

Q2

**Interim report
1 January –
30 June 2015**

VVO Group plc



Main » Summary » Summary of January–June 2015



Summary of January–June 2015 (comparison period 1 Jan.–30 June 2014)

- Turnover totalled EUR 183.1 (177.2) million. This growth was generated by increased profit from rental operations.
- Profit before taxes amounted to EUR 124.4 (65.4) million and is based on changes in the fair value of investment properties, a good financial occupancy rate, the successful management of maintenance costs and low financial costs.
- Net rental income was EUR 113.2 (107.2) million, representing 61.8 (60.5) per cent of turnover.
- The financial occupancy rate remained high, standing at 97.4 (98.2) per cent.
- Tenant turnover stayed at the same level as in the comparison period, that is, 13.7 (13.5) per cent.
- There were 1,385 (919) rental apartments under construction at the end of the review period.
- The Group owned 40,674 (40,462) rental apartments on 30 June 2015.
- The fair value of investment properties was EUR 3.9 (3.6) billion. Their fair value amounted to EUR 3.7 billion at the end of 2014. The change in fair value totalled EUR 156.6 (81.3) million, which includes EUR 47.2 (-2.9) million in net valuation gain on the fair value assessment.
- The Group's gross investments during the period totalled EUR 115.0 (101.7) million.

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period of the previous year. The figures in this Interim Report have not been audited.

Main » Summary » Summary of April–June 2015

Summary of April–June 2015 (comparison period 1 Apr.–30 June 2014)

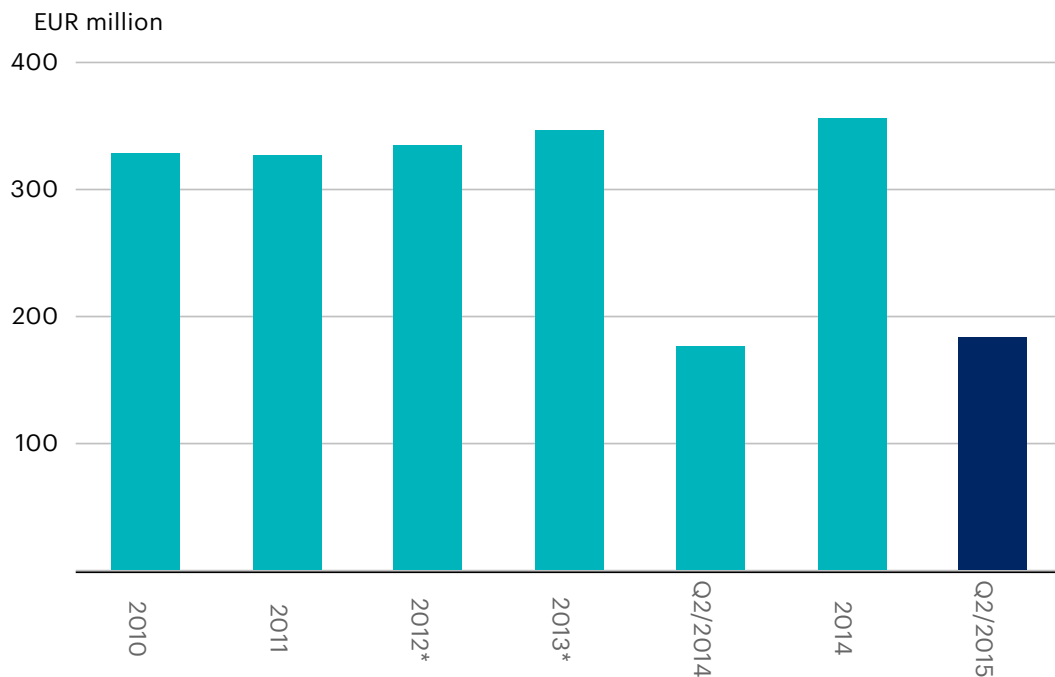
- Turnover totalled EUR 92.3 (89.1) million. This growth was generated by increased profit from rental operations.
- Profit before taxes amounted to EUR 64.1 (29.7) million and is based on changes in the fair value of investment properties, a good financial occupancy rate, the successful management of maintenance costs and low financial costs. The profit includes EUR 21.2 (-6.8) million in net valuation gains on the fair value assessment.
- Net rental income was EUR 57.8 (55.3) million, representing 62.7 (62.0) per cent of turnover.
- The financial occupancy rate remained high, standing at 97.4 (98.1) per cent.
- The Group's gross investments during the period totalled EUR 61.8 (69.4) million.

Main » Summary » Key indicators

Key indicators

VVO Group	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Revenue, EUR million	92.3	89.1	183.1	177.2	356.5
Net rental income, EUR million	57.8	55.3	113.2	107.2	210.0
% revenue	62.7	62.0	61.8	60.5	58.9
Profit before taxes, EUR million	64.1	29.7	124.4	65.4	146.5
Earnings per share, EUR	6.73	2.66	13.23	6.54	14.95
Equity per share, EUR			224.44	205.77	213.30
Return on equity, % (ROE)			12.1	6.4	7.2
Return on investments, % (ROI)			8.5	5.4	5.9
Equity ratio, %			40.9	39.5	40.0
Financial Occupancy rate, %	97.4	98.1	97.4	98.2	98.1
Gross investments, EUR million	61.8	69.4	115.0	101.7	200.5
Investment properties, EUR million			3,865.4	3,591.6	3,708.8
Interest bearing liabilities, EUR million			1,887.0	1,840.8	1,850.1
Number of personnel, end of period			393	366	343

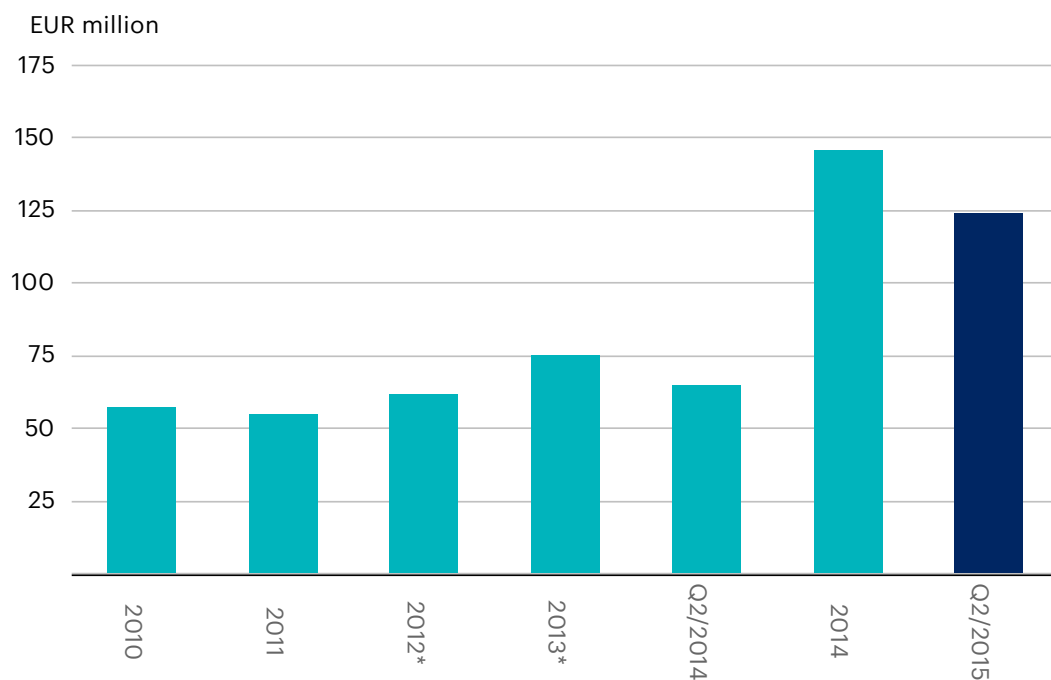
Turnover Q2/2015



*A change in the recognition practice of renovations reduced the result by EUR 7.8 million in 2012 and by EUR 11.4 million in 2013

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

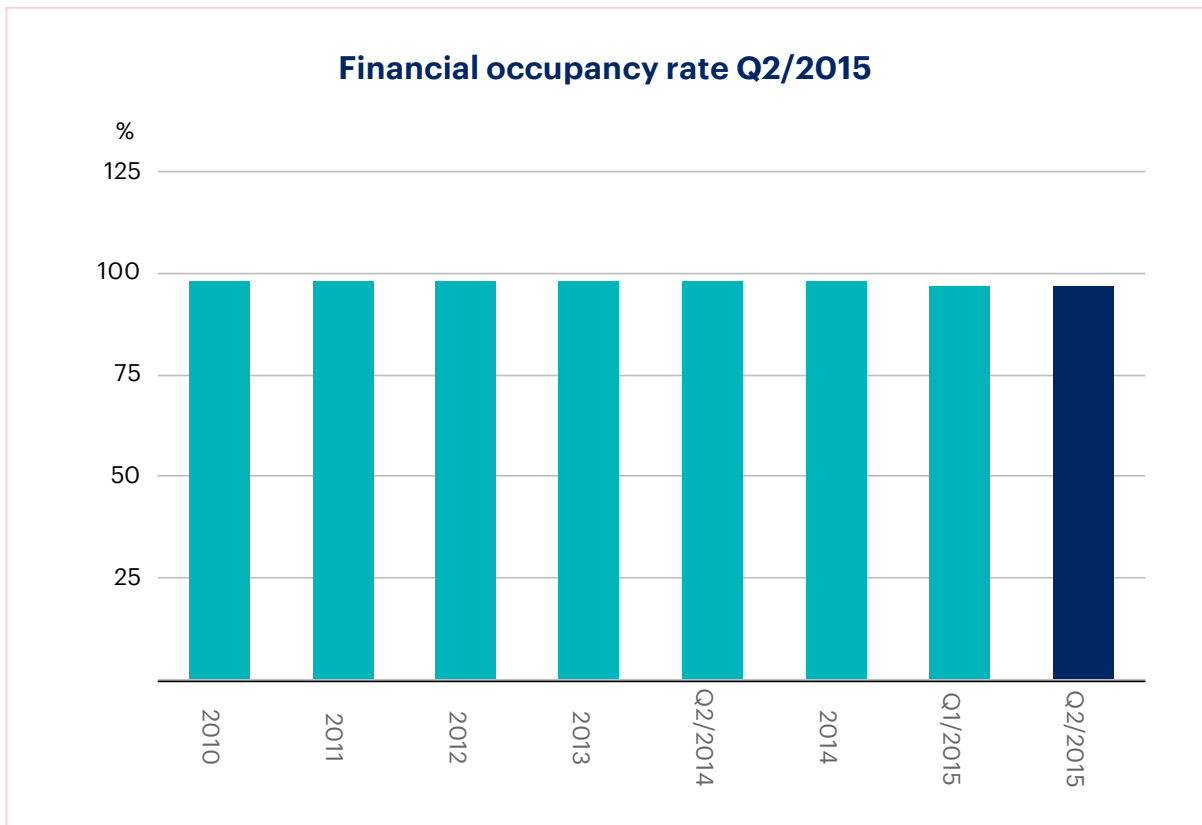
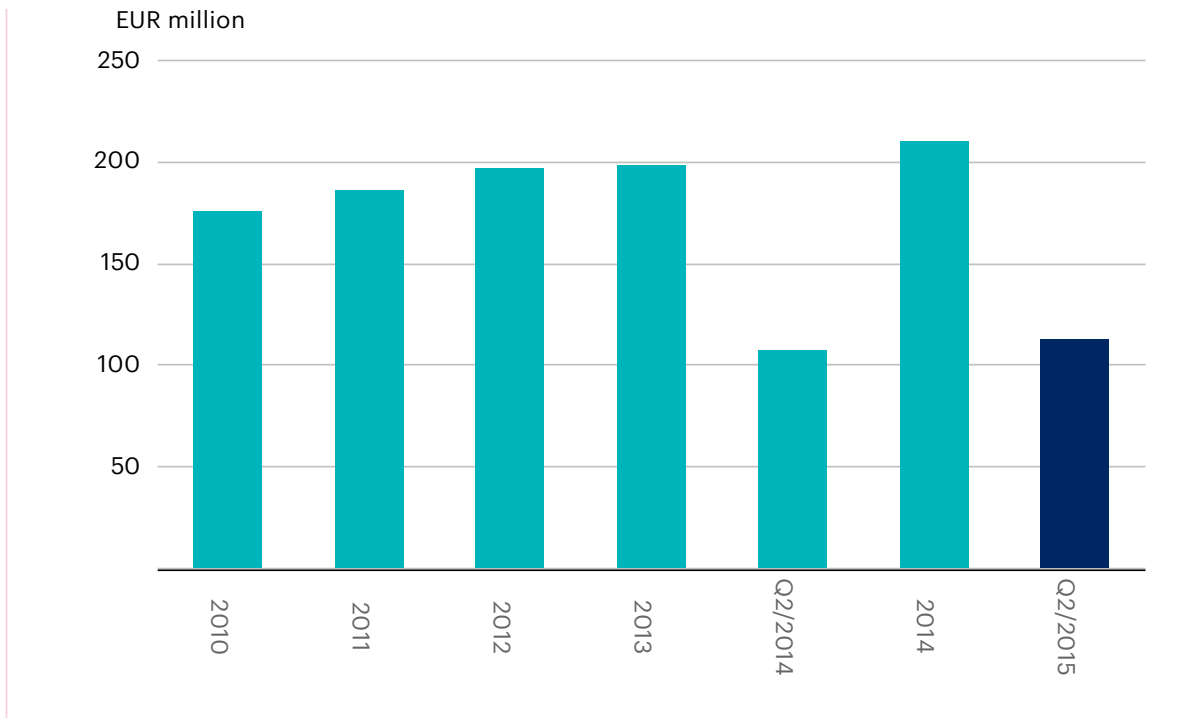
Profit trend Q2/2015



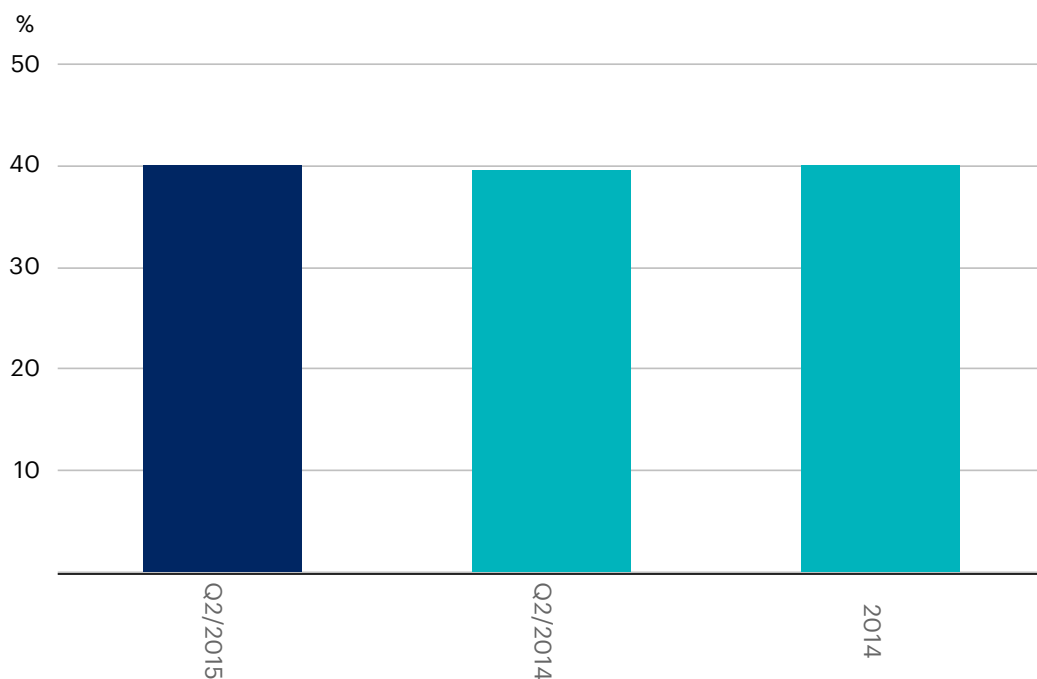
*A change in the recognition practice of renovations reduced the result by EUR 7.8 million in 2012 and by EUR 11.4 million in 2013

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

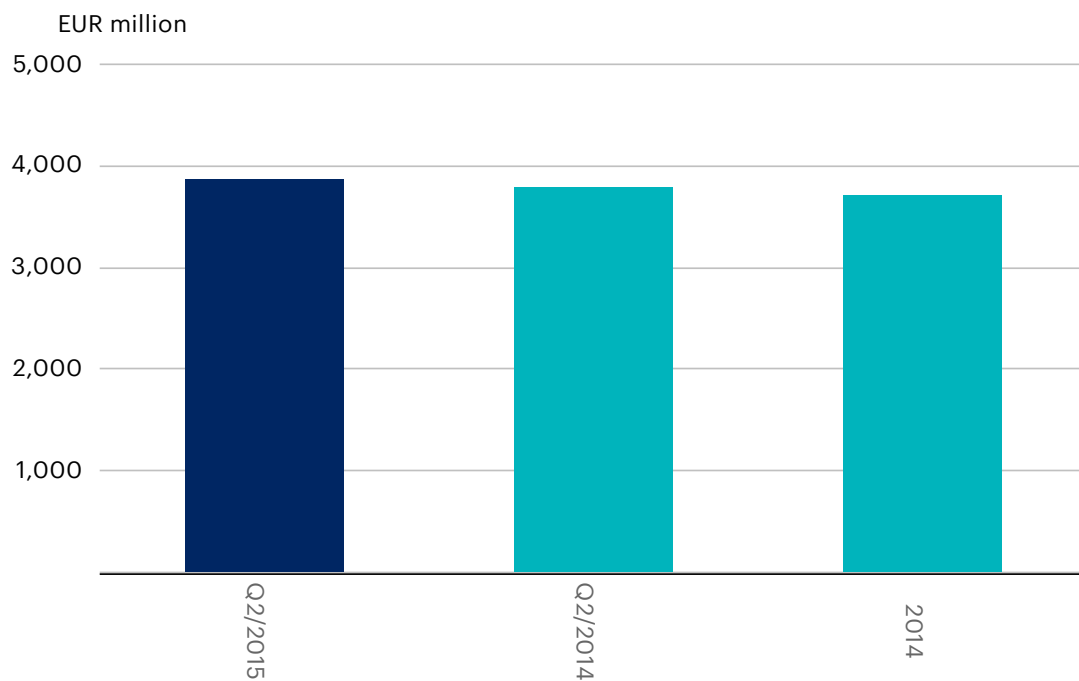
Net rental income Q2/2015

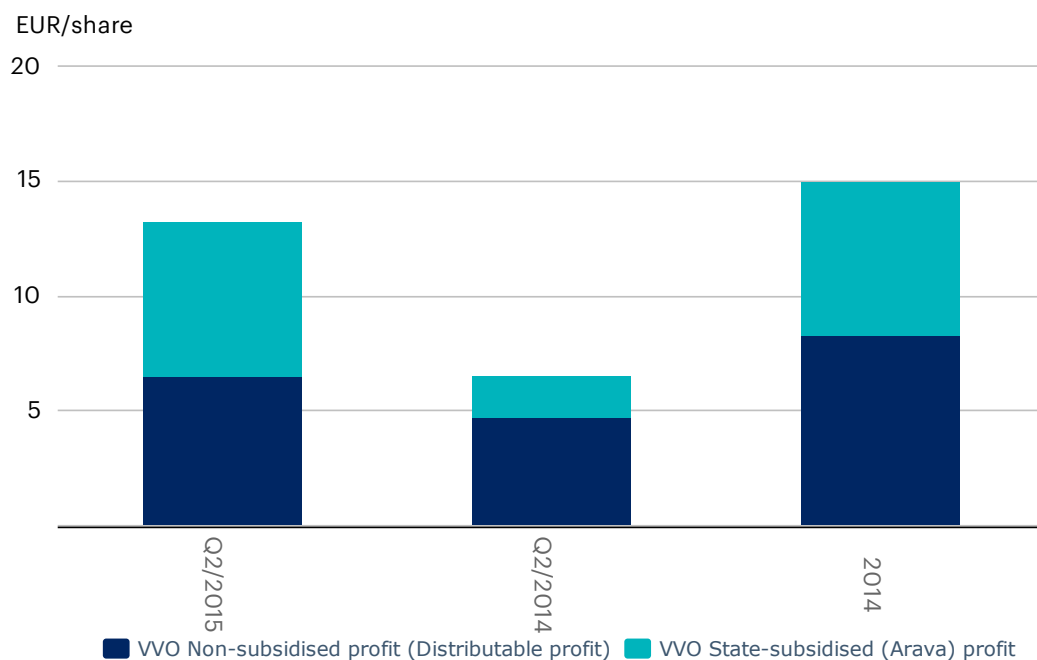


Equity ratio Q2/2015



Value development Q2/2015



Key ratios per share Q2/2015**Gross investments and sales of investment properties Q2/2015**



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

Rental housing stock 30 June 2015





Main » CEO's review



Net rental income grew, investments continued

VVO Group's turnover and profit performance as well as the development of net rental income remained good during the review period. We are continuing to make investments and are increasing the number of apartments we can offer in Finland's growth centres.

When making investments, we pay close attention to the location of rental apartments, services and transport connections. Good examples of this include the transactions in the second quarter in which we bought premises on the Saariniemenkatu and Lönnrotinkatu streets in Helsinki. We currently have 40,674 rental apartments, and a total of 1,385 privately financed Lumo apartments were under construction at the end of the period.

Our goal is to start the construction of a minimum of 1,000 new apartments each year and to increase the number of apartments by acquiring old housing stock, too. During the review period, the Group invested EUR 115.0 million in new development, in acquiring old housing stock and in renovation.

In the spring and early summer, we commented on the strategic Government Programme. The Government Programme contains a lot of good and long-awaited measures that improve the preconditions for building rental apartments. Ideas that we consider good include the lightening of norms, the increasing of the number of available plots, the acceleration of the zoning process and

the streamlining of the building permit process. Instead, we are concerned about the Government Programme items that increase the price of living, such as property and waste taxes and taxation of heating. The price of living is also increased by the high-interest ARAVA loans of the old ARA housing, granted by the state.

For a long time already, VVO Group has developed its electronic service offering in order to make services as easy-to-use and convenient as possible. The latest development gave residents around Finland the opportunity to book and rent parking spaces easily in a new online service. We will invest in electronic services in the future, too.

Have a nice autumn!

Jani Nieminen
CEO

Main » January-June » Outlook for 2015

Outlook for 2015

Market outlook

Uncertainty in the Finnish economy persists. The outlook for employment remains weak. The general economic outlook has improved slightly from the first months of the year, but still no significant turn for the better is expected.

The European Central Bank's decision in early 2015 to purchase EUR 60 billion in securities per month is supporting the euro zone's economy. As a result of the ECB's policy, general interest rates are forecast to remain low; however, there are increasing expectations that short-term interest rates will rise in the next few years.

Demand for rental housing is expected to remain at the current good level. No considerable changes are expected in the overall supply of rental apartments. New development will continue to focus 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. Price trends in owner-occupied apartments are expected to continue along the same lines as in 2014. 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 start-ups by construction firms are at a low level. The volume of renovation construction will continue to rise.

Outlook for VVO Group

VVO Group's financial occupancy rate is expected to remain at a good level throughout the financial year due to continuing stable demand for rental apartments. Investments will continue. A total of 736 Lumo apartments will be completed during the rest of the year. Net rental income is expected to increase.

Main » January-June » Operating environment

Operating environment

General operating environment

Slow improvements were being seen in the European economy during the review period. Growth in the US economy, a fall in the price of oil, and reflationary fiscal policies supported favourable developments in the world economy. The European Central Bank continued purchasing securities in the second quarter. The ECB expects that economic growth in Europe will pick up this year.

In Finland, economic development continued to be subdued. Positive phenomena included the strengthening of consumer confidence, the picking up of retail trade and the growth of exports. Nevertheless, recovery in industry was still weak. This was seen in, for example, demand for owner-occupied apartments and construction investments.

During the second quarter, the prices of old apartments in apartment blocks and row houses rose somewhat throughout the country. In the Helsinki Metropolitan Area, prices fell slightly where as in other parts of Finland they rose slightly. Compared to the corresponding period last year, prices fell throughout the country.

In the financial market, fluctuations could be witnessed towards the end of April. The euro strengthened against the US dollar and long-term interest rates rose after a long downward trend.

Industry operating environment

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

New construction clearly focused on privately financed rental apartments. There were no noticeable changes in the price level of either new construction or renovations. The market situation for the construction of owner-occupied apartments 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.

Main » January-June » Business operations

Business operations

VVO Group Plc is Finland's largest real estate investor and largest market-based, private-sector landlord, offering versatile and effortless rental solutions coupled with an extensive range of housing services.

At the end of the review period, the fair value of VVO's investment properties was EUR 3.9 (3.6) billion. The VVO Group owns 40,674 (40,462) apartments, of which 26,745 (26,349) are Lumo apartments (market-based rent) and 13,929 (14,113) VVO apartments (cost principle rent).

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.

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's application, ARA cancelled VVO Vuokra-asunnot Oy's non-profit status.

Main » January-June » Segment reporting

Segment reporting

VVO Group's business operations are 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).

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 end of 2017. Some of VVO Vuokratalot Oy's housing is subject to property-specific restrictions in accordance with the ARAVA Act.

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 within the VVO State-subsidised segment 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.

Main » January-June » Result and profitability

Result and profitability

The Group's net rental income totalled EUR 113.2 (107.2) million, representing 61.8 (60.5) per cent of turnover. The VVO Non-subsidised segment recorded a net rental income of EUR 59.5 (55.9) million, and the VVO State-subsidised segment EUR 55.0 (52.6) million.

The Group's profit before taxes amounted to EUR 124.4 (65.4) million. The result includes a EUR 47.2 (-2.9) million change in the fair value of investment properties, and capital gains and losses of EUR 1.4 (0.9) million. Our favourable profit performance is based on a good financial occupancy rate, the successful management of maintenance costs, low financial costs, and changes in the fair value of investment properties. Financial income and expenses totalled EUR -17.2 (-22.7) million.

Net rental
income

113.2

EUR million

Main » January-June » Turnover

Turnover

VVO Group had a turnover of EUR 183.1 (177.2) million for the period 1 January–30 June 2015. The VVO Non-subsidised segment recorded a turnover of EUR 91.2 (87.4) million, and the VVO State-subsidised segment EUR 94.1 (92.2) million. Turnover is entirely generated by rental income.

Turnover
183.1
EUR million

Main » January-June » Balance sheet, cash flow and financing

Balance sheet, cash flow and financing

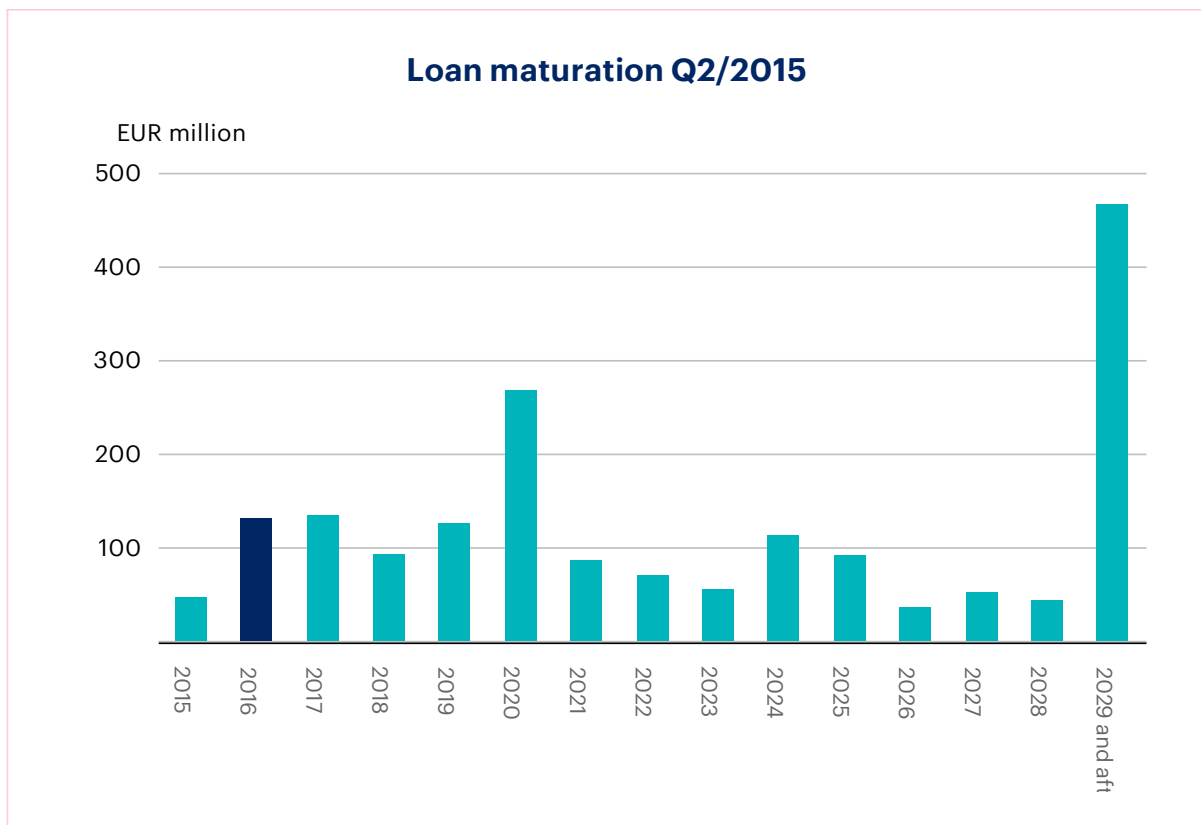
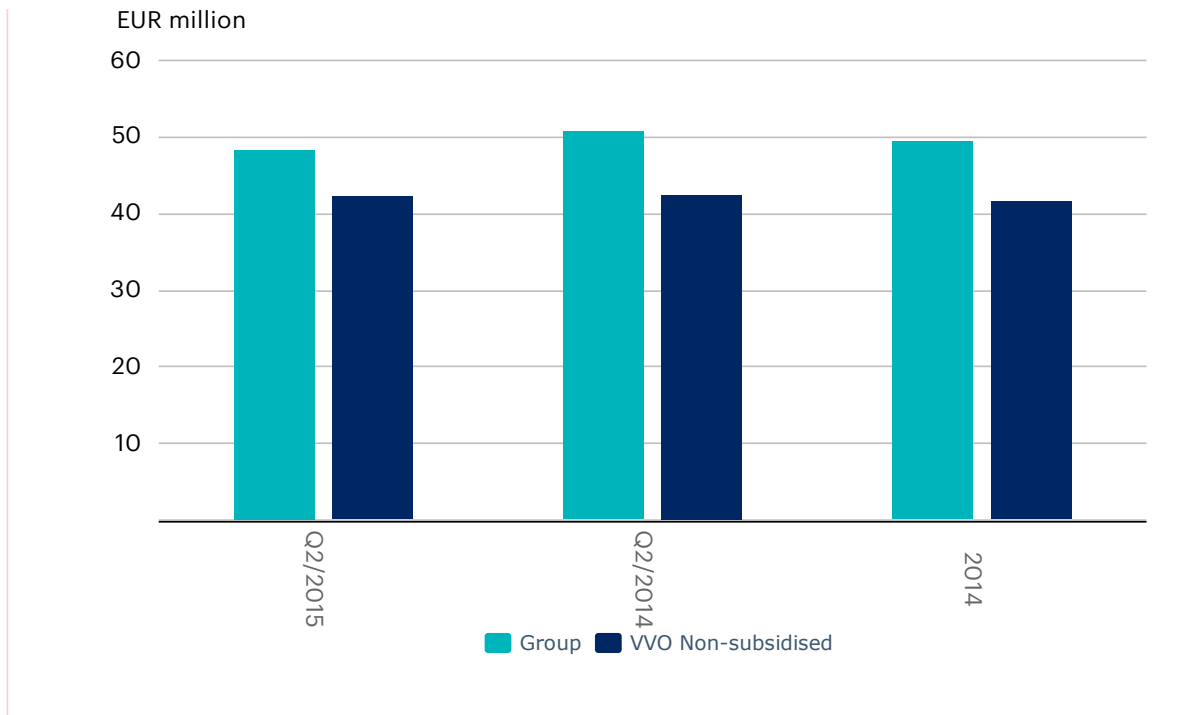
At the end of the review period, the Group's balance sheet total was EUR 4,072.9 (3,866.5) million. Equity totalled EUR 1,662.0 (1,523.7) million. The equity ratio stood at 40.9 (39.5) per cent. Equity per share was EUR 224.44 (205.77). The VVO Non-subsidised segment's equity ratio stood at 45.6 (46.0) per cent. The Group's return on equity was 12.1 (6.4) per cent and its return on investment 8.5 (5.4) per cent.

At the end of the review period, the Group's liquid assets totalled EUR 87.8 (134.0) million. The Group maintained good liquidity throughout the period. EUR 99.8 (59.4) million of the EUR 200 million commercial paper programme had been issued by the end of the review period.

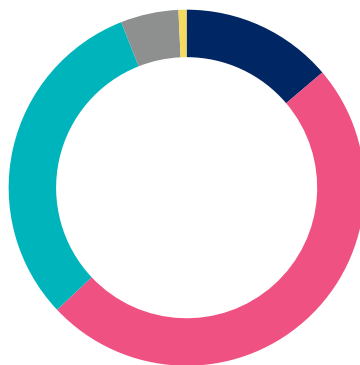
At period end, interest-bearing liabilities stood at EUR 1,887.0 (1,840.8) million, of which EUR 927.3 (838.1) million was accounted for by market-based loans. At the end of the review period, Group's loan to value was 48.4 (50.8) per cent.

The average interest rate of VVO's loan portfolio was 2.3 (2.6) per cent, and the average maturity of its loans was 14.1 (15.5) years at period end.

Loan to Value Q2/2015



Structure of debt portfolio 30 June 2015, Q2/2015



■ Annuity 260,2 ■ Market-based 927,3 ■ Interest-subsidised 585,4 ■ Commercial papers 99,8
■ Other 14,3

Main » January-June » Real estate property and fair value

Real estate property and fair value

VVO Group owned a total of 40,674 (40,462) rental apartments at period end. The VVO Non-subsidised segment accounted for 19,933 (19,736) of these homes and the VVO State-subsidised segment for 20,741 (20,726). At the end of the review period, VVO owned apartments in 42 (42) municipalities.

At the end of the review period, the fair value of VVO's investment properties stood at EUR 3.9 (3.6) billion, with an increase in fair value of EUR 156.6 (81.3) million during the period. The change includes EUR 47.2 million in net valuation gains on the fair value assessment of investment properties. The fair value of the Group's investment properties is determined quarterly on the basis of the company's own evaluation. An external expert gives a statement on the valuation of VVO's investment properties. The last valuation statement was issued on the situation as at 30 June 2015. The criteria for determining fair value are presented in the Notes to the Interim Report.

At period end, the plot reserve held by the Group totalled about 110,000 floor sq m (110,000 floor sq m) and its fair value was approximately EUR 44.2 (34.4) million.

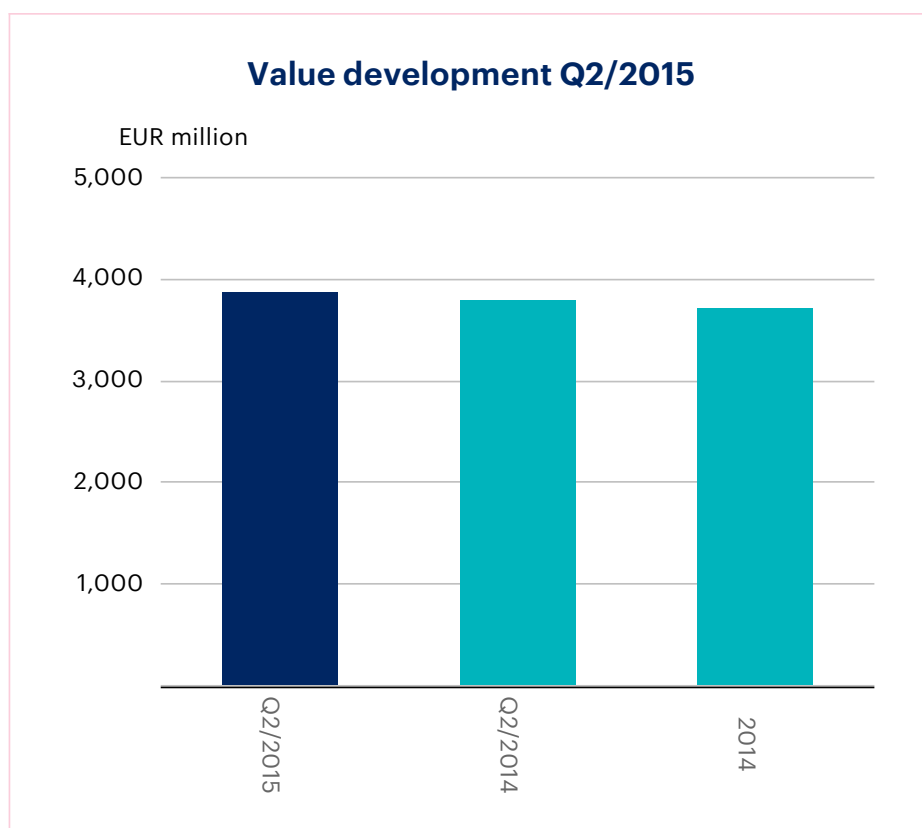
Fair value

3.9

EUR billion

EUR million	1-6/2015	1-6/2014	1-12/2014
Fair value of investment properties, beginning of period	3,708.8	3,510.3	3,510.3
Acquisition of investment properties *)	93.0	86.8	169.5
Other investments on investment properties	19.9	12.2	29.1
Disposals of investment properties	-4.5	-16.1	-28.8
Capitalised borrowing costs	1.0	1.3	2.5
Valuation gains/losses on fair value assessment	47.2	-2.9	26.2
Fair value of investment properties, end of period	3,865.4	3,591.6	3,708.8

*) incl acquisition costs of the new construction projects



Main » January-June » Rental housing

Rental housing

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

The financial occupancy rate remained at a good level, standing at 97.4 (98.2) per cent for the review period. At the end of the review period, 568 (394) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, remained at the same level as in the corresponding period of the financial year 2014, that is, 13.7 (13.5) per cent.

The average rent for the Group's 26,745 (26,349) market-based rental apartments (Lumo) was 13.69 (13.05) per sq m per month during the review period, and EUR 13.87 (13.21) at period end. The corresponding figures for the 13,929 (14,113) apartments rented at cost price (VVO) was EUR 12.68 (12.34) during the review period and EUR 12.78 (12.41) at period end.

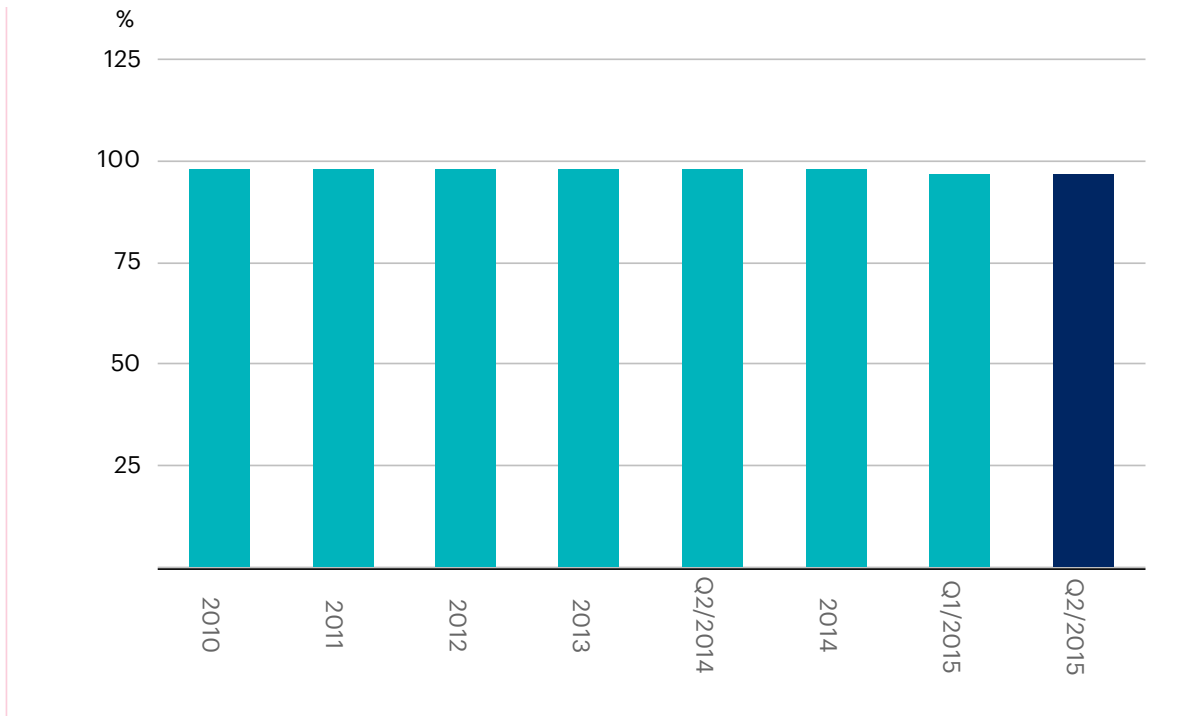
Demand for rental housing remained high. At the end of the review period, there were 16,199 (20,881) active applications. (Applications are active for three months.) The average number of active applications per rental agreement termination was 18.6 (22.3). A total of 30,868 (35,695) new rental housing applications were received during the review period.

The average period of tenancy remained at an excellent level, 5.9 (5.9) years. 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 1.2 (1.2) per cent at the end of the review period.

VVO Group is continuously developing its electronic service offering in order to make services as convenient as possible. People living in Lumo and VVO apartments have an extensive range of electronic services available to them. The latest development gave residents around Finland the opportunity to book and rent parking spaces easily in a new online service.

During the review period, VVO Group's housing advisory service was expanded to the entire country.

Financial occupancy rate Q2/2015



Rental housing stock 30 June 2015



■ Lumo 26,745 ■ VVO 13,929

Main » January-June » Investments, divestments and real estate development

Investments, divestments and real estate development

VVO Group launched construction of 258 (242) apartments during the review period. There were a total of 1,385 (919) apartments under construction at the end of the period – 1,385 (858) privately financed apartments and 0 (61) state-subsidised apartments. Of the apartments under construction, 912 (759) are located in the Helsinki region and 473 (160) in other Finnish growth centres.

During the review period, VVO Group acquired 40 (74) apartments in Espoo and sold 159 (156) apartments. In addition, VVO Group acquired two development properties in Helsinki. 0 (343) new apartments were completed during the period. An estimated 736 (749) apartments are scheduled for completion by the end of the year.

The Group's gross investments totalled EUR 115.0 (101.7) million. EUR 19.9 (12.2) million of these investments were capitalised renovation costs. The VVO Non-subsidised segment accounted for EUR 110.6 (93.0) million of gross investments, and the VVO State-subsidised segment for EUR 4.4 (8.9) million.

Repair costs totalled EUR 40.4 (32.9) million, of which EUR 20.5 (20.7) million was recognised as expenses in the income statement.

At period end, there were binding acquisition agreements worth a total of 238.5 (118.2) million.

During the review period, properties' temperature-corrected consumption of heating energy was 383,753 (383,646) MWh.

Rental
apartments
under
construction

1,385

Investments

115.0

EUR million

Main » January-June » Personnel

Personnel

At the end of the review period, the VVO Group had a total of 393 (366) employees. The average number of personnel during the period was 360 (335).

The Group was recognised as one of the most inspiring places to work (Suomen innostavimmat työpaikat 2015) in the personnel survey conducted in the autumn 2014. This recognition was only awarded to approximately six per cent of the hundreds and hundreds of Finnish companies that conducted the People Power® personnel survey.

Main » January-June » Management and administration

Management and administration

VVO Group plc's CFO Erik Hjelt, Master of Laws, eMBA (53) started in his new position on 18 May 2015. Erik Hjelt also acts as the deputy CEO.

There were no other changes in the composition of the Board of Directors or the Management Group.

Main » January-June » Shareholders

Shareholders

No significant changes occurred in the company's ownership during the review period.

VVO Group plc's 10 major shareholders on 30 June 2015

Shareholder	Holding, %
Ilmarinen Mutual Pension Insurance Company	18.08
Varma Mutual Pension Insurance Company	16.98
The Finnish Metalworkers' Union	9.70
Trade Union for the Public and Welfare Sectors	8.73
Finnish Construction Trade Union	8.31
Service Union United PAM	7.49
Trade Union PRO	7.47
Trade Union of Education in Finland	7.46
Union of Industrial Employees TEAM	5.99
Union of Health and Social Care Professionals	1.39
Others	8.40
Total	100.00

Main » January-June » Responsibility

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 debate on Finnish housing policy to improve the standing of rental housing.

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.

During the second quarter, VVO Group and Lassila & Tikanoja signed an agreement that defines and specifies the responsible sourcing operating model adhered to in the cooperation between the companies. Taking the Contractor's Obligations Act into account in the cooperation agreement means that the party ordering a service must review and ensure that, when using external labour, the contractual partner fulfils its statutory obligations. The Group signed a similar agreement with ISS in December 2014.

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 to 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.

Under the Virkeä programme, sponsorships were awarded to 30 promising athletes in the application round of the spring 2015. 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. A total of 205 grants have been awarded since 2012. 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).

VVO Group's Annual Report was awarded the prize for the best annual report in 2014 in the unlisted companies category of ProCom's annual report competition.

Main » January-June » Near-term risks and uncertainties

Near-term risks and uncertainties

Thus far, the Finnish economy has not recovered, which is reflected in both the housing and financial markets.

The prolonged rise in owner-occupied apartment prices has now halted at the country level. A potential fall in house prices could have an impact on the fair value of real estate property.

The situation with regard to financial risks has not substantially changed from that described in the 2014 Financial Statements. The financial risks resulting from uncertainty in the money market are mainly associated with increasing market interest rates and interest margins, and the availability of financing. Strong fluctuations in these areas may slow investments in new development and renovation. Interest rate risks are managed by keeping the percentage of fixed-rate market-based loans at around the 80 per cent mark in accordance with the Group's financing policy.

A more detailed description of risks and uncertainties can be found in the financial statements and on our website, vvo.fi/en.

Main » Financial statements » Consolidated income statement, IFRS

Consolidated income statement, IFRS

EUR million	Note	4- 6/2015	4- 6/2014	1-6/2015	1-6/2014	1- 12/2014
Total revenue		92.3	89.1	183.1	177.2	356.5
Maintenance expenses		-22.4	-22.1	-49.4	-49.3	-97.1
Repair expenses		-12.0	-11.8	-20.5	-20.7	-49.5
Net rental income		57.8	55.3	113.2	107.2	210.0
Administrative expenses		-10.5	-9.5	-20.3	-18.3	-38.7
Other operating income		0.4	0.4	0.9	1.5	2.9
Other operating expenses		-0.2	-0.1	-0.2	-0.2	-0.9
Profit/loss on sales of investment properties		0.5	2.2	1.4	0.9	-4.6
Profit/loss on sales of trading properties		0.0	0.0	0.0	0.0	-0.2
Fair value change of investment properties	3	21.2	-6.8	47.2	-2.9	26.2
Depreciation, amortisation and impairment losses		-0.3	-0.3	-0.6	-0.6	-1.7
Operating profit / loss		68.9	41.2	141.6	87.6	192.9
Financial income		6.1	0.6	6.6	1.8	2.7
Financial expenses		-11.0	-12.1	-23.8	-24.6	-50.0
Total amount of financial income and expenses		-4.9	-11.5	-17.2	-22.7	-47.3
Share of result of associated companies					0.5	0.9
Profit before taxes		64.1	29.7	124.4	65.4	146.5
Current tax expense		-2.9	-9.6	-7.1	-13.3	-23.5
Change in deferred taxes		-11.3	-0.4	-19.3	-3.6	-12.2
Income taxes total		-14.2	-10.0	-26.4	-16.9	-35.7
Profit/loss for the period		49.9	19.7	98.0	48.5	110.8
Profit of the financial period attributable to						
Shareholders of the parent company		49.9	19.7	98.0	48.4	110.7

Non-controlling interests	0.0	0.0	0.0	0.0	-0.1
Earnings per share based on profit attributable to equity holders of the parent company					
Basic, euro	6.73	2.66	13.23	6.54	14.95
Diluted, euro	6.73	2.66	13.23	6.54	14.95
Average number of the shares, millions			7.4	7.4	7.4

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

EUR million	4- 6/2015	4- 6/2014	1-6/2015	1-6/2014	1- 12/2014
Profit/loss for the period	49.9	19.7	98.0	48.5	110.8
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedgings	12.1	-6.5	9.4	-11.4	-19.5
Available-for-sale financial assets	-2.3	0.8	-1.1	0.7	0.6
Deferred taxes	-2.0	1.2	-1.7	2.2	3.8
Items that may be reclassified subsequently to profit or loss, total	7.8	-4.6	6.7	-8.6	-15.1
Total comprehensive income for the period	57.7	15.1	104.7	39.9	95.7
Total comprehensive income attributable to					
Shareholders of the parent company	57.7	15.1	104.7	39.8	95.6
Non-controlling interests	0.0	0.0	0.0	0.0	-0.1

Main » Financial statements » Consolidated balance sheet, IFRS

Consolidated balance sheet, IFRS

EUR million	Note	30 June 2015	30 June 2014	31 December 2014
ASSETS				
Non-current assets				
Intangible assets		1.3	1.6	1.4
Investment properties	3	3,865.4	3,591.6	3,708.8
Property, plant and equipment	4	31.5	32.0	31.7
Investments in associated companies		3.5	3.1	3.5
Financial assets	7	0.5	0.6	0.6
Non-current receivables		2.3	2.8	2.8
Deferred tax assets		9.7	10.3	11.8
Non-current assets total		3,914.2	3,642.0	3,760.6
Current assets				
Trading properties		2.1	3.1	3.0
Current tax assets		1.8	1.5	1.4
Trade and other receivables		16.3	13.2	9.6
Financial assets	7	50.7	72.6	68.3
Cash and cash equivalents		87.8	134.1	114.4
Current assets total		158.7	224.5	196.7
ASSETS TOTAL		4,072.9	3,866.5	3,957.2
SHAREHOLDER' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital		58.0	58.0	58.0
Share issue premium		35.8	35.8	35.8

Contingency fund		0.0	0.0	0.0
Fair value reserve		-28.3	-28.5	-35.0
Invested non-restricted equity reserve		17.9	17.9	17.9
Retained earnings		1,578.0	1,440.0	1,502.3
Equity attributable to shareholders of the parent company		1,661.4	1,523.2	1,579.0
Non-controlling interests		0.5	0.5	0.5
Total equity		1,662.0	1,523.7	1,579.5
LIABILITIES				
Non-current liabilities				
Liabilities	5, 7	1,652.3	1,698.2	1,689.3
Deferred tax liabilities		424.7	397.2	405.9
Derivatives	6, 7	42.4	42.6	53.7
Provisions		1.4	1.2	1.5
Other non-current liabilities		8.2	7.8	7.4
Non-current liabilities total		2,129.0	2,147.0	2,157.7
Current liabilities				
Current liabilities	5, 7	234.7	142.6	160.8
Derivatives	6, 7	1.7	1.2	1.1
Current tax liabilities		2.4	10.4	12.3
Trade and other payables		43.1	41.6	45.9
Current liabilities total		281.9	195.9	220.0
Total liabilities		2,410.9	2,342.8	2,377.8
TOTAL EQUITY AND LIABILITIES		4,072.9	3,866.5	3,957.2

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

Consolidated statement of cash flows, IFRS

EUR million	1-6/2015	1-6/2014	1-12/2014
Cash flow from operating activities			
Profit for the period	98.0	48.5	110.8
Adjustments	-4.6	40.8	61.7
Change in net working capital	-3.1	-1.7	2.1
Interest paid	-24.0	-24.7	-45.2
Interest received	0.3	0.5	1.0
Other financial items	-0.2	-0.1	-0.2
Taxes paid	-17.4	-10.2	-18.4
Net cash flow from operating activities	49.1	53.1	111.7
Cash flow from investing activities			
Acquisition of investment properties	-114.8	-101.6	-200.3
Acquisition of property, plant and equipment and intangible assets	-0.3	-0.1	-0.3
Proceeds from sale of investment properties	5.8	21.3	26.4
Proceeds from sale of tangible and intangible assets			0.0
Proceeds from sale of associated companies	0.0	0.6	0.6
Purchases of financial assets	-7.0	-14.9	-13.2
Proceeds from sale of financial assets	25.4	9.1	11.7
Non-current loans, granted	0.0		
Repayments of non-current receivables	0.4	0.0	0.1
Interest and dividends received on investments	1.0	0.9	1.1
Net cash flow from investing activities	-89.5	-84.7	-173.8
Cash flow from financing activities			

Non-current loans, raised	79.2	81.7	124.2
Non-current loans, repayments	-78.2	-35.9	-60.9
Current loans, raised	140.9	91.8	197.4
Current loans, repayments	-105.8	-85.9	-198.1
Dividends paid	-22.2	-16.3	-16.3
Net cash flow from financing activities	13.8	35.5	46.3
Change in cash and cash equivalents	-26.6	3.9	-15.8
Cash and cash equivalents in the beginning of period	114.4	130.2	130.2
Cash and cash equivalents at the end of period	87.8	134.0	114.4

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

Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Share issue premium	Fair value reserve	Contin- gency fund	Invested non- restricted equity reserve	Retained earnings	Equity attri- butable to share- holders of the parent company	Non- controlling interests	Total equity
Equity at 1 Jan 2014	58.0	35.8	-19.9	0.0	17.9	1,407.9	1,499.7	0.4	1,500.1
Adjustments									0.0
Adjusted equity at 1 Jan 2014	58.0	35.8	-19.9	0.0	17.9	1,407.9	1,499.7	0.4	1,500.1
Comprehensive income									0.0
Cash flow hedging			-9.2				-9.2		-9.2
Available-for-sale financial assets			0.5				0.5		0.5
Result for the financial period						48.4	48.4	0.0	48.5
Total comprehensive income	0.0	0.0	-8.6	0.0	0.0	48.4	39.8	0.0	39.9
Transactions with shareholders									0.0
Dividend payment						-16.3	-16.3		-16.3
Total transactions with shareholders	0.0	0.0	0.0	0.0	0.0	-16.3	-16.3	0.0	-16.3
Other adjustments									0.0
Total change in equity	0.0	0.0	-8.6	0.0	0.0	32.1	23.5	0.0	23.6
Equity at 31 March 2014	58.0	35.8	-28.5	0.0	17.9	1,440.0	1,523.2	0.5	1,523.7

Invested

Equity attri- butable to share-

EUR million	Share capital	Share issue premium	Fair value reserve	Contin-gency fund	non-restricted equity reserve	Retained earnings	holders of the parent company	Non-controlling interests	Total equity
Equity at 1 Jan 2015	58.0	35.8	-35.0	0.0	17.9	1,502.3	1,579.0	0.5	1,579.5
Adjustments									0.0
Adjusted equity at 1 Jan 2015	58.0	35.8	-35.0	0.0	17.9	1,502.3	1,579.0	0.5	1,579.5
Comprehensive income									0.0
Cash flow hedging			7.5				7.5		7.5
Available-for-sale financial assets			-0.9				-0.9		-0.9
Result for the financial period						98.0	98.0	0.0	98.0
Total comprehensive income	0.0	0.0	6.7	0.0	0.0	98.0	104.7	0.0	104.7
Transactions with shareholders									0.0
Dividend payment						-22.2	-22.2		-22.2
Total transactions with shareholders	0.0	0.0	0.0	0.0	0.0	-22.2	-22.2	0.0	-22.2
Other adjustments									0.0
Total change in equity	0.0	0.0	6.7	0.0	0.0	75.8	82.5	0.0	82.5
Equity at 31 March 2015	58.0	35.8	-28.3	0.0	17.9	1,578.0	1,661.4	0.5	1,662.0

Main » Notes to the interim report » Transition to IFRS

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 (IFRSs). 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 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

The effects of the transition to IFRS are presented in the Interim Report for the first quarter. The presented figures are unaudited.

Main » Notes to the interim report » Accounting policies » Basis for preparation

Basis for preparation

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting and IFRS standards. The comparative information on the previous periods converted to comply with IFRS and the resulting changes compared to the FAS-based interim financial statements are presented above in this Interim Report.

The preparation of IFRS financial statements requires application of judgement by VVO Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the balance sheet date and the reported amounts of income and expenses for the financial year. Management has to make judgements also when applying the accounting policies of the Group. As the estimates and related assumptions are based on management's view at the end of the interim period, they include risks and uncertainties. Actual results may differ from the estimates and assumptions used. Below are presented the most significant items of the interim financial statements where judgement 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 Group's assets and liabilities within the next financial year.

- Classification of properties in Group's operating activities as well as classification of investment property acquisitions either as business combinations or asset acquisitions
- Recognition principle of deferred taxes
- Classification of financial instruments
- Classification of long-term leases into operating leases
- Exemptions applied in the IFRS transition
- Fair value measurement of investment property: In the consolidated financial statements, the determination of the fair value of investment property 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 market prices and amounts of future rental income. VVO uses valuation techniques that are appropriate under those circumstances, and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The figures for the income statement and balance sheet are consolidated. The figures in the report are rounded, and consequently the sum of individual figures may deviate from the aggregate

amount presented. The Interim Report is unaudited.

Main » Notes to the interim report » Accounting policies » General recognition and measurement principles for investment property

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. 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 separate line item in the income statement. According to IFRS13, fair value refers to the price that would be received from selling an asset or paid for transferring a liability in an ordinary transaction between market participants at the measurement date.

Some of the investment property is 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 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.

Main » Notes to the interim report » Accounting policies » Summary of the effects of the IFRS standards on profit/loss and equity

Summary of the effects of the IFRS standards on profit/loss and equity

EUR million	Share capital	Share issue premium	Contingency fund	Revaluation reserve	Fair value reserve	Invested non-restricted equity reserve	Retained earnings	Non-controlling interests	Total equity
Equity at 30 June 2014 under FAS	58.0	35.8	0.0	1.7	0.0	17.9	408.8	11.2	533.4
<u>Changes</u>									
Structural changes and changes in consolidation methods and other adjustments							7.6	-10.7	-3.1
Valuation at fair value of the investment properties							1,072.2		1,072.2
Deferred taxes of investment properties							-45.0		-45.0
Cash flow hedgings					-29.5		-1.9		-31.5
Available-for-sale financial assets					1.0		0.5		1.6
Electricity hedgings							-0.8		-0.8
Employee benefits							-1.3		-1.3
Other items				-1.7					-1.7
Equity at 30 June 2014 under IFRS	58.0	35.8	0.0	0.0	-28.5	17.9	1,440.0	0.5	1,523.7

Main » Notes to the interim report » Accounting policies » Fair value hierarchy

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.

Main » Notes to the interim report » Accounting policies » Investment property classified as held for sale

Investment property 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". At 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, i.e.

- 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 initiated a program 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 from the date of classification.

Investment property held for sale is recognised at fair value. VVO Group had no investment property classified as held for sale on 30 June 2015, 30 June 2014 or 31 December 2014.

Main » Notes to the interim report » Accounting policies » Trading properties

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 as 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.

Main » Notes to the interim report » Segment information

Segment information

EUR million	VVO Non-subsidised 1-6/2015	VVO State subsidised 1-6/2015	Group consolidation methods	VVO Group total 1-6/2015
Total revenue	91.2	94.1	-2.2	183.1
Maintenance expenses	-24.4	-25.9	0.9	-49.4
Repair expenses	-7.3	-13.2	0.0	-20.5
Net rental income	59.5	55.0	-1.3	113.2
Administrative expenses	-11.0	-11.4	2.1	-20.3
Other operating income	0.5	1.2	-0.8	0.9
Other operating expenses	-0.2	-0.2	0.1	-0.2
Profit/loss on sales of investment properties	0.9	0.6		1.4
Profit/loss on sales of trading properties	0.0			0.0
Fair value change of investment properties	16.0	31.2		47.2
Depreciation, amortisation and impairment losses	-0.6	0.0		-0.6
Operating profit / loss	65.1	76.3	0.2	141.6
Financial income				6.6
Financial expenses				-23.8
Total amount of financial income and expenses				-17.2
Share of result of associated companies				
Profit before taxes				124.4
Current tax expense				-7.1
Change in deferred taxes				-19.3
Income taxes total				-26.4
Profit/loss for the period				98.0
Investments	109.8	4.1	0.0	113.9

Investment properties	2,422.8	1,442.4	0.2	3,865.4
Investments in associated companies	0.9	2.6		3.5
Liquid assets	23.1	64.7	0.0	87.8
Other assets	145.8	61.5	-91.1	116.2
Total Assets	2,592.6	1,571.2	-90.9	4,072.9
Interest bearing liabilities	1,036.2	934.5	-83.7	1,887.0
Other liabilities	375.0	151.4	-2.5	524.0
Total Liabilities	1,411.2	1,085.9	-86.2	2,410.9
	VVO Non-	VVO State	Group	VVO Group
EUR million	subsidised	subsidised 1-	consolidation	total 1-6/2014
	1-6/2014	6/2014	methods	
Total revenue	87.4	92.2	-2.4	177.2
Maintenance expenses	-24.1	-26.3	1.1	-49.3
Repair expenses	-7.4	-13.3	0.0	-20.7
Net rental income	55.9	52.6	-1.3	107.2
Administrative expenses	-9.9	-10.4	2.0	-18.3
Other operating income	1.2	1.0	-0.6	1.5
Other operating expenses	-0.3	0.0	0.1	-0.2
Profit/loss on sales of investment properties	0.9			0.9
Profit/loss on sales of trading properties	0.0			0.0
Fair value change of investment properties	8.3	-11.1		-2.9
Depreciation, amortisation and impairment losses	-0.6			-0.6
Operating profit / loss	55.4	32.1	0.2	87.6
Financial income				1.8
Financial expenses				-24.6
Total amount of financial income and expenses				-22.7
Share of result of associated companies				0.5
Profit before taxes				65.4

Current tax expense				-13.3
Change in deferred taxes				-3.6
Income taxes total				-16.9
Profit/loss for the period				48.5

Investments	92.1	8.1	0.0	100.2
Investment properties	2,212.2	1,379.0	0.3	3,591.6
Investments in associated companies	0.9	2.2		3.1
Liquid assets	76.6	57.4	0.0	134.1
Other assets	166.8	56.3	-85.3	137.8
Total Assets	2,456.5	1,495.1	-85.0	3,866.5

Interest bearing liabilities	952.1	965.5	-76.8	1,840.8
Other liabilities	374.8	130.7	-3.6	502.0
Total Liabilities	1,327.0	1,096.2	-80.4	2,342.8

EUR million	VVO Non- subsidised 1-12/2014	VVO State subsidised 1-12/2014	Group consolidation methods	VVO Group total 1-12/2014
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		-4.6
Profit/loss on sales of trading properties	-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		-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 of associated companies				0.9
Profit before taxes				146.5
Current tax expense				-23.5
Change in deferred taxes				-12.2
Income taxes total				-35.7
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		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 » Notes to the interim report » Investment properties

Investment properties

EUR million	1-6/2015	1-6/2014	1-12/2014
Fair value of investment properties, beginning of period	3,708.8	3,510.3	3,510.3
Acquisition of investment properties *)	93.0	86.8	169.5
Other investments on investment properties	19.9	12.2	29.1
Disposals of investment properties	-4.5	-16.1	-28.8
Capitalised borrowing costs	1.0	1.3	2.5
Valuation gains/losses on fair value assessment	47.2	-2.9	26.2
Fair value of investment properties, end of period	3,865.4	3,591.6	3,708.8

*) incl acquisition costs of the new construction projects

Value development of investment property 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 property is 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.

Fair value measurement of investment property is based on an internal estimation process carried out quarterly. An external expert issues a statement on the valuation methods applied in valuation of rental apartments and business premises owned by VVO Group as well as on the quality and reliability of the valuation. The last valuation statement was issued on the situation as at 30 June 2015.

Measurement principles of investment property

Investment property is measured initially at its acquisition cost, including related transaction costs. Subsequently it is measured at fair value, and the resulting changes in fair values are recognised in

profit or loss as they arise. Fair value refers to the price that would be received from selling an asset or paid for transferring a liability in an ordinary transaction between market participants at the measurement date.

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 comparable 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. If necessary, the resulting transaction value is individually adjusted based on the condition, location, and other characteristics of the 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

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 Sensitivity Analysis for Investment Properties

EUR million	Change %				
	-10%	-5%	0%	5%	10%
Properties measured at market values					

Change in market prices	-220.4	-110.2	110.2	220.4
Properties measured at yield values				
Yield requirement	77.3	36.6	-33.1	-63.2
Lease income	-112	-56.0	56.0	112.0
Maintenance costs	38.1	19.1	-19.1	-38.1
Financial Occupancy rate (change in procent points)	-2	-1	0%	1
Rent income	-2.4	-1.7	0.4	

All VVO Group's investment properties are classified to hierarchy level 3 under IFRS 13. Items that are included to hierarchy level 3 are measured using input data which is not based on observable market data.

Main » Notes to the interim report » Property, plant and equipment

Property, plant and equipment

EUR million	30 June 2015	30 June 2014	31 December 2014
Book value, beginning of period	31.7	32.4	33.9
Increases	0.1	0.1	0.2
Decreases	0.0	-0.1	-1.6
Depreciations for accounting period	-0.4	-0.4	-0.7
Book value, end of period	31.5	32.0	31.7

Main » Notes to the interim report » Interest-bearing liabilities

Interest-bearing liabilities

EUR million	30 June 2015	30 June 2014	31 December 2014
Interest subsidy loans	585.4	608.4	602.5
Annuity and mortgage loans	260.2	308.0	302.4
Market-based loans	927.3	838.1	865.8
Other loans	14.3	26.9	14.4
Commercial papers	99.8	59.4	64.9
Total interest-bearing liabilities	1,887.0	1,840.8	1,850.1

The interest expenses of the interest subsidy loans guaranteed by the state were EUR 4.2 (4.7) million for the period. The amount of interest subsidy paid by the state to the banks was EUR 0.1 (0.2) million.

Main » Notes to the interim report » Derivative instruments

Derivative instruments

Fair values of derivative instruments

EUR million	30 June 2015			30 June 2014	31 December 2014
	Positive	Negative	Net	Net	Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	2.8	-38.9	-36.1	-37.2	-45.4
Interest rate options, cash flow hedges	0.0	0.0	0.0	-0.2	-0.1
Interest rate derivatives, not in hedge accounting	0.0	-7.0	-7.0	-5.4	-8.3
Electricity derivatives	0.6	-1.7	-1.1	-1.0	-0.9
Total	3.4	-47.5	-44.1	-43.9	-54.8

Nominal values of derivative instruments

EUR million	30 June 2015	30 June 2014	31 December 2014
	Interest rate derivatives		
Interest rate swaps, cash flow hedges	502.1	441.7	404.3
Interest rate options, cash flow hedges	0.0	14.2	14.2
Interest rate derivatives, not in hedge accounting	38.3	39.2	38.8
Total	540.4	495.1	457.3
Electricity derivatives, MWh	278,734	235,546	230,087

The interest risk of the market-based loans is hedged with interest rate derivatives according to VVO Group's financing policy. The targeted hedging ratio is 50–80%. The hedging ratio was 76 (80) per cent at the end of the review period and the average maturity of the interest rate derivatives was 7.7

(6.4) years.

Main » Notes to the interim report » Fair values of financial instruments

Fair values of financial instruments

EUR million	30 June 2015					31 December 2014				
	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total	Carrying value total	LEVEL 1	LEVEL 2	LEVEL 3	Fair value total
Assets and liabilities at fair value										
Interest rate derivatives	-43.1	-	-43.1	-	-43.1	-53.8	-	-53.8	-	-53.8
Electricity derivatives	-1.1	-1.1	-	-	-1.1	-0.9	-0.9	-	-	-0.9
Available-for-sale financial assets	39.4	36.9	2.0	0.5	39.4	56.1	49.1	6.4	0.6	56.1
Assets and liabilities at amortised cost										
Held-to-maturity investments	6.8	2.0	4.8	-	6.8	6.8	2.0	4.8	-	6.8
Loans and receivables	5.0	5.0	-	-	5.0	6.0	6.0	-	-	6.0
Other interest-bearing debt	1787.5	-	1,787.5	-	1,787.5	1,750.6	-	1,750.6	-	1,750.6
Bond	99.5	-	100.0	-	100.0	99.5	-	100.0	-	100.0

The fair value of the loans is equal to the nominal amount of the loan.

There has not been any changes between fair value hierarchy levels during the reporting period.

Financial assets and liabilities that are valued at fair value are classified on three hierarchy levels according to the estimated reliability of the valuation method:

Level 1: The fair value is based on market prices for identical instruments quoted in an active market.

Level 2: A market price quoted on the active market exists for similar instrument. The price may, however, be derived directly or indirectly from quoted price information.

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

LEVEL 3 reconciliation**Available-for-sale financial assets**

EUR million	30 June 2015	31 December 2014
Beginning of period	0.6	0.6
Deductions	0.0	0.0
End of period	0.5	0.6

Available-for-sale financial assets at hierarchy level 3 are unquoted shares measured at historical cost less any impairment losses as their fair values cannot be measured reliably.

Main » Notes to the interim report » Collateral and contingent liabilities

Collateral and contingent liabilities

EUR million	30 June 2015	30 June 2014	31 December 2014
Loans covered by pledges on property and shares as a collateral	1,788.9	1,783.2	1,787.0
Mortgages	2,524.2	2,485.3	2,554.4
Pledged deposit	0.0	0.0	0.0
Shares	212.0	214.9	212.5
Pledged collaterals total	2,736.2	2,700.2	2,766.9
Other collaterals given			
Pledges given	23.0	23.0	23.0
Guarantees given*)	353.8	319.5	329.6
Other collaterals total	376.8	342.5	352.5

*) Guarantees given mainly relate to parent company guarantees given on behalf of Group companies' loans

Other liabilities

Most significant procurement commitments relating to investments in progress, which are not registered in the balance sheet

EUR million	30 June 2015	30 June 2014	31 December 2014
New construction	210.8	86.4	265.9
Renovation	27.7	31.8	35.0
	238.5	118.2	300.9

Main » Notes to the interim report » Key figures

Key figures

VVO Group	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Revenue, EUR million	92.3	89.1	183.1	177.2	356.5
Net rental income, EUR million	57.8	55.3	113.2	107.2	210.0
% revenue	62.7	62.0	61.8	60.5	58.9
Profit before taxes, EUR million	64.1	29.7	124.4	65.4	146.5
Earnings per share, EUR	6.73	2.66	13.23	6.54	14.95
Equity per share, EUR			224.44	205.77	213.30
Return on equity, % (ROE)			12.1	6.4	7.2
Return on investments, % (ROI)			8.5	5.4	5.9
Equity ratio, %			40.9	39.5	40.0
Financial Occupancy rate, %	97.4	98.1	97.4	98.2	98.1
Gross investments, EUR million	61.8	69.4	115.0	101.7	200.5
Investment properties, EUR million			3,865.4	3,591.6	3,708.8
Interest bearing liabilities, EUR million			1,887.0	1,840.8	1,850.1
Number of personnel, end of period			393	366	343

Main » Notes to the interim report » Formulas used in the calculation of the key figures

Formulas used in the calculation of the key figures

Return on equity, % =	$\frac{\text{Profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Return on investment, % =	$\frac{\text{Profit before taxes + interests and other financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during the period)}} \times 100$
Equity ratio, % =	$\frac{\text{Total equity}}{\text{Balance sheet total - Advanced received}} \times 100$
Earnings per share, EUR =	$\frac{\text{Earnings attributable to equity holders}}{\text{Number of shares at the end of the financial period}}$
Shareholders' equity per share, EUR =	$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares at the end of the financial period}}$