatives classified into cash flow hedging. The interest rate derivatives hedge the loan portfolio interest flows against increases in market interest rates. The interest rate derivatives mature from 2016 to 2035. At the balance sheet date, the average maturity for interest rate derivatives was 7.1 (5.1) years. Electricity derivatives hedge against increases in electricity prices, and hedge accounting is not applied. The electricity derivatives mature from 2016 to 2019.

23. Provisions and other non-current liabilities

Provisions

M €	31 Dec 2015	31 Dec 2014
Provisions	0,9	1,5

Provisions include EUR 0.9 (1.2) million of ten-year guarantee reserves for VVO Kodit Oy's (VVO Rakennuttaja Oy's) founder construction, estimated on the basis of experience, and a EUR 0.3 million provision related to the demolition of a building of VVO Asunnot Oy in 2014.

Other non-current liabilities

M €	31 Dec 2015	31 Dec 2014
Accrued expenses and deferred income	1,4	0,7
Collaretal payments	5,8	6,7
Total	**7,1**	**7,4**

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24. Trade payables and other debts

M €	**31 Dec 2015**	**31 Dec 2014**
Advances received	5.6	5.6
Trade payables	10.6	15.0
Other current liabilities	1.1	1.5
Accrued expenses and deferred income	20.8	23.7
Total	**38.0**	**45.9**

Specification of accrued expenses and deferred income	**31 Dec 2015**	**31 Dec 2014**
Rental services	2.6	1.9
Investments	0.3	2.2
Personnel expenses	6.8	6.6
Interest	10.9	12.3
Other items	0.2	0.7
Total	**20.8**	**23.7**

25. Financial risk management

The financial risks associated with VVO Group's business are managed in accordance with the treasury policy confirmed by VVO Group plc. The objective is to protect the Group against unfavourable changes in the financial market. The management of financial risk is centralised in the Group's Treasury unit.

Interest rate risk

The most significant financial risk is related to interest rate fluctuations affecting the loan portfolio. This risk is managed through fixed interest rates and interest rate derivatives. The most significant interest risk is associated with the market-based loans. This interest risk is hedged with interest rate derivatives according to VVO Group's financing policy. The targeted hedging ratio is 50–100%. On the balance sheet date, the hedging ratio was 72 (68) per cent.

The interest risk associated with interest subsidy loans is decreased by the State's interest subsidy. The interest rate of loans with annual payments is tied to changes in Finnish consumer prices, and the interest costs for the following year is known in the preceding autumn. Rent in properties with state-subsidied loans is determined according to the cost principle. Therefore, any changes in interest rates are transferred to rents. In accordance with its financing policy, VVO does not hedge these loans with interest rate derivatives.

The effects of changes in market interest rates on the income statement and equity are evaluated in the table below. The interest rate position affecting the income statement includes variable-rate loan and interest rate derivatives not included in hedge accounting. The effect on equity results from changes in the fair values of interest rate derivatives included in hedge accounting. Some market-based loan agreements involve a condition of a minimum of zero reference rate. As the market interest rates are currently negative, interest rate swat hedges may lead to a situation in which both fixed and variable interest must be paid.

	31 Dec 2015				31 Dec 2014			
	Income Statement		Other Comprehensive Income		Income Statement		Other Comprehensive Income	
M€	**1,%**	**-0.10,%**	**1,%**	**-0.10,%**	**1,%**	**-0.10,%**	**1,%**	**-0.10,%**
Floating rate loans	-7.7	0.5	-	-	-7.9	0.8	-	-
Interest rate derivatives	9.3	-1.1	49.0	-5.2	7.1	-0.7	19.8	-2.1
Total effect	1.6	-0.6	49.0	-5.2	-0.9	0.1	19.8	-2.1

Deferred tax effect is not included in the calculation.

Liquidity and refinancing risk

The Group secures its liquidity through sufficient cash funds, the commercial paper programme and supporting credit limit agreements. Cash flow from the rental business is stable, and the suffi-ciency of liquidity is monitored with regular forecasts.

The Group's liquidity remained good in the financial year. In order to ensure its liquidity, the Group has a EUR 200 million parent company commercial paper programme, EUR 100 million committed credit facility agreements and a EUR 5 million non-committed credit facility agreement. A total of EUR 108.8 (64.9) million of the facility associated with the commercial paper programme was in use at the end of the financial year. No credit facilities were in use at the balance sheet date.

The functioning of the money market has been affected by stricter bank regulation, which has re-flected on lending and the cost of financing. Due to VVO's strong financial position and stable cash flow, the risk associated with the availability of financing is not considered significant.

The availability of financing is ensured by maintaining VVO's good reputation among financiers and by keeping the equity ratio at an appropriate level. The risk associated with the availability of fi-nancing is mitigated by diversifying the maturities and financial instruments in the loan portfolio and by expanding the financier base. We prepare for the maturing of large loans well in advance.

The following table shows the contractual repayment and interest cash flows of financial liabilities and derivative instruments.

31.12.2015

M€	2016	2017-2020	2021-2025	2026-2030	Later
Interest subsidy loans	79,1	182,8	17,9	3,9	29,0
Annuity and mortgage loans	5,1	19,4	23,7	26,9	37,2
Market-based loans	60,3	447,3	405,4	120,9	89,7
Other loans	0,2	1,0	2,6	0,1	0,3
Commercial papers	109,3	0,0	0,0	0,0	0,0
Interest rate derivatives	11,5	39,3	28,6	10,4	4,5
Total	**265,7**	**689,8**	**478,2**	**162,2**	**160,7**

31.12.2014

M€	2015	2016-2019	2020-2024	2025-2029	Later
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 figures for 31 December 2015 do not include liabilities related to Non-current assets held for sale.

Price risk

The Group uses electricity derivatives to hedge against exposure to electricity price risk. The elec-tricity derivatives hedge highly probable future electricity purchases, and the trading in derivatives has been outsourced to an expert external to the Group. Electricity derivatives are not included in hedge accounting.

The Group's surplus cash may be invested in accordance with the approved principles of the financial policy. Available-for-sale financial assets are subject to a price risk that is mitigated through diversification of investment assets. The investments do not involve a currency risk.

The sensitivity of the electricity derivatives and available-for-sale financial assets to +/-10% chang-es in the market price are shown in the table below.

	31 Dec 2015					
	Income Statement		Other Comprehensive Income		Income Statement	
M€	10 %	-10 %	10 %	-10 %	10 %	-10 %
Electricity derivatives	0,3	-0,3	-	-	0,4	-0,4
Available-for-sale financial assets	-	-	2,9	-2,9	-	-
Total effect	0,3	-0,3	2,9	-2,9	0,4	-0,4

Deferred tax effect is not included in the calculation.

Credit risk

VVO Group does not have any significant credit risk concentrations. The majority of sales receivables consists of rent receivables, which are efficiently diversified. In addition, the application of rental deposits decreases the credit risk associated with rent receivables.

Age distribution of sales receivables

EUR million	31.12.2015	
Less than a month	1.0	28.50%
1-3 months	2.2	60.2%
3-6 months	0.2	6.8%
6-12 months	0.1	1.8%
More than a year	0.1	2.7%
Altogether	**3.6**	**100.0%**

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

Currency risk

The Group's cash flows are euro-denominated, and the business does not involve any currency risk.

Management of capital structure

The objective of the management of the Group's capital structure is to optimise the capital structure in relation to the current market conditions. The objective is to achieve a capital structure that best ensures the Group's strategic long-term operations and promotes the Group's growth targets.

In addition to the financial result, the Group's capital structure is affected by factors such as capital expenditure, asset sales, acquisitions, dividend payments, equity-based facilities and measurement at fair value. The Group's loans do not involve covenants, but the Group monitors its key figures on a regular basis.

VVO Group plc's Board of Directors has set the Group's long-term equity ratio target at over 35 per cent. At 31 December 2015, the Group's equity ratio was 41.1 (40.0) per cent. The interest cover ratio, representing VVO's ability to cover its interest costs, was 4.6 on 31 December 2015. VVO Group's interest-bearing liabilities totalled EUR 1,494.6 (1,850.1) million. EUR 460.7 million of in-terest-bearing liabilities have been transferred to Non-current assets held for sale. The equity ratio determination principle is presented in the financial statements under Formulas used in the calculation of the key figures.

M €	31 Dec 2015	31 Dec 2014
Interest-bearing liabilities	1 494,6	1 850,1
Cash and cash equivalents	116,0	114,4
Interest-bearing net liabilities	1 378,5	1 735,7
Shareholders' equity total	1 739,1	1 579,5
Balance sheet total	4 236,1	3 957,2
Equity ratio, %	41,1	40,0

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26. Operating leases

Site leasehold agreements

Land lease contracts

Group as lessee

M €	31 Dec 2015	31 Dec 2014
Contractual maturities		
on lease contracts		
During the following financial year	5.1	5.1
Due after following year and before five		
yeares	19.6	19.5
Due after five years	168.5	169.0
Total	**193.2**	**193.6**

Non-current assets held for sale include EUR 94.6 million from rental agreement liabilities.

The rental agreements are mainly site leasehold agreements from municipalities and cities. The maximum durations of the remaining agreements are 84 years, the average being 30 years.

Operating leases, vehicles	31 Dec 2015	31 Dec 2014
During the following financial year	0.7	0.9
Due in 2-5 years	0.8	1.2
Total	**1.5**	**2.1**

The operating leases are four-year car leases.

27. Adjustment to cash flow from operating activities

M €	31 Dec 2015	31 Dec 2014
Depreciation	1.2	1.7
Financial income and expenses	37.1	47.3
Income taxes	45.3	35.7
Share of result of associated companies	-0.6	-0.9
Profit/loss from investment properties measured at fair value	-70.3	-26.2
Profit/loss on sales of investment properties	-2.7	4.6
Other adjustments	-1.0	-0.5
Total	**9.0**	**61.7**

Main » Financial Statements » Financial Statements » Notes to the consolidated financial statements » 28. Guarantees and contingent liabilities

28. Guarantees and contingent liabilities

M€	31 Dec 2015	31 Dec 2014
Loans covered by pledges on property		
and shares as a collateral	1 849,7	1 787,0
Mortgages	2 551,5	2 554,4
Shares	213,6	212,5
Pledged collaterals total	**2 765,1**	**2 766,9**
Other collaterals given		
Pledges given	12,8	12,9
Guarantees given*)	433,3	346,2
Other collaterals total	**446,1**	**359,1**

*) The guarantees granted are mainly absolute guarantees granted as collateral for liabilities contracted by Group companies

The figures for 31 December 2015 include liabilities related to Non-current assets held for sale:
Liabilities with EUR 493.0 million of pledges given as a guarantee; the guarantees given total EUR 816.3 million.

Other liabilities

The most significant unrecognised acquisition agreements related to work in progress:

Other liabilities

M€	31 Dec 2015	31 Dec 2014
New construction	253,9	265,9
Renovation	22,5	35,0
Total	**276,4**	**300,9**

The figures for 31 December 2015 include a total of EUR 0.7 million of renovation liabilities related to Non-current assets held for sale.

Value added tax refund liabilities

M €	31 Dec 2015	31 Dec 2014
Value added tax refund liabilities	3,1	2,5

Land purchase liabilities

M €	31 Dec 2015	31 Dec 2014
Purchase prices for target building rights and		
draft plans	14,3	15,3
Liabilities for municipal infrastructure	4,4	5,5

Construction liability

The land use agreement related to the zoned areas Suurpelto I and II in Espoo is subject to schedules for construction sanctioned with delay penalties.

The zoned areas are divided into three execution areas in the agreement. VVO holds building rights in these areas as follows: area 2 – 18,217 (18,217) floor sq m; and area 3 – 16,125 (16,125) floor sq m. The agreement stipulates that all of the residential building rights have to be used up by November 2013 in area 2 and by November 2016 in area 3. This schedule has not been fully met. The delay penalty is graded based on the period of delay and can at most, if the delay has contin-ued for at least five years, be equal to half of the land use payments in accordance with the agreement. According to the agreement, the City of Espoo may, should circumstances change, lower the penalty or waive it altogether.

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

A plot located in the City of Espoo (49-12-220-1) is subject to a schedule for construction sanc-tioned with delay penalties.

A plot located in the City of Helsinki (91-40-176-8) is subject to a schedule for construction sanc-tioned with delay penalties.

VVO Group has some individual disputes pending, but the company considers these to be of negligible value.
Group companies have made commitments restricting the assignment and pledging of shares owned by them.

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29. Related party transactions

Related parties

VVO Group's related parties are the parent company, subsidiary and associated companies and joint ventures. Other related parties are the key persons included in company management, comprising the members of the Board of Directors and Management Group, the CEO and the close members of their families. Parties holding 20 per cent or more of the shares of VVO Group are always considered as related parties. Shareholders whose shareholding remains below 20 per cent are considered as related parties if they otherwise are considered to have considerable influence, such as through Board membership.

Business transactions with shareholders consist of rental and insurance agreements and a single share transaction. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

The relationships between the parent and subsidiaries in the Group are presented in Note 31.

Transactions with shareholders

M €	**31 Dec 2015**	**31 Dec 2014**
Rental agreements	0.1	0.1
Insurance fees	3.9	4.2
Total	**4.0**	**4.2**

Balance of account with other related parties

M €	**31 Dec 2015**	**31 Dec 2014**
Other current liabilities	0.3	0.5

Management employee benefits

M €	**31 Dec 2015**	**31 Dec 2014**

Salaries and other short-term employee benefits	2.1	1.6

Salaries and fees paid to CEO and the Board of the Directors

M €	31 Dec 2015	31 Dec 2014
Chief executive officer	0.7	0.5
Deputies to CEO	0.5	0.3
Board of Directors	0.1	0.1
Total	**1.3**	**0.9**

Employees of VVO Group do not receive additional compensation for serving as Board members or the CEO of Group companies.

No shares or share derivatives were given to members of the Board of Directors during the financial year.

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

30. Borrowing costs

M €	31 Dec 2015	31 Dec 2014
Capitalised borrowing costs	2.0	2.5
Yhteensä	**2.0**	**2.5**

Capitalisation, 2.1 %

31. Subsidiaries, joint arrangements and associated companies owned by the Group and the parent

Subsidiaries and joint arragements	VVO Group plc holding %	Group holding %
VVO-Yhtymä Oyj		
VVOhousing 1 Oy	100.00,%	100.00,%
VVOhousing 2 Oy	100.00,%	100.00,%
VVO Asunnot Oy	100.00,%	100.00,%
VVO Hoivakiinteistöt Oy	100.00,%	100.00,%
VVOhousing 3 Oy	100.00,%	100.00,%
VVOhousing 4 Oy	100.00,%	100.00,%
VVOhousing 5 Oy	100.00,%	100.00,%
VVOhousing 6 Oy	100.00,%	100.00,%
VVOhousing 7 Oy	100.00,%	100.00,%
VVOhousing 8 Oy	100.00,%	100.00,%
VVOhousing 9 Oy	100.00,%	100.00,%
VVOhousing 10 Oy	100.00,%	100.00,%
VVOhousing 11 Oy	100.00,%	100.00,%
VVOhousing 12 Oy	100.00,%	100.00,%
VVO Vuokratalot Oy	100.00,%	100.00,%
VVO Vuokra-asunnot Oy	100.00,%	100.00,%
VVO Korkotuki 2015 Oy	100.00,%	100.00,%
VVO Korkotuki 2016 Oy	100.00,%	100.00,%
VVO Korkotuki 2017 Oy	100.00,%	100.00,%
VVO Korkotuki 2018 Oy	100.00,%	100.00,%
VVO Korkotuki 2019 Oy	100.00,%	100.00,%
VVO Korkotuki 2020 Oy	100.00,%	100.00,%
VVO Korkotuki 2021 Oy	100.00,%	100.00,%

VVO Palvelut Oy	100.00,%	100.00,%
VVO Kodit Oy	100.00,%	100.00,%
Kiinteistö osakeyhtiö Pikkuhirvas	100.00,%	100.00,%
VVO Asumisoikeus Oy	100.00,%	100.00,%

VVO Kodit Oy

As Oy Kuopion Havuketo	100.00,%	100.00,%
As Oy Turun Puistokatu 12	100.00,%	100.00,%
As Oy Vantaan Junkkarinkaari 7	100.00,%	100.00,%
As. Oy Heinolan Korvenkaarre	89.90,%	89.90,%
As. Oy Helsingin Haapaniemenkatu 11	100.00,%	100.00,%
As. Oy Kuopion Kaarenkulma	100.00,%	100.00,%
As. Oy Malski 3, Lahti	100.00,%	100.00,%
As. Oy Pihavaahtera	100.00,%	100.00,%
Asunto Oy Espoon Henttaan Puistokatu C	100.00,%	100.00,%
Asunto Oy Espoon Henttaankaari A	100.00,%	100.00,%
Asunto Oy Espoon Kilonportti 3	100.00,%	100.00,%
Asunto Oy Espoon Klariksentie 6	100.00,%	100.00,%
Asunto Oy Espoon Koivu-Mankkaan tie 1 b	100.00,%	100.00,%
Asunto Oy Espoon Likusterikatu A	100.00,%	100.00,%
Asunto Oy Espoon Magneettikatu 5	100.00,%	100.00,%
Asunto Oy Espoon Marinkallio 4	100.00,%	100.00,%
Asunto Oy Espoon Marinkallio 6	100.00,%	100.00,%
Asunto Oy Espoon Marinkallio 8	100.00,%	100.00,%
Asunto Oy Espoon Nihtitorpankuja 3	100.00,%	100.00,%
Asunto Oy Espoon Reelinkikatu 2	100.00,%	100.00,%
Asunto Oy Espoon Saunalahdenkatu 2	100.00,%	100.00,%
Asunto Oy Espoon Servinkuja 3	100.00,%	100.00,%
Asunto OY Espoon Soukanrinne	100.00,%	100.00,%
Asunto Oy Espoon Suurpelto 44	100.00,%	100.00,%
Asunto Oy Espoon Suurpelto 5	100.00,%	100.00,%
Asunto Oy Espoon Tietäjäntie 3	100.00,%	100.00,%
Asunto Oy Helsingin Capellan puistotie 4	100.00,%	100.00,%
Asunto Oy Helsingin Haapsalunkuja 4	100.00,%	100.00,%
Asunto Oy Helsingin Henrik Borgströmin tie 2	100.00,%	100.00,%
Asunto Oy Helsingin Hesperiankatu 18	100.00,%	100.00,%
Asunto Oy Helsingin Hilapellontie 2c	100.00,%	100.00,%
Asunto Oy Helsingin Hilapellontie 2d	100.00,%	100.00,%
Asunto Oy Helsingin Hopeatie 9	100.00,%	100.00,%
Asunto Oy Helsingin Kadetintie 6	100.00,%	100.00,%

Asunto Oy Helsingin Kahvipavunkuja 3	100.00,%	100.00,%
Asunto Oy Helsingin Karavaanikuja 2	100.00,%	100.00,%
Asunto Oy Helsingin Karhulantie 13	100.00,%	100.00,%
Asunto Oy Helsingin Katariinankartano	100.00,%	100.00,%
Asunto Oy Helsingin Katariinankoski	100.00,%	100.00,%
Asunto Oy Helsingin Koirasaarentie 23	100.00,%	100.00,%
Asunto Oy Helsingin Kontulantie 19	100.00,%	100.00,%
Asunto Oy Helsingin Koskikartano	100.00,%	100.00,%
Asunto Oy Helsingin Kotkankatu 9	100.00,%	100.00,%
Asunto Oy Helsingin Lauttasaarentie 27	100.00,%	100.00,%
Asunto Oy Helsingin Leikkikuja 2	100.00,%	100.00,%
Asunto Oy Helsingin Leonkatu 21	100.00,%	100.00,%
Asunto Oy Helsingin Maasälväntie 5 ja 9	100.00,%	100.00,%
Asunto Oy Helsingin Marjatanportti	100.00,%	100.00,%
Asunto Oy Helsingin Messeniuksenkatu 1B	100.00,%	100.00,%
Asunto Oy Helsingin Oulunkylän tori 1	100.00,%	100.00,%
Asunto Oy Helsingin Palmsenpolku 2	100.00,%	100.00,%
Asunto Oy Helsingin Pertunpellontie 6	100.00,%	100.00,%
Asunto Oy Helsingin Pertunpellontie 8	100.00,%	100.00,%
Asunto Oy Helsingin Plazankuja 5	100.00,%	100.00,%
Asunto Oy Helsingin Posetiivari	100.00,%	100.00,%
Asunto Oy Helsingin Pärnunkatu 6	100.00,%	100.00,%
Asunto Oy Helsingin Ratarinne	100.00,%	100.00,%
Asunto Oy Helsingin Retkeilijänkatu 1	100.00,%	100.00,%
Asunto Oy Helsingin Risupadontie 6	100.00,%	100.00,%
Asunto Oy Helsingin Sörnäistenkatu 12	100.00,%	100.00,%
Asunto Oy Helsingin Tilketori 2	93.06,%	93.06,%
Asunto Oy Helsingin Tuulensuunkuja 3	100.00,%	100.00,%
Asunto Oy Helsingin Valanportti	100.00,%	100.00,%
Asunto Oy Helsingin Vuorenpeikontie 5	100.00,%	100.00,%
Asunto Oy Helsingin Välimerenkatu 8	100.00,%	100.00,%
Asunto Oy Hilapellontie 4	100.00,%	100.00,%
Asunto Oy Hyvinkään Merino	100.00,%	100.00,%
Asunto Oy Hyvinkään Mohair	100.00,%	100.00,%
Asunto Oy Hämeenlinnan Hilpi Kummilantie 16	100.00,%	100.00,%
Asunto Oy Hämeenlinnan Kajakulma	73.97,%	73.97,%
Asunto Oy Hämeenlinnan Turuntie 38	100.00,%	100.00,%
Asunto Oy Hämeenlinnan Uusi-Jukola	100.00,%	100.00,%
Asunto Oy Hämeentie 48	100.00,%	100.00,%
Asunto Oy Jyväskylän Kukkumäentie	100.00,%	100.00,%

Asunto Oy Jyväskylän Runkotie 5 C	100.00,%	100.00,%
Asunto Oy Jyväskylän Tellervonkatu 8	97.01,%	97.01,%
Asunto Oy Jyväskylän Väinönkatu 15	100.00,%	100.00,%
Asunto Oy Järvenpään Antoninkuja 3	100.00,%	100.00,%
Asunto Oy Järvenpään Metallimiehenkuja 2	100.00,%	100.00,%
Asunto Oy Järvenpään Peltotilkku	100.00,%	100.00,%
Asunto Oy Järvenpään Reki-Valko	100.00,%	100.00,%
Asunto Oy Järvenpään Sibeliuksenkatu 27	100.00,%	100.00,%
Asunto Oy Kalasääksentie 6	100.00,%	100.00,%
Asunto Oy Kauniaisten Asematie 10	100.00,%	100.00,%
Asunto Oy Kauniaisten Asematie 12-14	100.00,%	100.00,%
Asunto Oy Kauniaisten Bredantie 8	100.00,%	100.00,%
Asunto Oy Kauniaisten Kavallinterassit	100.00,%	100.00,%
Asunto Oy Kauniaisten Thurmaninpuistotie 2	100.00,%	100.00,%
Asunto Oy Kaustisenpolku 5	100.00,%	100.00,%
Asunto Oy Keravan Eerontie 3	100.00,%	100.00,%
Asunto Oy Keravan Palopolku 3	99.57,%	99.57,%
Asunto Oy Kirkkonummen Vernerinkuja 5	100.00,%	100.00,%
Asunto Oy Kivivuorenkuja 1	100.00,%	100.00,%
Asunto Oy Kivivuorenkuja 3	100.00,%	100.00,%
Asunto Oy Konalantie 14	100.00,%	100.00,%
Asunto Oy Kuopion Kelkkailijantie 4	100.00,%	100.00,%
Asunto Oy Kuopion Sompatie 7	100.00,%	100.00,%
Asunto Oy Kuopion Sompatie 9	100.00,%	100.00,%
Asunto Oy Lahden Sorvarinkatu 5	100.00,%	100.00,%
Asunto Oy Lahden Vihdinkatu 4	100.00,%	100.00,%
Asunto Oy Lahden Vihdinkatu 6	100.00,%	100.00,%
Asunto Oy Lappeenrannan Gallerianpolku	100.00,%	100.00,%
Asunto Oy Lappeenrannan Koulukatu 13	100.00,%	100.00,%
Asunto Oy Lappeenrannan Sammonkatu 5	100.00,%	100.00,%
Asunto Oy Lappeenrannan Upseeritie 12	100.00,%	100.00,%
Asunto Oy Lintukallionrinne 1	100.00,%	100.00,%
Asunto Oy Oulun Kitimenpolku 21	100.00,%	100.00,%
Asunto Oy Oulun Tervahanhi 1	97.96,%	97.96,%
Asunto Oy Pirtinketosato	63.55,%	63.55,%
Asunto Oy Pohtolan Kynnys	100.00,%	100.00,%
Asunto Oy Pohtolan Kytö	100.00,%	100.00,%
Asunto Oy Porin Kansankulma	100.00,%	100.00,%
Asunto Oy Rautamasuuni	100.00,%	100.00,%
Asunto Oy Rientolanhovi	100.00,%	100.00,%

Asunto Oy Riihimäen Mäkiraitti 17	93.22,%	93.22,%
Asunto Oy Rovaniemen Koskikatu 9	100.00,%	100.00,%
Asunto Oy Rovaniemen Pohjolankatu 11	100.00,%	100.00,%
Asunto Oy Rovaniemen Tukkivartio	100.00,%	100.00,%
Asunto Oy Salamankulma	66.18,%	66.18,%
Asunto Oy Tampereen Koipitaipaleenkatu 9	100.00,%	100.00,%
Asunto Oy Tampereen Nuolialantie 44	100.00,%	100.00,%
Asunto Oy Tampereen Pohtolan Pohja	100.00,%	100.00,%
Asunto Oy Tampereen Satakunnankatu 21	100.00,%	100.00,%
Asunto Oy Tampereen Tuomiokirkonkatu 32	100.00,%	100.00,%
Asunto Oy Toppilan Tuulentie 2	100.00,%	100.00,%
Asunto Oy Tuiran Komuntalo	100.00,%	100.00,%
Asunto Oy Turun Vänrikinkatu 2	100.00,%	100.00,%
Asunto Oy Tuusulan Bostoninkaari 2	100.00,%	100.00,%
Asunto Oy Tuusulan Kievarinkaari 4	100.00,%	100.00,%
Asunto Oy Tuusulan Metsontie 2	100.00,%	100.00,%
Asunto Oy Vantaan Elmontie 11	100.00,%	100.00,%
Asunto Oy Vantaan Hiiritornit	100.00,%	100.00,%
Asunto Oy Vantaan Keikarinkuja 3	100.00,%	100.00,%
Asunto Oy Vantaan Kilterinaukio 4	100.00,%	100.00,%
Asunto Oy Vantaan Kilterinkaari 2	100.00,%	100.00,%
Asunto Oy Vantaan Krassitie 8	97.17,%	97.17,%
Asunto Oy Vantaan Lauri Korpisen katu 10	100.00,%	100.00,%
Asunto Oy Vantaan Lehtikallio 4	100.00,%	100.00,%
Asunto Oy Vantaan Leinelänkaari 13	100.00,%	100.00,%
Asunto Oy Vantaan Leinelänkaari 14	100.00,%	100.00,%
Asunto Oy Vantaan Leineläntie 3	100.00,%	100.00,%
Asunto Oy Vantaan Neilikkapolku	100.00,%	100.00,%
Asunto Oy Vantaan Pyhtäänkorvenkuja 4 ja 6	100.00,%	100.00,%
Asunto Oy Vantaan Tammistonvuori	100.00,%	100.00,%
Asunto Oy Verkkotie 3	100.00,%	100.00,%
Asunto Oy Vähäntuvantie 6	100.00,%	100.00,%
Kiint. Oy Taivaskero 2	100.00,%	100.00,%
Kiinteistö Oy Espoon Kynäkatu C	100.00,%	100.00,%
Kiinteistö Oy Saarensahra	100.00,%	100.00,%
Kiinteistö Oy Saariniemenkatu 6	100.00,%	100.00,%
Kiinteistö Oy Satonkaarre	90.00,%	90.00,%
Kiinteistö Oy Siilinjärven Kirkkorinne	100.00,%	100.00,%
Kiinteistö Oy Tuureporin Liiketalo	100.00,%	100.00,%
Kiinteistö Oy Vantaan Pyhtäänpolku	100.00,%	100.00,%

Kiinteistö Oy Ylä-Malmintori	100.00,%	100.00,%
Kiinteistöosakeyhtiö Näsilinnankatu 40	100.00,%	100.00,%
Kilterin Kehitys Oy	100.00,%	100.00,%
Volaria Oy	100.00,%	100.00,%
Fredi-Invest Oy	100.00,%	100.00,%
Fredi-Invest Oy:n tytär:		
Kiinteistö Oy Helsingin Eliaksentalo 1	76.99,%	100.00,%
VVO Palvelut Oy		
Kiinteistö Oy Mannerheimintie 168a	100.00,%	100.00,%
VVO Asunnot Oy		
Asunto Oy Espoon Klariksentie 2	92.74,%	92.74,%
Asunto Oy Espoon Piilipuuntie 11	100.00,%	100.00,%
Asunto Oy Espoon Piilipuuntie 7	100.00,%	100.00,%
Asunto Oy Espoon Piilipuuntie 9	100.00,%	100.00,%
Asunto Oy Helsingin Soittajantie 2	100.00,%	100.00,%
Asunto Oy Kouvolan Viirikaari	100.00,%	100.00,%
Asunto Oy Kuopion Papinkuja 3	100.00,%	100.00,%
Asunto Oy Kuopion Papinkuja 7	100.00,%	100.00,%
Asunto Oy Päivöläntie 25	93.86,%	93.86,%
Asunto Oy Vantaan Kilterinmännikkö	100.00,%	100.00,%
Kiinteistö Oy Espoon Lyhtykuja	100.00,%	100.00,%
Kiinteistö Oy Lappeenrannan Koulukatu 1	75.55,%	100.00,%
Kiinteistö Oy Vantaan Kilterinhovi	100.00,%	100.00,%
Kiinteistö Oy Vantaan Kilterinkartano	100.00,%	100.00,%
Kiinteistö Oy Vantaan Kilterinpiha	100.00,%	100.00,%
Kiinteistö Oy Vantaan Kilterinrinne 6	100.00,%	100.00,%
Sivuston Vounamo Oy	100.00,%	100.00,%
VVOhousing 1 Oy		
Asunto Oy Turun Aurinkorinne	81.50,%	81.50,%
Asunto Oy Vantaan Lauri Korpisen katu 8	100.00,%	100.00,%
Kiinteistö Oy Mannerheimintie 168	51.46,%	82.61,%
Asunto Oy Tuusulan Männistöntie 1	100.00,%	100.00,%
VVO Vuokratalot Oy		
Asunto Oy Espoon Asemakuja 1	100.00,%	100.00,%
Asunto Oy Espoon Piilipuuntie 25	100.00,%	100.00,%

Asunto Oy Espoon Piilipuuntie 31	100.00,%	100.00,%
Asunto Oy Kuopion Niemenkatu 5	100.00,%	100.00,%
Asunto Oy Kaarinan Hovirinnan Luumu	100.00,%	100.00,%
Kiinteistö Oy Kanavanpirtti	100.00,%	100.00,%
Kiinteistö Oy Nummenperttu	100.00,%	100.00,%
Kiinteistö Oy Oulun Kotkankynsi	65.00,%	65.00,%
Asunto Oy OulunTuiranmaja	100.00,%	100.00,%
Kiinteistö Oy Vaakamestarinpolku 2	100.00,%	100.00,%
Kiinteistö Oy Vehnäpelto	100.00,%	100.00,%
Tikantupa Oy	100.00,%	100.00,%
Kiinteistö Oy Vehnäpellon tytär:		
Kiinteistö Oy Viljapelto	55.56,%	76.67,%
VVO Vuokra-asunnot Oy		
Asunto Oy Helsingin Kauppakartanonkuja 3	100.00,%	100.00,%
Asunto Oy Järvenpään Rekivatro	100.00,%	100.00,%
Asunto Oy Lappeenrannan Nurmelanpirtti	100.00,%	100.00,%
Asunto Oy Vantaan Aerolan A-talot	100.00,%	100.00,%
Asunto Oy Vantaan Aerolan B-talot	100.00,%	100.00,%
Kiinteistö Oy Malminhaka	90.00,%	90.00,%
VVO Korkotuki 2015 Oy		
Asunto Oy Hattulan Jukolankuja 3	100.00,%	100.00,%
VVO Korkotuki 2017 Oy		
Kiinteistö Oy Tampereen Kyllikinkatu 15	76.50,%	100.00,%
VVO Korkotuki 2018 Oy		
Kiinteistö Oy Vantaan Karhunkierros 1 C	86.58,%	86.58,%
VVO Korkotuki 2021 Oy		
Asunto Oy Kuopion Vilhelmiina	78.38,%	100.00,%
VVO-konserni		
Mummunkujan pysäköinti Oy		53.01,%
Katajapysäköinti Oy		50.93,%
Hatanpäänhovin Pysäköinti Oy		62.51,%

Associated companies		
VVO-yhtymä Oyj		
Asunto Oy Nilsiän Ski	28.33,%	28.33,%
SV-Asunnot Oy	50.00,%	50.00,%

Associated companies	**VVO Group plc holding %**	**Group holding %**
VVO Asunnot Oy		
As. Oy Järvenpään Jampanpaju	41.35,%	41.35,%
Hatanpäänhovin Pysäköinti Oy	20.63,%	62.51,%
Kanniston Huolto Oy	20.51,%	20.51,%
Kiinteistö Oy Ahdinluoto	34.50,%	34.50,%
Kiinteistö Oy Jyrkkälänpolku	28.85,%	28.85,%
Kiinteistö Oy Tampereen Taijan Parkki	49.17,%	49.17,%
Kiinteistö Oy Vantaan Puunhaltijakujan Parkki	44.62,%	44.62,%
Mummunkujan pysäköinti Oy	26.51,%	53.01,%
Tamppi Pysäköinti Oy	23.21,%	23.21,%
Veturitallin Parkki Oy	37.50,%	45.31,%
VVOhousing 1 Oy		
Fastighets Ab Lovisa Stenborg Kiinteistö Oy	45.50,%	45.50,%
Ristikedonkadun Lämpö Oy	34.40,%	34.40,%
SKIPA Kiinteistöpalvelut Oy	20.63,%	20.63,%
VVO Vuokratalot Oy		
Asunto Oy Viljapelto	21.11,%	76.67,%
Kiinteistö Oy Keinulaudantie 4	41.62,%	41.62,%
Pajalan Parkki Oy	31.44,%	44.06,%
VVO Korkotuki 2015 Oy		
Ruukuntekijäntien paikoitus Oy	26.24,%	26.24,%
VVO Korkotuki 2016 Oy		
Kiinteistö Oy Myllytullin Autotalo	24.39,%	24.39,%
VVO Korkotuki 2017 Oy		

Paavolan Parkki Oy	24.93,%	24.93,%
Virvatulentien Pysäköinti Oy	25.15,%	25.15,%
VVO Korkotuki 2020 Oy		
Lintulammenkadun Pysäköintilaitos oy	39.19,%	39.19,%
VVO Kodit Oy		
AsOy Kuopion Vilhelmiina	21.62,%	100.00,%
Hatanpäänhovin Pysäköinti Oy	41.88,%	62.51,%
Katajapysäköinti Oy	34.26,%	50.93,%
Kiinteistö Oy Jyväskylän Torikulma	42.63,%	42.63,%
Koy Bäckisåker	50.00,%	50.00,%
Koy Pohjois-suurpelto	50.00,%	50.00,%
Kiinteistö Oy Espoon Lukukatu A	50.00,%	50.00,%
Suurpellon Kehitys Oy	50.00,%	50.00,%
Kiinteistö Oy Oulun Tullivahdin Parkki	33.60,%	33.60,%
Koy Lappeenrannan Koulukatu 1	24.45,%	100.00,%
Koy Mannerheimintie 168	31.15,%	82.61,%
Koy Tampereen Kyllikinkatu 15	23.50,%	100.00,%
Marin autopaikat Oy	21.00,%	21.00,%
Mummunkujan pysäköinti Oy	26.51,%	53.01,%
Pihlajapysäköinti Oy	30.56,%	30.56,%
Asunto Oy Vantaan Lehtikallio 4:		
Koy Lehtikallion pysäköinti	39.84,%	39.84,%
Asunto Oy Järvenpään Sibeliuksenkatu 27:		
Kiinteistö Oy Järvenpään Tupalantalli	33.51,%	33.51,%
Koy Helsingin Eliaksentalo 1	23.01,%	100.00,%

32. Events after the reporting period

In accordance with the preliminary agreement signed on 30 November 2015, VVO Group sells 8,631 cost principle rental apartments located around Finland to Kiinteistö OY Y-Asunnot which is part of the Y-Foundation. The details of this transaction are still pending. Note 3 *Non-current assets held for sale* specifies the effects of the transaction on the Group in detail.

33. Key figures

	2015	2014 *)	2013	2012	2011
Revenue, M€	370.9	356.5	346.6	335.4	327.3
Net rental income, M€	227.4	210.0	198.4	197.3	186.6
% revenue	61.3	58.9	57.2	58.8	57.0
Net financial expenses, M€	37.1	47.3	40.3	50.2	49.9
Profit before taxes, M€	224.7	146.5	75.9	62.5	55.8
Balance sheet, total	4,236.1	3,957.2	2,468.5	2,276.1	2,252.2
Investment properties, M€	3,999.2	3,708.8	3,351.1	3,120.0	
Equity attributable to equity holders of the parent company	1,738.5	1,579.0	497.9	438.4	404.4
Interest-bearing liabilities, M€	1,494.6	1,850.1	1,795.1	1,664.3	1,683.9
Return on equity, % (ROE)	10.8	7.2	15.5	10.6	11.2
Return on investments, % (ROI)	7.6	5.9	5.5	5.5	5.2
Equity ratio, %	41.1	40.0	41.3	38.8	
Loan to Value, % 1) 2)	42.8	49.4	50.3	50.0	
Earnings per share, €	24.23	14.95	10.07	6.19	6.07
Equity per share, €	234.85	213.30	209.16	178.60	
Dividend per share, €	5.00	3.00	2.20	2.00	1.60
Gross investments, M€	235.0	200.5	223.2	74.8	121.5
Number of personnel, average	364	339	341	343	349

*) As of 2014, the Group adopted IFRS for its financial reporting. For 2011–2013, figures are presented according to the FAS financial statements.

1) Calculated with FAS 2013–2012 fair values

2) Does not include items held for sale

Transition to IFRS

Since 1 January 2015, VVO Group prepares its consolidated financial statements, including the Interim Reports, in accordance with International Financial Reporting Standards (IFRS). For periods up to and including the year ended 31 December 2014, VVO has drawn up its consolidated financial statements in accordance with Finnish Accounting Standards (FAS). The Group's date of transition to IFRS was 1 January 2014. VVO has applied IFRS 1 (First-time Adoption of International Financial Reporting Standards) in the transition. The note describes the most important effects of the IFRS transition on financial statements, as well as the accounting policies with the most significant effects on the income statement, balance sheet and cash flows relating to the adoption of IFRS.

The transition from FAS to IFRS has affected the reported financial position, financial performance and cash flows of VVO Group. The most significant impacts relate to the following:

- Measurement of investment property
- Recognition of deferred taxes
- Measurement of financial instruments
- Changes in consolidation methods

Below are provided more details about the effects of the transition to IFRS on VVO Group's financial result, balance sheet and key indicators.

Reconciliations and explanation of the effects of the transition to IFRS
The effects of the transition of VVO Group from FAS to IFRS on VVO Group's balance sheet and result are described below. The following reconciliations are presented below:

- reconciliation of the consolidated equity reported in accordance with FAS to the consolidated equity in accordance with IFRS, as at 1 January 2014 (opening IFRS balance sheet) and as at 31 December 2014
- reconciliation of the total consolidated profit in accordance with FAS to the total comprehensive income in accordance with IFRS for the financial year 2014.

Balance sheet 1 January 2014

M €	Note	At 1 Jan 2014 under FAS	Reclassifi-cation	Proportional consolidation	Investment property	Financial instruments	Employee benefits	Other adjustments	At 1 Jan 2014 under IFRS
ASSETS									
Non-current assets									
Intangible assets		9.9	-8.2						1.7
Tangible assets		2,182.5	-2,172.9	-9.7					0.0
Investment properties			2,200.2	0.7	1,311.6			-2.1	3,510.3
Property, plant and equipment			32.3						32.3
Investments		23.3	-23.3						0.0
Investments in associated companies			3.2						3.2
Financial assets			0.6						0.6
Non-current receivables		3.0	-0.5	1.7		-0.5			3.8
Deferred tax assets	a, b		0.7		0.1	5.7	0.3	0.6	7.4
Non-current assets total		**2,218.7**	**32.1**	**-7.3**	**1,311.7**	**5.3**	**0.3**	**-1.5**	**3,559.4**
Current assets									
Trading properties		42.6	-37.3						5.3
Current tax assets		0.1							0.1
Trade and other receivables		12.7	0.0	0.0		-0.1		0.7	13.2
Financial assets		64.0		0.0		1.8			65.8
Cash and cash equivalents		130.4	-0.1	-0.2					130.2
Current assets total		**249.8**	**-37.3**	**-0.3**	**0.0**	**1.7**	**0.0**	**0.7**	**214.6**
ASSETS TOTAL		**2,468.5**	**-5.2**	**-7.5**	**1,311.7**	**7.0**	**0.3**	**-0.9**	**3,774.0**
SHAREHOLDER' EQUITY AND LIABILITIES									
Equity attributable to equity holders of the parent company									
Share capital		58.0							58.0

Share issue premium		35.8							35.8
Revaluation reserve		1.7						-1.7	0.0
Fair value reserve	a					-19.9			-19.9
Invested non-restricted equity reserve		17.9							17.9
Other equity fund		0.0							0.0
Retained earnings	a	384.6	1.5	4.2	1,019.9	-1.6	-1.2	0.6	1,407.9
Equity attributable to shareholders of the parent company		**497.9**	**1.5**	**4.2**	**1,019.9**	**-21.5**	**-1.2**	**-1.1**	**1,499.6**
Non-controlling interests		11.2	-0.5	-10.3					0.4
Total equity	c, f	**509.2**	**0.9**	**-6.1**	**1,019.9**	**-21.5**	**-1.2**	**-1.1**	**1,500.1**
LIABILITIES									
Non-current liabilities									
Liabilities		1,680.4	-21.4	-1.2		-0.6			1,657.2
Deferred tax liabilities	b	100.5	0.7	-0.1	291.8	0.4		-0.4	392.8
Derivatives			1.6			27.6			29.1
Provisions		1.3							1.3
Other non-current liabilites		8.7	-1.5					0.8	8.0
Non-current liabilities total		**1,791.0**	**-20.7**	**-1.3**	**291.8**	**27.4**	**0.0**	**0.4**	**2,088.5**
Current liabilities									
Current liabilities		114.7	18.0	-0.1					132.6
Derivatives						1.2			1.2
Current tax liabilities		5.5	0.4						5.9
Trade and other payables		48.2	-3.7	0.0			1.5	-0.1	45.7
Current liabilities total		**168.4**	**14.6**	**-0.1**	**0.0**	**1.2**	**1.5**	**-0.1**	**185.4**
Total liabilities		**1,959.4**	**-6.1**	**-1.4**	**291.8**	**28.5**	**1.5**	**0.2**	**2,273.9**
TOTAL EQUITY AND LIABILITIES		**2,468.5**	**-5.2**	**-7.5**	**1,311.7**	**7.0**	**0.3**	**-0.9**	**3,774.0**

Balance sheet 31 December 2014

M €	Note	At 31 Dec 2014 under FAS	Reclassifi-cation	Proportional consolidation	Investment property	Financial instruments	Employee benefits	Other adjustments	At 31 Dec 2014 under IFRS
ASSETS									
Non-current assets									
Intangible assets		9.0	-7.6						1.4
Tangible assets		2,356.2	-2,346.7	-9.5					0.0
Investment properties			2,345.2	0.5	1,365.2			-2.1	3,708.8
Property, plant and equipment			31.7						31.7
Investments		26.6	-26.6						0.0
Investments in associated companies			3.5						3.5
Financial assets			0.6						0.6
Non-current receivables		1.5		1.7		-0.4			2.8
Deferred tax assets	a, b		1.3	0.1	0.1	9.9	0.3	0.1	11.8
Non-current assets total		**2,393.3**	**1.3**	**-7.2**	**1,365.3**	**9.5**	**0.3**	**-2.0**	**3,760.6**
Current assets									
Trading properties		3.0							3.0
Current tax assets		1.4							1.4
Trade and other receivables		9.6		0.2		-0.1			9.6
Financial assets		65.9				2.4			68.3
Cash and cash equivalents		114.7		-0.3					114.4
Current assets total		**194.5**	**0.0**	**-0.1**	**0.0**	**2.3**	**0.0**	**0.0**	**196.7**
ASSETS TOTAL		**2,587.8**	**1.3**	**-7.3**	**1,365.3**	**11.8**	**0.3**	**-2.0**	**3,957.2**
SHAREHOLDER' EQUITY AND LIABILITIES									

Equity attributable to equity holders of the parent company									
Share capital		58.0							58.0
Share issue premium		35.8							35.8
Revaluation reserve		1.7						-1.7	0.0
Fair value reserve	a					-35.0			-35.0
Invested non-restricted equity reserve		17.9							17.9
Other equity fund		0.0							0.0
Retained earnings	a	439.2		4.0	1,062.9	-2.6	-1.4	0.1	1,502.3
Equity attributable to shareholders of the parent company		**552.6**	**0.0**	**4.0**	**1,062.9**	**-37.6**	**-1.4**	**-1.6**	**1,579.0**
Non-controlling interests		10.6		-10.1					0.5
Total equity	c, f	**563.2**	**0.0**	**-6.2**	**1,062.9**	**-37.6**	**-1.4**	**-1.6**	**1,579.5**
LIABILITIES									
Non-current liabilities									
Liabilities		1,695.2	-4.3	-1.1		-0.5			1,689.3
Deferred tax liabilities	b	102.2	1.3	-0.1	302.4	0.5		-0.4	405.9
Derivatives			5.3			48.4			53.7
Provisions		1.5							1.5
Other non-current liabilites		7.4							7.4
Non-current liabilities total		**1,806.4**	**2.3**	**-1.2**	**302.4**	**48.3**	**0.0**	**-0.4**	**2,157.7**
Current liabilities									
Current liabilities		156.7	4.3	-0.2					160.8
Derivatives						1.1			1.1
Current tax liabilities		12.3							12.3
Trade and other payables		49.2	-5.3	0.2			1.7		45.9
Current liabilities total		**218.2**	**-1.0**	**0.0**	**0.0**	**1.1**	**1.7**	**0.0**	**220.0**

Total liabilities	**2,024.6**	**1.3**	**-1.2**	**302.4**	**49.4**	**1.7**	**-0.4**	**2,377.8**
TOTAL EQUITY AND LIABILITIES	**2,587.8**	**1.3**	**-7.3**	**1,365.3**	**11.8**	**0.3**	**-2.0**	**3,957.2**

Income statement for the financial year 2014

M€	Note	FAS 1-12/2014	Reclassification	Proportional consolidation	Investment property	Financial instruments	Employee benefits	Other adjustments	IFRS 1-12/2014
Total revenue		**367.9**	**-11.2**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**356.5**
Maintenance expenses			-96.7	-0.3					-97.1
Repair expenses			-49.6	0.1					-49.5
Net rental income				**-0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**210.0**
Materials and services		-8.7	8.7						
Administrative expenses		-21.1	-17.3	0.0			-0.3		-38.7
Other operating income		14.4	0.0	0.0	-11.5				2.9
Other operating expenses		-164.5	163.6	0.0	0.0				-0.9
Profit/loss on sales of investment properties					-4.6				-4.6
Profit/loss on sales of trading properties			2.6		-2.8				-0.2
Fair value change of investment properties					26.2				26.2
Depreciation, amortisation and impairment losses		-52.3			50.6				-1.7
Share of result of associated companies		0.9	-0.9						
Operating profit / loss		**136.7**		**-0.4**	**57.8**	**0.0**	**-0.3**	**0.0**	**192.9**
Financial income		2.3		0.1		0.2			2.7
Financial expenses		-48.7		0.1		-1.4			-50.0
Total amount of financial income and expenses	a	-46.3		0.2	0.0	-1.2	0.0	0.0	-47.3

Share of result of associated companies			0.9	-0.1					0.9
Profit before taxes	**e**	**90.3**		**-0.3**	**57.8**	**-1.2**	**-0.3**	**0.0**	**146.5**
Current tax expense		-23.8			0.4				-23.5
Change in deferred taxes	b, e	4.6			-16.3	0.1	0.0	-0.6	-12.2
Income taxes total		-0.1	0.1						
Profit/loss for the period		**71.0**		**-0.3**	**41.9**	**-1.1**	**-0.2**	**-0.6**	**110.8**
Profit of the financial period attributable to									
Shareholders of the parent company									110.7
Non-controlling interests			-0.1	0.0					-0.1
Earnings per share based on profit attributable to equity holders of the parent company									
Basic, euro									6.50
Diluted, euro									6.50
Average number of the shares, millions									7.4

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

M €

Profit/loss for the period		**71.0**	**0.0**	**-0.3**	**41.9**	**-1.1**	**-0.2**	**-0.6**	**110.8**
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Cash flow hedgings						-19.5			-19.5
Available-for-sale financial assets						0.6			0.6

Deferred taxes						3.8			3.8
Total comprehensive income for the period	a, e	**71.0**	**0.0**	**-0.3**	**41.9**	**-16.2**	**-0.2**	**-0.6**	**95.7**
Total comprehensive income attributable to									
Shareholders of the parent company		71.0		-0.3	41.9	-16.2	-0.2	-0.6	95.6
Non-controlling interests			-0.1						-0.1

Explanation of the effects of the transition to IFRS

The accounting policies that have had the most significant effect on VVO Group's consolidated income statement and balance sheet when adopting IFRS are described herein.

The Group applied IFRS 1 (*First-time Adoption of International Financial Reporting Standards*) in the transition to IFRS. VVO Group has decided to apply the following reliefs allowed by IFRS 1 to the requirements of other standards:

Business acquisitions:

The Group does not apply IFRS 3 *Business combinations* retrospectively to business combinations made before the IFRS transition date. Instead, the classification and recognition principles for as-sets and liabilities will be kept as they have been in consolidated financial statements prepared in accordance with Finnish laws and regulations.

Interest subsidy loans:

Interest subsidy loans granted to VVO Group are accounted for as government loans in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* . These loans have been granted by an organisation representing the government and they are subsidies in nature. VVO has applied the relief allowed by IFRS 1, under which the carrying amounts of said loans have not been adjusted in the opening IFRS balance sheet. After the transition, these loans will be accounted for in accordance with IAS 39.

Consolidation policies (joint arrangements)

The consolidation policies for housing companies in which VVO Group does not have 100% own-ership, as well as the consolidation policies for mutual real estate companies, have been changed, so that from 1 January 2014, these assets are accounted for as joint operations, as referred to in IFRS 11 Joint arrangements. In a joint operation, VVO Group has rights to the assets and obliga-tions for the liabilities relating to the arrangement. In these companies, the shares held by VVO carry entitlement to control over specified premises.

In IFRS financial statements, holdings in housing companies and mutual real estate companies are consolidated using proportionate consolidation in accordance with the holding. Thus, VVO Group's share of their assets, liabilities, income and expenses is consolidated in proportion to VVO Group's ownership on a line-by-line basis into the corresponding items in VVO Group's financial statements, including the Group's possible share of joint assets, liabilities, income and expenses.

Assets and liabilities in the FAS balance sheet have been adjusted as a result of the change in the consolidation method. These adjustments are shown in the balance sheet bridge presented above. The adjustments result from not consolidating the above assets and liabilities in full (100%) and not including non-controlling interests' share in the consolidated financial statements. The counterpart of the adjustments concerning the consolidation method is the non-controlling interests' share of equity.

These changes had an effect of EUR -7.5 million on the opening IFRS balance sheet and EUR -7.3 on the closing balance sheet for 2014.

The change in the consolidation method did not have a significant effect on the result. The effects on income statement items in 2014 are presented in the income statement reconciliation.

Intangible assets

The following intangible assets in the FAS balance sheet have been reclassified into Investment property: air-raid shelter and parking space rights, parking areas and shares in car parking facilities that meet the criteria for investment property, totalling EUR 8.2 million in the opening IFRS balance sheet (EUR 7.6 million on 31 December 2014).

Tangible assets

The following tangible assets in the FAS balance sheet have been reclassified into Investment property: land areas, entry fees, residential and business properties, machinery and equipment, acquisitions in progress and other capitalised long-term expenditure that meet the criteria for an investment property. This adjustment totalled EUR 2,142.0 million in the balance sheet at 1 January 2014 and EUR 2,316.4 million at 31 December 2014.

Investment property (changes to balance sheet and fair value)

The Group has decided to apply the fair value model of IAS 40 Investment property to the valuation of its investment properties. This increased the balance sheet value of VVO Group’s property as-sets by EUR 1,326.3 million on 1 January 2014, and the resulting increase in deferred tax liability (20%) amounted to EUR 288.3 million. The change in the value of investment properties in the financial year 2014, EUR 26.2 million, has been recognised in the income statement.

Before the transition to IFRS, VVO Group measured its property and housing portfolio at cost less depreciation and impairment. The deferred taxes for allocated reserves and assets, previously cap-italised in fixed assets, were reversed in the transition to IFRS.

In connection with the transition, the property and housing portfolio owned by the Group has been reassessed and reclassified as applicable. Nearly all of them are assets that meet the investment property criteria. Investment property refers to a property (land, building or part of a building) that the Group retains to earn rental income or capital appreciation, or both.

Changes in fair value are recognised through profit and loss from 1 January 2014 and presented netted as a separate item in the income statement. When applying the fair value model, depreciation is no longer recognised in respect of investment properties. Changes in the fair values of properties may cause fluctuation in VVO Group’s result in the future.

The fair value of the rental apartments and business premises owned by the Group is determined quarterly on the basis of the company’s own evaluation. An external expert issues a statement on the valuation of rental apartments and business premises owned by VVO Group.

In the annual reports for 2013 and 2014, VVO Group presented the fair value of its investment property in a note. The fair value measurement principles for residential and business properties have been specified in more detail in connection with the transition to comply with IFRS. The effects were not significant.

Shares in associates

The Shares in associates item in the FAS balance sheet included investments in housing compa-nies and mutual real estate companies, which were consolidated in the consolidated financial statements using the equity method. From 1 January 2014, VVO Group's investments in housing companies and mutual real estate companies in which the Group's holding is 20–50 per cent are accounted for as joint operations and consolidated into the corresponding items in the consolidated financial statements using the proportionate consolidation method in accordance with the holding. The adjustment from Capital Expenditure into Investment property in the opening IFRS balance sheet and at 31 December 2014 amounted to EUR -7.7 million. The effect of the adjustment on the 2014 FAS income statement line Share of income and expenses of associates was not significant.

Other investments

VVO Group's investments in companies in which the Group's holding is less than 20 per cent were previously included in Capital expenditure in the balance sheet. They have been reclassified as available-for-sale financial assets (Available-for-sale financial assets under Non-current assets in the IFRS-balance sheet). The transfer between the balance sheet items amounted to EUR 0.6 million on 1 January 2014 and 31 December 2014. These investments are valued on the basis of their carrying amount at 31 December 2013 in accordance with Finnish financial statement regulations.

Derivative instruments

VVO Group's derivative instruments consist of interest rate derivatives and electricity derivatives. The Group uses interest rate derivatives to hedge its interest rate risk exposure related to long-term loans and resulting volatility in profits. The purpose of electricity derivatives is to limit fluctuations in VVO Group's result caused by changing electricity prices.

All derivative instruments not included in the hedge accounting referred to in IAS 39 are included in financial assets and liabilities recognised at fair value through profit and loss. IFRS regulation re-quires initial recognition of derivative instruments at fair value and their subsequent measurement at fair value on the last day of each reporting period. Previously, VVO Group did not measure derivatives at fair value after the initial recognition, with the exception of interest rate swaptions.

Gains and losses from fair value measurement are accounted for as determined by the purpose of the derivative instruments. The effects on results of changes in the value of derivative instruments that are included in hedge accounting and that are effective hedging instruments are presented consistently with the hedged item. VVO Group has decided to apply hedge accounting in accord-ance with IAS 39 (cash flow hedge accounting) to the majority of interest rate derivatives. Fair value changes of hedging interest rate derivatives are recognised in other comprehensive income and reported in fair value reserve in equity net of tax. For derivative instruments not included in hedge accounting, changes in fair value are recognised through profit and loss in the period during which they arise. VVO Group does not apply hedge accounting to electricity derivatives and certain interest rate derivatives.

a) Appendix: Derivative instruments
Balance sheet adjustments due to changes in accounting practice were as follows:

M€	1 Jan 2014	31 Dec 2014
Interest rate derivatives, hedge accounted (FAS)	0.0	0.0
Fair value reserve	-20.8	-36.4
Deferred tax assets	-5.2	-9.1
Fair value (IFRS)	**-26.0**	**-45.5**
Interest rate derivatives, no hedge accounting (FAS)	-1.6	-5.3
Retained earnings	-1.3	-2.4
Deferred tax assets	-0.3	-0.6
Fair value (IFRS)	**-3.2**	**-8.3**
Electricity derivatives (FAS)	0.0	0.0
Retained earnings	-0.9	-0.8
Deferred tax assets	-0.2	-0.2
Fair value (IFRS)	**-1.2**	**-0.9**

The EUR -19.5 million change in the value of hedging interest rate derivatives, arising in 2014, has been recognised in components of other comprehensive income. Changes in the values of instru-ments not included in hedge accounting in 2014 were EUR -1.4 million for interest rate derivatives and EUR +0.2 million for electricity derivatives. These have not been recognised through profit and loss previously.

Financial assets

Previously, VVO Group measured financial assets at the lower of cost or market price. Financial assets were reclassified on 1 January 2014 into the following financial asset categories:

- Available-for-sale financial assets: These include investments in other instruments with a reliably determinable fair value, such as fund investments and investments in other unlisted securities. From 1 January 2014, investments measured at fair value are measured at fair value on the last day of the reporting period. As a rule, fair value changes are recognised in other comprehensive income, net of tax, and reported in fair value reserve in equity.
  - The value of investments measured at fair value in the opening IFRS balance sheet on 1 January 2014 was EUR 50.3 million, and EUR 55.5 million on 31 December 2014.
  - The effect of fair value changes on the income statement of 2014 was EUR 2.4 mil-lion, including an EUR 0.7 million impairment loss adjustment, previously recognised through profit and loss.
  - Unlisted securities are still measured at cost less impairment loss, as their fair value cannot be reliably determined.
- Loans and other receivables: This category includes fixed-term deposits and similar. Loans and other receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method. The carrying amount of financial assets included in this category did not change in the opening IFRS balance sheet.
- Held-to-maturity investments: Held-to-maturity securities are measured at amortised cost.

Deferred taxes

b) Appendix: Deferred taxes

Adjustments of deferred taxes consist of the following items:

M€	1 Jan 2014	31 Dec 2014
Deferred tax assets (FAS)	3.9	5.6
Differencies carried forward and temporary differenicies	-2.7	-3.6
Tax losses carried forward confirmed by tax authorities	0.6	0.0
Valuation at fair value		
Interest rate derivatives	5.5	9.7
Available-for-sale financial assets	-0.1	-0.1
Electricity derivatives	0.2	0.2
Deferred tax assets (IFRS)	**7.4**	**11.8**
Deferred tax liabilities (FAS)	104.4	107.9

Differencies carried forward and temporary differenicies	-15.5	-21.5
accumulated depreciation	-27.9	-31.0
Residential building provisions	-0.1	-0.1
Valuation at fair value		
Investment properties	331.8	350.2
Available-for-sale financial assets	0.2	0.3
Deferred tax liabilities (IFRS)	**392.8**	**405.9**
Total deferred taxes (FAS)	100.5	102.2
Changes total	284.9	291.8
Total deferred taxes (IFRS)	**385.4**	**394.0**

Deferred taxes in the 2014 income statement have been adjusted with a total of EUR -16.8 million, of which EUR -5.2 million result from the fair value measurement of investment properties.

Deferred taxes are accounted for in accordance with IAS 12 Income taxes. As a rule, deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities using the liability method.

In practice, the changes concerning income taxes result from the fair value measurement of in-vestment properties and financial instruments, which has increased the number of deferred tax items. The largest item (EUR 332 million) is constituted by the temporary difference between the fair values and tax bases of investment properties owned by VVO Group. After the initial recognition, the investment property is measured at fair value through profit and loss at the end of the reporting period. At the same time, deferred tax is recognised in profit and loss on the basis of the temporary difference. The calculation of tax is based on the assumption that, as a rule, VVO Group will dispose of the investment property by selling it in the form of property, not by selling the shares in the company. Before the transition to IFRS, the Group already recognised income taxes mainly in accordance with IFRS regulations. With the exception of the new items mentioned above, changes in deferred taxes have mainly been minor adjustments of the previous recognition practice. Deferred taxes are measured using the tax rates (and tax legislation) in force on 31 December 2014.

Investment properties (depreciation)

The depreciation on assets classified as investment properties recognised in the FAS income statement in the financial year 2014 has been reversed. The effect of the adjustment was EUR +50.6 million.

Retained earnings and equity

IFRS adjustments recognised in retained earnings consist of the following items:

c) Appendix: Bridging calculation of equity 1 January 2014

M€	Share capital	Share issue premium	Contin-gency fund	Revaluation reserve	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Non-controlling interests	Total equity
Equity at 1 Jan 2014 under FAS	**58.0**	**35.8**	**0.0**	**1.7**		**17.9**	**384.6**	**11.2**	**509.2**
Changes									
Structural changes and changes in consolidation methods and other adjustments							6.2	-10.8	-4.6
Valuation at fair value of the investment properties							1,061.1		1,061.1
Deferred taxes of investment properties							-41.2		-41.2
Cash flow hedgings					-20.8		-1.3		-22.1
Available-for-sale financial assets					0.9		0.7		1.6
Electricity hedgings							-0.9		-0.9
Employee benefits							-1.2		-1.2
Other items				-1.7					-1.7
Equity at 1 Jan 2014 under IFRS	**58.0**	**35.8**	**0.0**	**0.0**	**-19.9**	**17.9**	**1,407.9**	**0.4**	**1,500.1**

d) Appendix: Bridging calculation of equity 31 December 2014

M €	Share capital	Share issue premium	Contin-gency fund	Revaluation reserve	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Non-controlling interests	Total equity
Equity at 31 Dec 2014 under FAS	58.0	35.8	0.0	1.7	0.0	17.9	439.2	10.6	563.2
Changes									
Structual changes and changes in consolidation methods and other adjustments							6.9	-10.1	-3.3
Valuation at fair value of the investment properties							1,115.8		1,115.8
Deferred taxes of investment properties							-55.6		-55.6
Cash flow hedgings					-36.4		-2.4		-38.8
Available-for-sale financial assets					1.4		0.5		1.9
Electricity hedgings							-0.8		-0.8
Employee benefits							-1.4		-1.4
Other items				-1.7					-1.7
Equity at 31 Dec 2014 under IFRS	**58.0**	**35.8**	**0.0**	**0.0**	**-35.0**	**17.9**	**1,502.3**	**0.5**	**1,579.5**

Other non-current liabilities (other long-term employee benefit)

VVO Group has a remuneration scheme that covers the entire personnel, entitling them to benefits after a specific number of years of service. A liability of approximately EUR 1.5 million has been recognised in the opening IFRS balance sheet for this arrangement, in accordance with IAS 19 Employee benefits.

Previously the expense resulting from the benefit was recognised when the beneficiary used it.

Financial liabilities

In the transition to IFRS, the Group's financial liabilities have been classified either into financial liabilities recognised at fair value through profit and loss (derivative liabilities) or financial liabilities measured at cost (other financial liabilities). Other financial liabilities mainly consist of VVO Group's various promissory note loan instruments, measured at amortised cost using the effective interest method.

Carrying amounts of the Group's financial liabilities were adjusted in the opening IFRS balance sheet on 1 January 2014 with the amount of loan fees not recognised in the result. The effect of the adjustment was insignificant.

Other adjustments

The transition to IFRS did not result in significant differences in the cash flow statement. After the transition, deposits over three months are accounted for in the investment cash flow instead of cash and cash equivalents.

Effects on key indicators

VVO-group	FAS 1-12/2014	IFRS 1-12/2014
Revenue, M€	367.9	356.5
Operting profit, M€	136.7	192.9
Profit before taxes, M€	90.3	146.5
Earnings per share, €	9.60	14.95
Equity per share, book value €	74.65	213.30
Equity per share, fair value €	223.01	213.30
Current ratio	0.9	0.9
Return on equity, % (ROE)	13.3	7.2
Return on investments, % (ROI)	5.9	5.9
Equity ratio, book value %	21.8	40.0
Equity ratio, fair value %	42.0	40.0
Cash and cash equivalents, M€	122.0	114.4
Interest bearing liabilities, M€	1,851.9	1,850.1

- Turnover: IFRS adjustments decreased the turnover by EUR 11.3 million. This was mainly due to not including sales of trading properties in turnover any longer.
- Operating profit: the adjustments increased the operating profit by EUR 56.2 million. This was attributa-ble to the reclassification of investment properties and their measurement at fair value.
- As a result of the IFRS adjustments, profit before taxes increased by EUR 56.1 million.

- Equity per share at carrying amount increased by EUR 138.65, mainly as a result of recognising invest-ment properties at fair value.
- Comparable equity per share at fair value decreased by approximately 10 euro, mainly resulting from the fair value measurement of financial instruments and more detailed determination of the fair value of in-vestment properties.
- IFRS adjustments decreased the return on equity by 6.1%, while equities strengthened compared with the result when investment properties were measured at fair value.
- Cash and cash equivalents decreased by EUR 7.6 million, as deposits over three months are not classi-fied into liquid assets.

Other

The transition to IFRS has no effect on the Group's segment division. Thus, the reporting of VVO Group's financial entity will continue to be divided into two segments: VVO Non-subsidised and VVO State-subsidised. The basis for the segment division is the profit distribution restriction defined by the Act on State-Subsidised Housing Loans (ARAVA Act).

Summary of the effects of the transition to IFRS on the result and equity, presented by standard

e) Appendix: Result

M €	1-3/2014	3-6/2014	6-9/2014	9-12/2014	1-12/2014
Profit under FAS	**18.4**	**22.1**	**17.7**	**12.8**	**71.0**
IAS 40 Change in valuation of investment property	13.2	1.5	8.7	34.4	57.8
IAS 12 Change in deferred tax assets and liabilities	-1.2	-2.5	-0.3	-8.6	-12.6
IAS 39 Change in financial instruments	-5.6	-5.9	-4.8	-3.8	-20.1
IAS 19 Employee benefits	-0.1	-0.1	-0.1	-0.1	-0.3
Other adjustments	0.0	0.0	0.0	-0.2	-0.2
Changes total	**6.3**	**-7.0**	**3.6**	**21.7**	**24.7**
Total comprehensive income IFRS	**24.7**	**15.1**	**21.3**	**34.5**	**95.7**

f) Appendix: Equity

M€	1 Jan 2014	31 Dec 2014
Total equity and Minority interest under FAS	**509.2**	**563.2**
IAS 40 Change in valuation of investment property	1,274.9	1,328.7

IAS 12 Change in deferred tax assets and liabilities	-249.2	-255.6
IAS 39 Change in financial instruments	-26.9	-47.0
IFRS 11 Change in consolidation methods	-6.1	-6.2
IAS 19 Employee benefits	-1.5	-1.7
Other adjustments	-0.2	-2.0
Changes total	**990.9**	**1,016.2**
Total equity IFRS	**1,500.1**	**1,579.5**

Formulas used in the calculation of the key figures

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit/ loss for the period}}{\text{Total equity, average during the period}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit/ loss before taxes + Interests and other financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities, average during the period}} \times 100$$

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

$$\text{Loan to Value, \%} = \frac{\text{Loan amount}}{\text{Value of guarantees for loans}} \times 100$$

$$\text{Earnings per share, €} = \frac{\text{Earnings attributable to equity holders}}{\text{Number of shares at the end of the financial period}} \times 100$$

$$\text{Shareholder's equity per share, €} = \frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}} \times 100$$

Parent company's income statement, FAS

EUR million	Note	1–12/2015	1–12/2014
Rental income		0.6	0.6
Sales revenue from administration		11.3	10.6
Turnover	1	**11.8**	**11.1**
Other operating income	2	0.3	0.1
Personnel costs	3	-4.3	-3.5
Amortisations and depreciation	4	-0.7	-0.7
Other operating costs	5, 6	-8.8	-8.5
Operating loss		**-1.6**	**-1.4**
Financial income		135.5	8.7
Financial expenses		-4.8	-4.6
Financial income and expenses	7	**130.7**	**4.1**
Profit before non-recurring items		**129.1**	**2.7**
Non-recurring items	8	39.0	25.0
Profit before appropriations and taxes		**168.1**	**27.7**
Appropriations	9	0.0	0.0
Profit before taxes		**168.1**	**27.7**
Income tax	10	-8.5	-5.5
Profit for the period		**159.6**	**22.2**

Parent company's balance sheet, FAS

EUR million	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	11		
Intangible rights		0.3	0.5
Other long-term expenses		0.6	0.9
Intangible assets, total		1.0	1.4
Tangible assets	12		
Land areas		5.2	5.2
Machinery and equipment		0.4	0.6
Other tangible assets		0.2	0.2
Tangible assets, total		5.8	6.0
Investments	13		
Shares in subsidiaries		82.6	84.7
Shares in associates		0.2	0.2
Other securities and shares		0.9	0.9
Investments, total		83.6	85.8
Non-current assets, total		**90.4**	**93.1**
Current assets			
Non-current receivables	14	340.5	161.5
Current receivables	15	99.9	69.3
Financial securities	16	0.0	2.9
Cash and cash equivalents		3.0	0.9
Current assets, total		**443.4**	**234.6**
ASSETS		**533.8**	**327.7**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	17		
Share capital		58.0	58.0

Share premium		35.8	35.8
Revaluation reserve		0.0	2.1
Contingency fund		0.0	0.0
Reserve for invested unrestricted equity		17.9	17.9
Retained earnings		11.3	11.3
Profit for the period		159.6	22.2
Equity, total		**282.6**	**147.3**
Accumulated appropriations	18	**0.0**	**0.0**
Liabilities			
Non-current liabilities	19	108.1	108.0
Current liabilities	20	143.1	72.4
Total liabilities		**251.2**	**180.4**
SHAREHOLDERS' EQUITY AND LIABILITIES		**533.8**	**327.7**

Parent company's cash flow statement, FAS

EUR million	1–12/2015	1–12/2014
Cash flow from operating activities		
Profit before non-recurring items	129.1	2.7
Adjustments:		
Depreciation according to plan and impairment	0.7	0.7
Financial income and expenses	-130.7	-4.1
Other adjustments	-0.3	0.0
Cash flow from operating activities before change in working capital	**-1.2**	**-0.7**
Change in working capital:		
Change in sales receivables and other receivables	0.4	-0.7
Change in accounts payable and other liabilities	0.1	-0.1
Cash flow from operating activities before financial items, provisions and taxes	**-0.8**	**-1.6**
Interest paid and payments on other operational financial costs	-4.2	-2.8
Financial income from operating activities	0.8	0.8
Direct taxes paid	-6.9	-5.0
Cash flow from operating activities	**-11.1**	**-8.5**
Cash flow from investing activities		
Investments in tangible and intangible assets		-0.2
Capital gains from the disposal of tangible and intangible assets	0.1	
Capital gains on other investments	0.2	
Long-term loans granted	-179.1	
Repayments on long-term loan receivables	0.1	
Subsidiary shares acquired *)		-1.0
Subsidiary shares divested *)		4.2
Participating interests divested		0.6

Capital gains from financial securities	4.1	
Interest and dividends received on investments	133.1	6.2
Cash flow from investing activities	**-41.6**	**9.8**
Cash flow from financing activities		
Repayments on long-term loans	-0.4	-0.4
Withdrawals of short-term loans	317.0	196.1
Repayments on short-term loans	-264.6	-200.2
Dividends paid	-22.2	-16.3
Group contributions received	25.0	16.7
Cash flow from financing activities	**54.7**	**-4.1**
Change in cash and cash equivalents	**2.1**	**-2.9**
Cash and cash equivalents at beginning of period	**0.9**	**3.8**
Cash and cash equivalents at end of period	**3.0**	**0.9**

*) Purchased and sold shares less cash at the time of acquisition.

Parent company accounting policies

VVO Group plc's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act and the Finnish Limited Liability Companies Act.

Income related to rental operations and compensation for administration costs

Income related to rental operations and compensation for administration costs are recognised on an accrual basis during the agreement period.

Valuation of fixed assets

Tangible and intangible assets are recognised in the balance sheet at original acqui-sition cost less depreciation according to plan and possible impairment. Depreciations according to plan are calculated as straight-line depreciation on the basis of the estimated useful life of the assets.

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

IT hardware and software	4–5 years
Office machinery and equipment	4 years
Cars	4 years

Costs that arise 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 maintenance and repair expenses are recognised as incurred through profit and loss.

Capital gains from the sale of fixed assets are recorded under other operational in-come and losses under other operational costs.

Development expenditure

Development costs are recognised as expenses in the income statement in the finan-cial year in which they are generated.

Valuation of financial assets

Financial securities have been recognised at the lower of purchase price or market price on the balance sheet date.

Changes in the fair value of derivative instruments are presented in the notes to the financial statements.

Statutory provisions

Future costs and apparent losses with a reasonably estimable monetary value which will no longer generate future income and which the Group is obligated or committed to perform are recognised as expenses in the income statement and as statutory pro-visions in the balance sheet.

Accumulated appropriations

Appropriations consist of accumulated depreciation differences.

Accrual of pension costs

The pension cover of Group companies is handled by external pension insurance companies in all respects. Pension costs are recognised as costs in the income statement on an accrual basis.

Accounting principles for the cash flow statement

The cash flow statement has been compiled on the basis of the information in the in-come statement and balance sheet and their supplementary information.

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

Items denominated in foreign currencies

All of the receivables and liabilities are euro-denominated.

Derivative instruments

Derivative instruments 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.

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

Notes to the parent company financial statements

1. Turnover

EUR million	1–12/2015	1–12/2014
Plot rental income	0.6	0.6
Other rents	0.0	0.0
Rental income, total	0.6	0.6
Central administration services	7.2	6.4
IT rental income	3.8	3.8
Other sales revenue from administration	0.3	0.3
Other sales revenue, total	11.3	10.6
Turnover, total	**11.8**	**11.1**

2. Other operating income

EUR million	1–12/2015	1–12/2014
Capital gains on fixed assets	0.3	0.0
Income from debt collection	0.0	0.0
Other operating income	0.0	0.1
Total	**0.3**	**0.1**

3. Personnel costs

EUR million	1–12/2015	1–12/2014
Wages, salaries and fees	3.4	2.8
Pension costs	0.8	0.6
Other employer contributions	0.1	0.1
Total	**4.3**	**3.5**

VVO Group plc's CEO and Management Group are paid in accordance with a total remuneration policy, and their retirement age is 63 years. Pension liability is covered with a pension insurance, in which an insurance premium corresponding to two months' taxable income is paid annually into a group pension insurance plan. The period of notice for terminating the CEO's employment relation-ship is twelve months.

Management salaries and fees, benefit-based

EUR million	1–12/2015	1–12/2014
CEO	0.7	0.5
Deputy CEOs	0.5	0.3
Board Members	0.1	0.1
Committee Members	0.0	0.0
Total	**1.3**	**0.9**

	2015	2014
Average number of personnel	30	28

4. Depreciation according to plan

EUR million	1–12/2015	1–12/2014
Intangible assets	0.2	0.2
Other long-term expenses	0.3	0.3
Machinery and equipment	0.2	0.3
Total	**0.7**	**0.7**

5. Other operating costs

EUR million	1–12/2015	1–12/2014
Property tax	0.2	0.1
Other property-related administrative costs	0.0	0.0
Rents and maintenance charges	0.4	0.4
Central administration	8.2	7.9
Total	**8.8**	**8.5**

6. Auditor’s fee

1,000,€	**1–12/2015**	**1–12/2014**
KPMG Oy Ab, authorised public accounting firm		
Audit fees	48.4	21.2
Tax advice	94.2	18.5
Advisory services	20.4	105.7
Total	**162.9**	**145.4**

7. Financial income and expenses

EUR million	1–12/2015	1–12/2014
Dividend income		
From Group companies	125.0	0.0
From associated companies	0.0	0.5
From others	0.1	0.1
Total	**125.1**	**0.6**

EUR million	1–12/2015	1–12/2014
Interest income		
From Group companies	8.8	7.7
From others	0.0	0.1
Other financial income	1.2	0.0
Total	**9.9**	**7.8**
Dividend, interest and financial income total	**135.1**	**8.3**

EUR million	1–12/2015	1–12/2014
Value adjustments in investments		
In non-current investments	0.0	0.0
Value adjustments in financial securities	0.4	0.0
Total	**0.4**	**0.0**

EUR million	1–12/2015	1–12/2014
Interest and other financial expenses		
To Group companies	0.0	0.0
To others	-4.8	-4.1
Total	**-4.8**	**-4.2**
Total financial income and expenses	**130.7**	**4.1**

8. Extraordinary items

EUR million	1–12/2015	1–12/2014
Group contributions, received	39.0	25.0

9. Appropriations

EUR million	1–12/2015	1–12/2014
Depreciation difference for machinery and equipment	0.0	0.0

10. Income tax

EUR million	1–12/2015	1–12/2014
Income tax on operational income	8.5	5.5
Income tax from previous financial years	0.0	0.0
Total	**8.5**	**5.5**

11. Intangible assets

EUR million	Rights	Other long-term expenses	Total
Acquisition cost as at 1 Jan 2015	2.5	2.8	5.3
Increases	0.0	0.0	0.0
Acquisition cost as at 31 Dec 2015	2.5	2.8	5.3
Accumulated depreciation as at 1 Jan 2015	-2.0	-1.9	-3.9
Depreciation for the financial year	-0.2	-0.3	-0.4
Accumulated depreciation as at 31 Dec 2015	-2.2	-2.2	-4.4
Book value as at 31 Dec 2015	**0.3**	**0.6**	**1.0**

EUR million	Rights	Other long-term expenses	Total
Acquisition cost as at 1 Jan 2014	3.2	6.2	9.4
Increases	0.1	0.0	0.1
Decreases	-0.8	-3.7	-4.6
Transfers between items	0.1	0.3	0.4
Acquisition cost as at 31 Dec 2014	2.5	2.8	5.3
Accumulated depreciation as at 1 Jan 2014	-2.7	-5.4	-8.1
Depreciation for the financial year	-0.2	-0.3	-0.4
Decreases	0.8	3.7	4.6
Accumulated depreciation as at 31 Dec 2014	-2.0	-1.9	-3.9
Book value as at 31 Dec 2014	**0.5**	**0.9**	**1.4**

12. Tangible assets

EUR million	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost as at 1 Jan 2015	5.2	1.7	0.2	7.1
Increases		0.1		0.1
Decreases	0.0	-0.1	0.0	-0.1
Acquisition cost as at 31 Dec 2015	5.2	1.7	0.2	7.1
Accumulated depreciation as at 1 Jan 2015		-1.1		-1.1
Depreciation for the financial year		-0.2		-0.2
Decreases		0.1		0.1
Accumulated depreciation as at 31 Dec 2015		-1.3		-1.3
Book value as at 31 Dec 2015	**5.2**	**0.4**	**0.2**	**5.8**

EUR million	Land areas	Machinery and equipment	Other tangible assets	Total
Acquisition cost as at 1 Jan 2014	5.2	3.0	0.2	8.4
Increases		0.1		0.1
Decreases		-1.5		-1.5
Acquisition cost as at 31 Dec 2014	5.2	1.7	0.2	7.1
Accumulated depreciation as at 1 Jan 2014		-2.3		-2.3
Depreciation for the financial year		-0.3		-0.3
Decreases		1.5		1.5
Accumulated depreciation as at 31 Dec 2014		-1.1		-1.1
Book value as at 31 Dec 2014	**5.2**	**0.6**	**0.2**	**6.0**

Main » Financial Statements » Financial Statements » Notes to the parent company financial statements » 13. Investments

13. Investments

EUR million	Shares in subsidiaries	Shares in associates	Other securities and shares	Total
Acquisition cost as at 1 Jan 2015	82.6	0.2	0.9	83.6
Decreases			0.0	0.0
Book value as at 31 Dec 2015	82.6	0.2	0.9	83.6
Appreciations as at 1 Jan	2.1			2.1
Decreases	-2.1			-2.1
Appreciations as at 31 Dec	0.0			0.0
Book value as at 31 Dec 2015	**82.6**	**0.2**	**0.9**	**83.6**

EUR million	Shares in subsidiaries	Shares in associates	Other securities and shares	Total
Acquisition cost as at 1 Jan 2014	75.9	0.8	0.9	77.5
Increases	6.7			6.7
Decreases	0.0	-0.6		-0.6
Book value as at 31 Dec 2014	82.6	1.4	0.9	84.8
Appreciations as at 1 Jan/31 Dec 2014	2.1			2.1
Book value as at 31 Dec 2014	**84.7**	**0.2**	**0.9**	**85.8**

14. Non-current receivables

EUR million	31 Dec 2015	31 Dec 2014
Loan receivables from Group companies	340.1	160.9
Loan receivables from others	0.1	0.2
Other receivables	0.0	0.0
Accrued income	0.3	0.4
Total	**340.5**	**161.5**

15. Current receivables

EUR million	31 Dec 2015	31 Dec 2014
Accounts receivable	0.0	0.0
From Group companies		
Accounts receivable	1.6	2.0
Other receivables	96.2	64.9
Accrued income	1.9	1.9
From Group companies, total	99.7	68.9
Loan receivables	0.1	0.1
Other receivables	0.0	0.0
Accrued income	0.1	0.3
Total	**99.9**	**69.3**

16. Financial securities

EUR million	31 Dec 2015	31 Dec 2014
Securities and shares		
Replacement value (without interest)	0.0	3.6
Book value	0.0	2.9
Difference	**0.0**	**0.7**

Main » Financial Statements » Financial Statements » Notes to the parent company financial statements » 17. Equity

17. Equity

EUR million	31 Dec 2015	31 Dec 2014
Share capital as at 1 Jan	58.0	58.0
Share capital as at 31 Dec	**58.0**	**58.0**
Share premium as at 1 Jan	35.8	35.8
Share premium as at 31 Dec	**35.8**	**35.8**
Revaluation reserve as at 1 Jan	2.1	2.1
Decreases	-2.1	
Revaluation reserve as at 31 Dec	**0.0**	**2.1**
Contingency fund as at 1 Jan	0.0	0.0
Contingency fund as at 31 Dec	**0.0**	**0.0**
Reserve for invested unrestricted equity as at 1 Jan	17.9	17.9
Reserve for invested unrestricted equity as at 31 Dec	**17.9**	**17.9**
Retained earnings as at 1 Jan	33.5	27.6
Dividend distribution	-22.2	-16.3
Retained earnings as at 31 Dec	11.3	11.3
Profit for the period	159.6	22.2
Total	**282.6**	**147.3**

Calculation on distributable equity

EUR million	31 Dec 2015	31 Dec 2014
Reserve for invested unrestricted equity	17.9	17.9
Retained earnings	11.3	11.3
Profit for the period	159.6	22.2
Total	**188.7**	**51.3**

The parent company's share capital by share class

million shares	31 Dec 2015	31 Dec 2014
Series A (20 votes per share)	7.4	7.4

Main » Financial Statements » Financial Statements » Notes to the parent company financial statements » 18. Accumulated appropriations

18. Accumulated appropriations

EUR million	**31 Dec 2015**	**31 Dec 2014**
Accumulated depreciation difference		
Machinery and equipment	0.0	0.0
Total	**0.0**	**0.0**

19. Non-current liabilities

EUR million	31 Dec 2015	31 Dec 2014
Loans from financial institutions	7.0	7.4
Bonds	100.0	100.0
Accrued expenses, wages and salaries	1.1	0.6
Total	**108.1**	**108.0**

20. Current liabilities

EUR million	31 Dec 2015	31 Dec 2014
Loans from financial institutions, instalments in the next financial year	0.4	0.4
Trade payables	0.4	0.5
Liabilities to Group companies		
Trade payables	0.0	0.0
Other debts	26.4	0.0
Other debts	110.0	66.9
Accrued expenses		
Financial liabilities	2.0	1.9
Payroll including social security contributions	0.8	1.1
Tax liabilities	3.0	1.4
Total	**143.1**	**72.4**

21. Derivative instruments

EUR million	31 Dec 2015	31 Dec 2014
Interest rate swaps		
Nominal value	56.8	7.2
Fair value	-0.5	-0.6

Main » Financial Statements » Financial Statements » Notes to the parent company financial statements » 22. Collateral and contingent liabilities

22. Collateral and contingent liabilities

EUR million	31 Dec 2015	31 Dec 2014
Loans that mature in more		
than five years		
Market-based loans	1.4	102.3
Loans for which mortgage on and shares		
in property have been given as a guarantee		
Loans from financial institutions	2.4	2.6
Mortgages given	4.9	4.9
Guarantees given		
Counter-guarantee	210.4	236.1
Counter-guarantees for received		
external guarantees	8.6	8.6

23. Other liabilities

Car leasing liabilities

EUR million	31 Dec 2015	31 Dec 2014
Car leasing liabilities		
Payable during the next financial year	0.1	0.1
Payable later	0.8	0.2

Electricity hedging

Electricity procurement was hedged with electricity derivatives quoted on the Nordic electricity ex-change Nord Pool in accordance with the risk policy approved by VVO Group. The market value of the hedges for 2016–2017 was EUR 1,209,081.75 (EUR 942,862.78) at the closing date. Unrealised changes in fair value has not been taken into account in the income statement or balance sheet of VVO Group plc.

Signatures to the annual report and financial statements

Helsinki, 2 March 2016

Riku Aalto
Chairman of the Board of Directors

Tomi Aimonen
Vice-Chairman of the Board of Directors

Matti Harjuniemi

Olli Luukkainen

Jorma Malinen

Reima Rytsölä

Jan-Erik Saarinen

Ann Selin

Jani Nieminen
CEO

A report on the audit has been issued today.

Helsinki, 7 March 2016
Authorised public accountants 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 year ended December 31, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company 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 consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

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

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of

Directors regarding the use of the profit shown in the balance sheet and the distribution of other unrestricted equity 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, 7 March 2016
KPMG OY AB

KAI SALLI
Authorized Public Accountant