Q3

Interim report
1 January –
30 September 2015

VVO Group plc

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

- Turnover totalled EUR 276.3 (266.6) million. Turnover grew by EUR 9.7 million, thanks to increased profit from rental operations.
- Profit before taxes amounted to EUR 167.3 (96.4) million, showing an increase of EUR 70.9 million. The profit was increased especially by changes in the fair value of investment properties, higher net rental income and lower financial costs.
- Net rental income was EUR 170.5 (163.1) million, representing 61.7 (61.2) per cent of turnover.
- The financial occupancy rate remained high, standing at 97.5 (98.1) per cent.
- Tenant turnover stayed at the same level as in the comparison period, that is, 20.4 (19.8) per cent.
- There were 1,199 (964) rental apartments under construction at the end of the review period.
- The Group owned 40,899 (40,668) rental apartments on 30 September 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 199.2 (107.1) million, which includes EUR 52.5 (-6.9) million in net valuation gain on the fair value assessment.
- The Group’s gross investments during the period totalled EUR 159.2 (132.4) 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 July–September 2015

Summary of July–September 2015 (comparison period 1 July–30 Sept. 2014)

- Turnover totalled EUR 91.1 (89.4) million. This growth was generated by increased profit from rental operations.
- Profit before taxes amounted to EUR 42.9 (31.0) million, showing an increase of EUR 11.9 million. The profit was increased especially by changes in the fair value of investment properties, higher net rental income and lower financial costs. The profit includes EUR 5.3 (-4.1) million in net valuation gains on the fair value assessment.
- Net rental income was EUR 57.3 (55.9) million, representing 61.5 (62.6) per cent of turnover.
- The financial occupancy rate remained high, standing at 97.8 (98.0) per cent.
- The Group's gross investments during the period totalled EUR 44.2 (30.7) million.

Key indicators

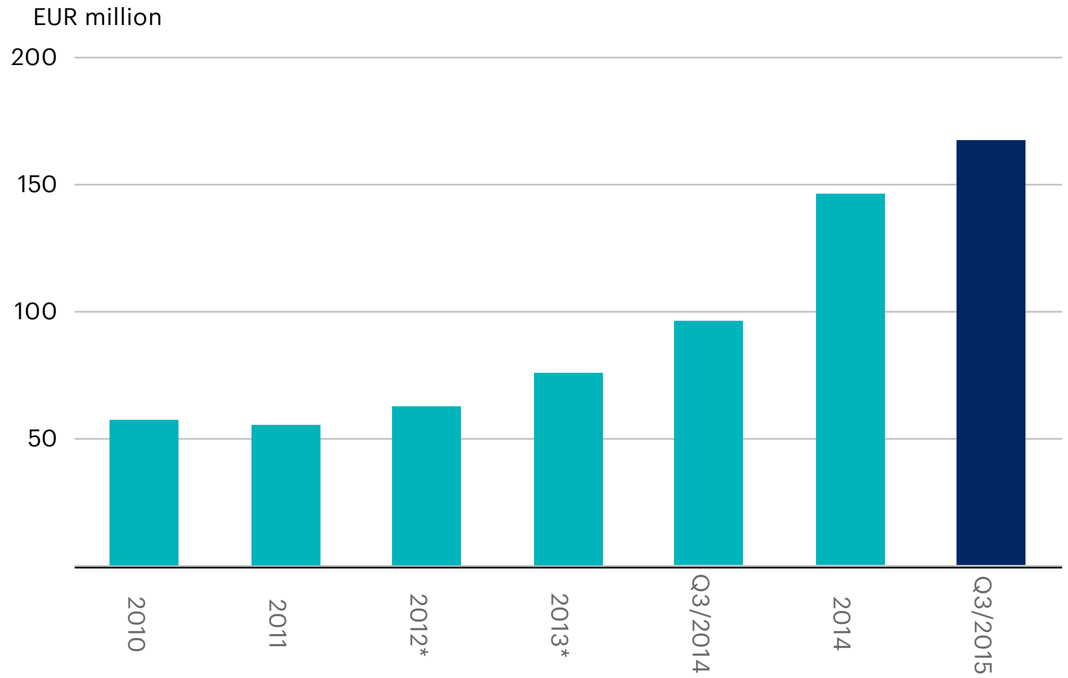
VVO Group	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Revenue, EUR million	93.1	89.4	276.3	266.6	356.5
Net rental income, EUR million	57.3	55.9	170.5	163.1	210.0
% revenue	61.5	62.6	61.7	61.2	58.9
Profit before taxes, EUR million	42.9	31.0	167.3	96.4	146.5
Earnings per share, EUR	4.86	3.39	18.09	9.93	14.95
Equity per share, EUR			228.57	208.64	213.30
Return on equity, % (ROE)			10.9	6.4	7.2
Return on investments, % (ROI)			7.7	5.3	5.9
Equity ratio, %			41.2	39.9	40.0
Financial Occupancy rate, %	97.8	98.0	97.5	98.1	98.1
Gross investments, EUR million	44.2	30.7	159.2	132.4	200.5
Investment properties, EUR million			3,907.9	3,617.4	3,708.8
Interest bearing liabilities, EUR million			1,888.4	1,827.0	1,850.1
Number of personnel, end of period			363	335	343

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

Turnover Q3/2015

*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

Profit trend Q3/2015



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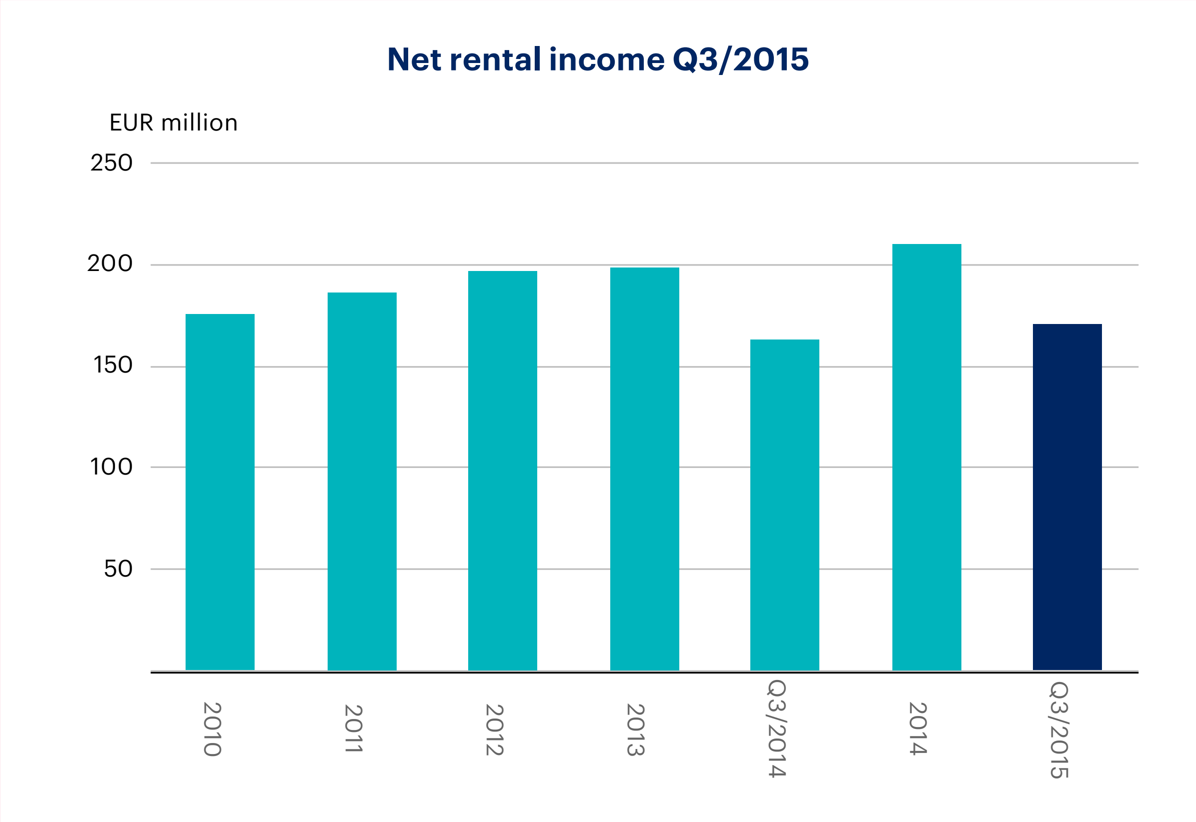
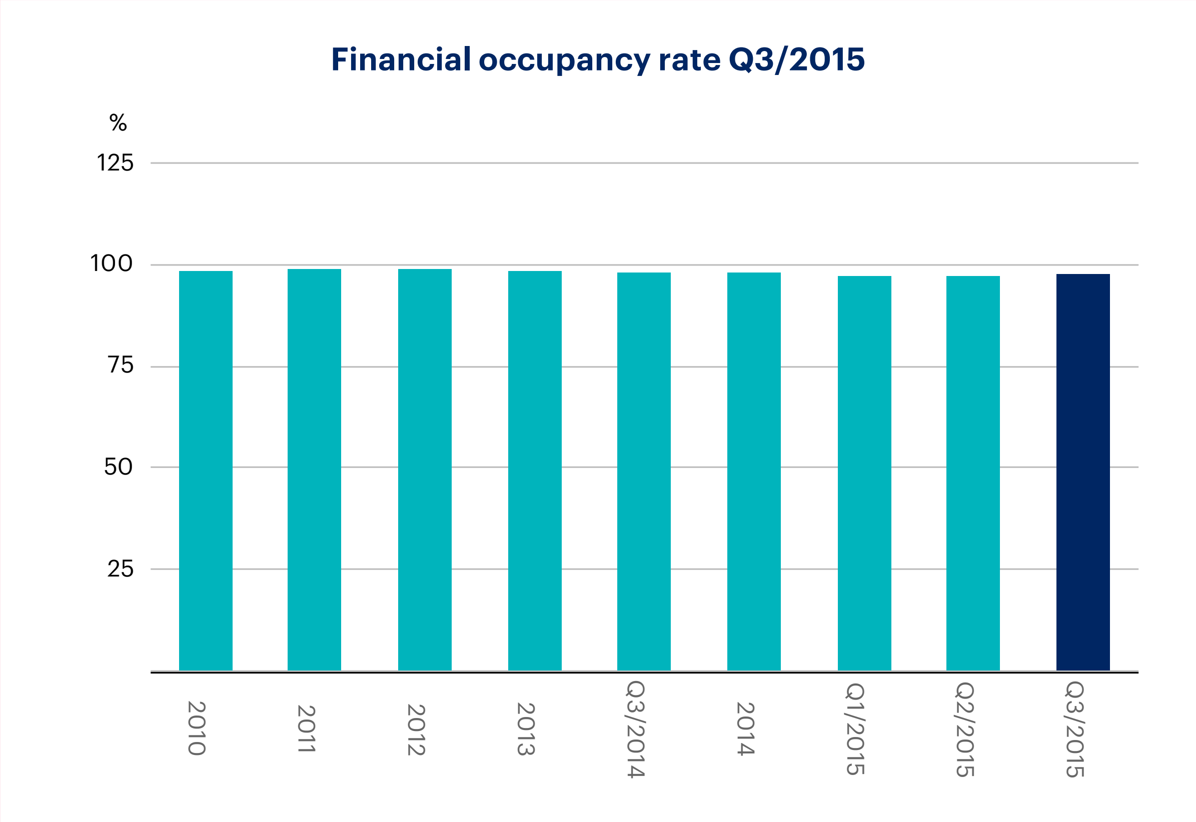
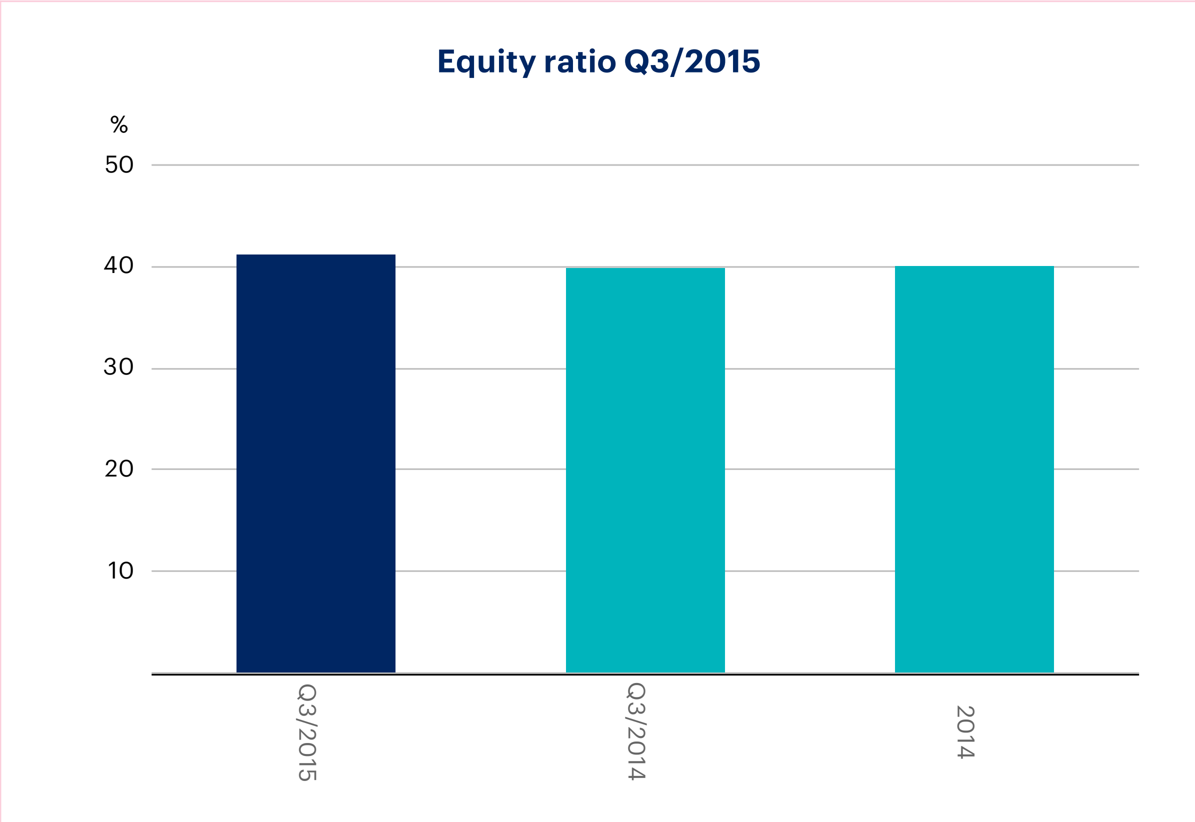
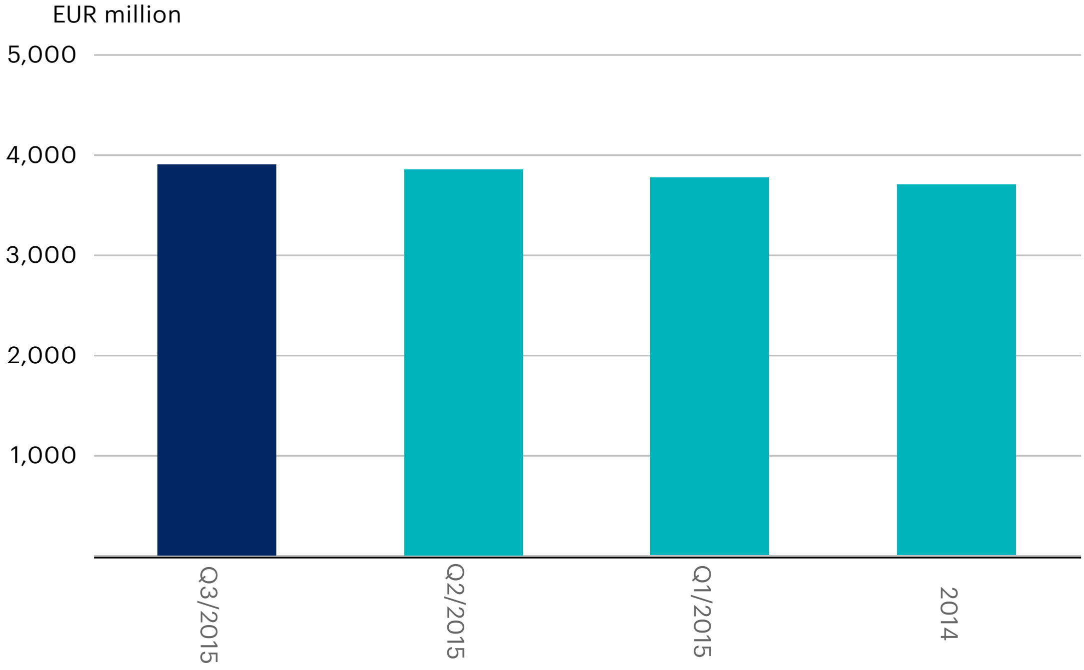
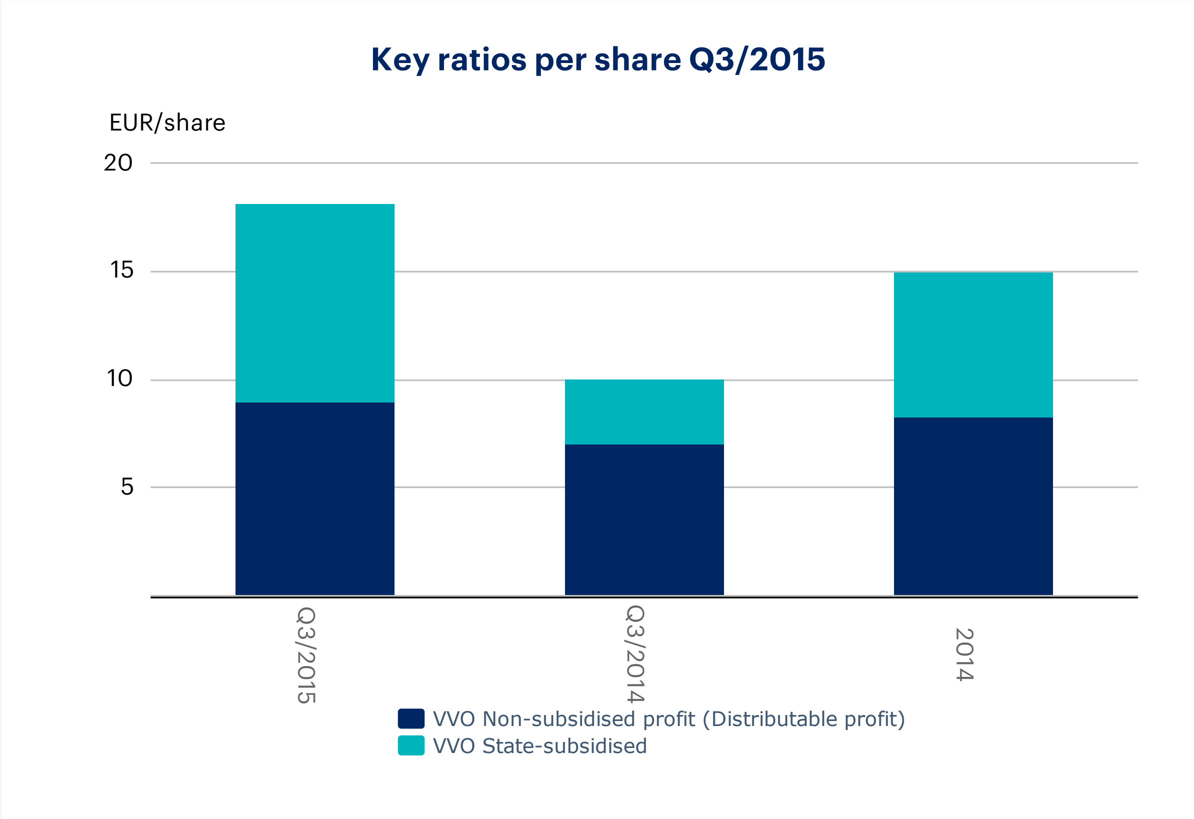

Net rental income Q3/2015
EUR million
250
200
150
100
50
2010
2011
2012
2013
Q3/2014
2014
Q3/2015


Financial occupancy rate Q3/2015
%
125
100
75
50
25
2010
2011
2012
2013
Q3/2014
2014
Q1/2015
Q2/2015
Q3/2015

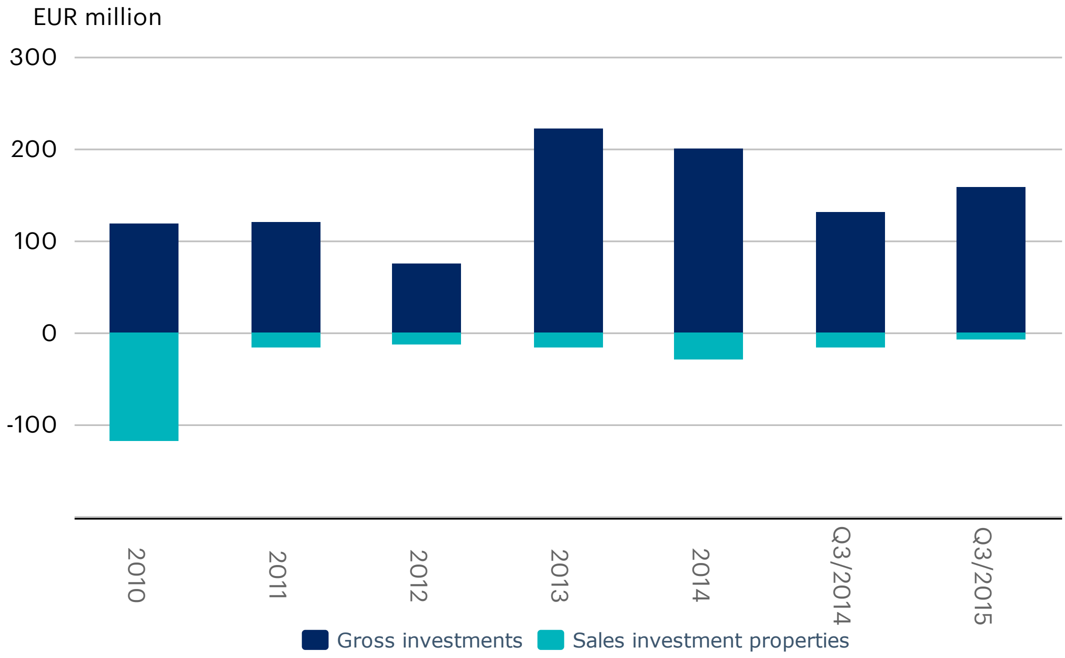

Equity ratio Q3/2015
%
50
40
30
20
10
Q3/2015
Q3/2014
2014

Value development Q3/2015




Key ratios per share Q3/2015
EUR/share
20
15
10
5
Q3/2015
Q3/2014
2014
VVO Non-subsidised profit (Distributable profit)
VVO State-subsidised

Gross investments and sales of investment properties Q3/2015



Rental housing stock 30 September 2015

We invest in rental apartments and innovate new housing services

VVO Group’s financial development continued to be 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. We are also innovating new housing services.

During the review period, we carried out development activities to make the renting of an apartment easier for the customer. In early October, we launched an online apartment rental service at www.lumo.fi/kotinyt. The Kotinyt.fi service is an entirely new way to rent an apartment immediately: 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 first couple of days already showed that the new apartment rental service is a great success among new customers.

We currently have 40,899 rental apartments, and a total of 1,199 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 159,2 million in new development, in acquiring old housing stock and in renovation.

In the next few years, our projects include, for instance, Lumo rental apartments in Jousenpuisto in the Tapiola district of Espoo when the City of Espoo decided to sell us a plot located above a metro station and a parking facility. With Hartela, we have signed an agreement on projects involving the construction of 205 apartments, with a total value exceeding EUR 41 million. These apartments will be built in addition to the more than EUR 100 million agreement published in autumn 2014.

The results of the annual customer satisfaction survey were finalised. According to the survey, tenant satisfaction has remained high. Tenants are satisfied with customer service, the location of apartments, improved property maintenance, online services, renovation opportunities, the Internet connection included in the rent and the small rental deposit, among other things.

Listening to our customers and developing our operations and new innovative services on the basis of the feedback are our key tasks.

Have a nice autumn!

Jani Nieminen
CEO

Outlook for 2015

Market outlook

Uncertainty in the Finnish economy persists. The outlook for employment is weak. No significant turn for the better is on the horizon.

The European Central Bank's monthly EUR 60 billion security purchases are supporting the euro zone's economy, although the outlook towards the end of 2015 has weakened from the first months of the year. 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 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. The increase in the number of asylum seekers may result in the growing demand for rental apartments in growth centres and the need to increase production.

Price trends in owner-occupied apartments are expected to continue to be moderate. 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 remainder of the year due to continuing stable demand for rental apartments. Net rental income is expected to increase, and VVO Group's investments will continue. A total of 736 Lumo apartments are planned to be completed during the rest of the year.

Operating environment

General operating environment

In Europe, the economic situation improved only slightly during the review period. The US economy develops favourably, as expected.

In Finland, economic development continued to be subdued. There has been no significant recovery in exports or industrial production. The confidence of households and companies is weak. This was seen in, for example, demand for owner-occupied apartments and construction investments.

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

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.

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 40,899 (40,668) apartments, of which 27,233 (26,493) are Lumo apartments (market-based rent) and 13,666 (14,175) 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.

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 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 entered into force on 1 September 2015. Some of the housing in the VVO Non-subsidised business 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 subject to return paying 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.

Turnover

VVO Group had a turnover of EUR 276.3 (266.6) million for the period 1 January–30 September 2015. The VVO Non-subsidised segment recorded a turnover of EUR 141.4 (131.5) million, and the VVO State-subsidised segment EUR 138.0 (138.6) million. Turnover is entirely generated by rental income.

Turnover

276.3

EUR million

Result and profitability

Net rental income

170.5

EUR million

The Group’s net rental income totalled EUR 170.5 (163.1) million, representing 61.7 (61.2) per cent of turnover. The VVO Non-subsidised segment recorded a net rental income of EUR 93.2 (85.6) million, and the VVO State-subsidised segment EUR 79.1 (79.4) million.

The Group’s profit before taxes amounted to EUR 167.3 (96.4) million. The result includes a EUR 52.5 (-6.9) million change in the fair value of investment properties, and capital gains and losses of EUR 1.4 (0.9) million. The good result 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. Financial income and expenses totalled EUR -27.9 (-34.6) million.

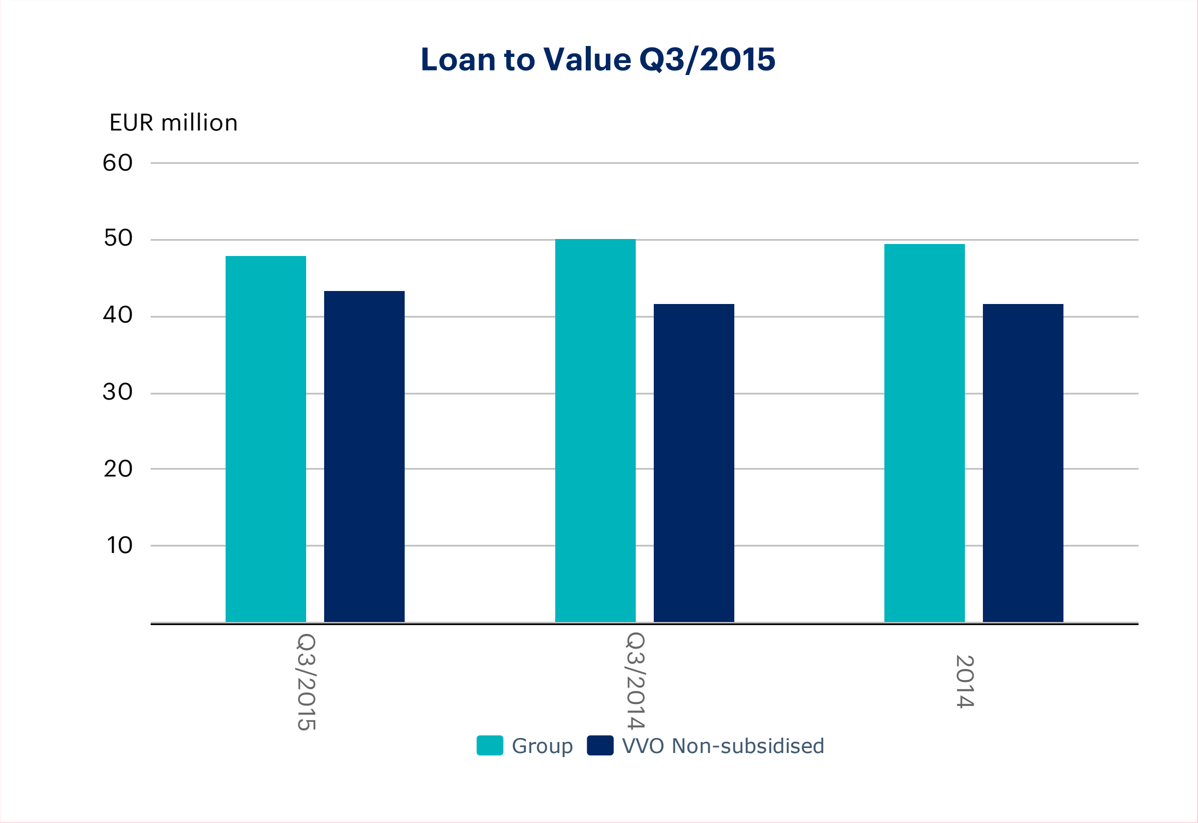
Balance sheet, cash flow and financing

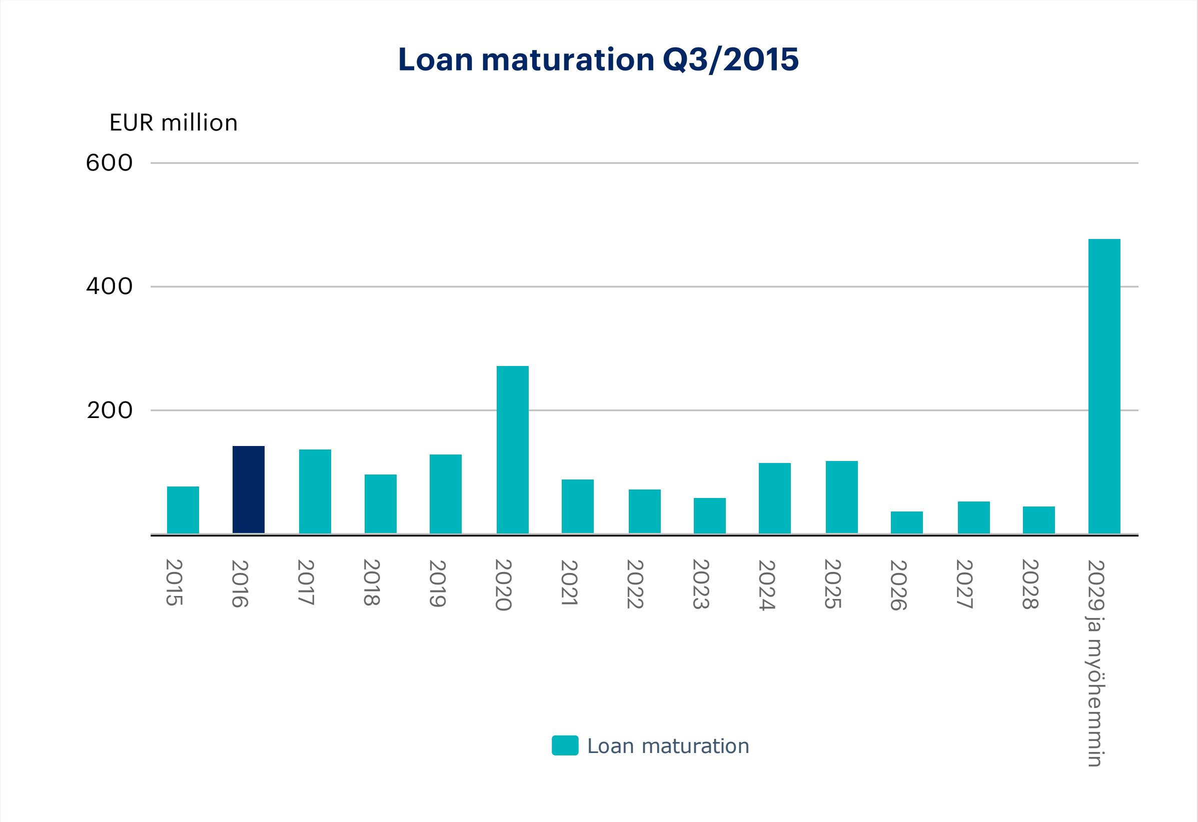
At the end of the review period, the Group’s balance sheet total was EUR 4,109.4 (3,879.3) million. Equity totalled EUR 1,692.5 (1,545.0) million. The equity ratio stood at 41.2 (39.9) per cent. Equity per share was EUR 228.57 (208.64). The VVO Non-subsidised segment’s equity ratio stood at 45.2 (46.4) per cent. The Group’s return on equity was 10.9 (6.4) per cent and its return on investment 7.7 (5.3) per cent.

At the end of the review period, the Group’s liquid assets totalled EUR 74.2 (130.3) million. The Group maintained good liquidity throughout the period. EUR 67.9 (47.9) million of the EUR 200 million commercial paper programme had been issued by the end of the review period.

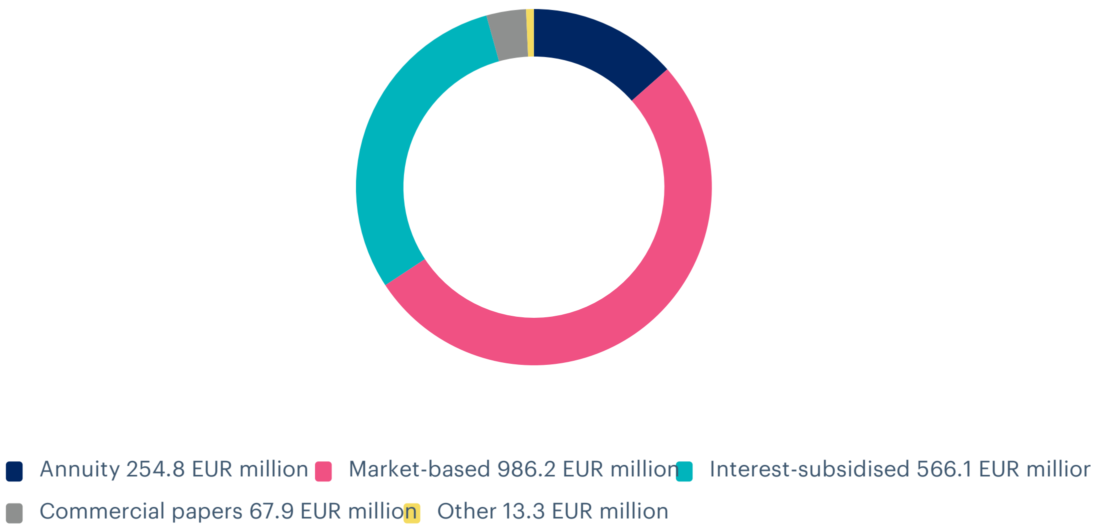
At period end, interest-bearing liabilities stood at EUR 1,888.4 (1,827) million, of which EUR 1 054.1 (888.9) million was accounted for by market-based loans. At the end of the review period, the Group’s loan to value was 47.9 (50.0) per cent.

The average interest rate of VVO’s loan portfolio was 2.3 (2.6) per cent, and the average maturity of its loans was 13.6 (15.4) years at period end.


Loan to Value Q3/2015
EUR million
60
50
40
30
20
10
Q3/2015
Q3/2014
2014
Group
VVO Non-subsidised


Loan maturation Q3/2015
EUR million
600
400
200
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029 ja myöhemmin
Loan maturation

Structure of debt portfolio 30 September 2015, Q3/2015



Real estate property and fair value

Fair value
3.9
EUR billion

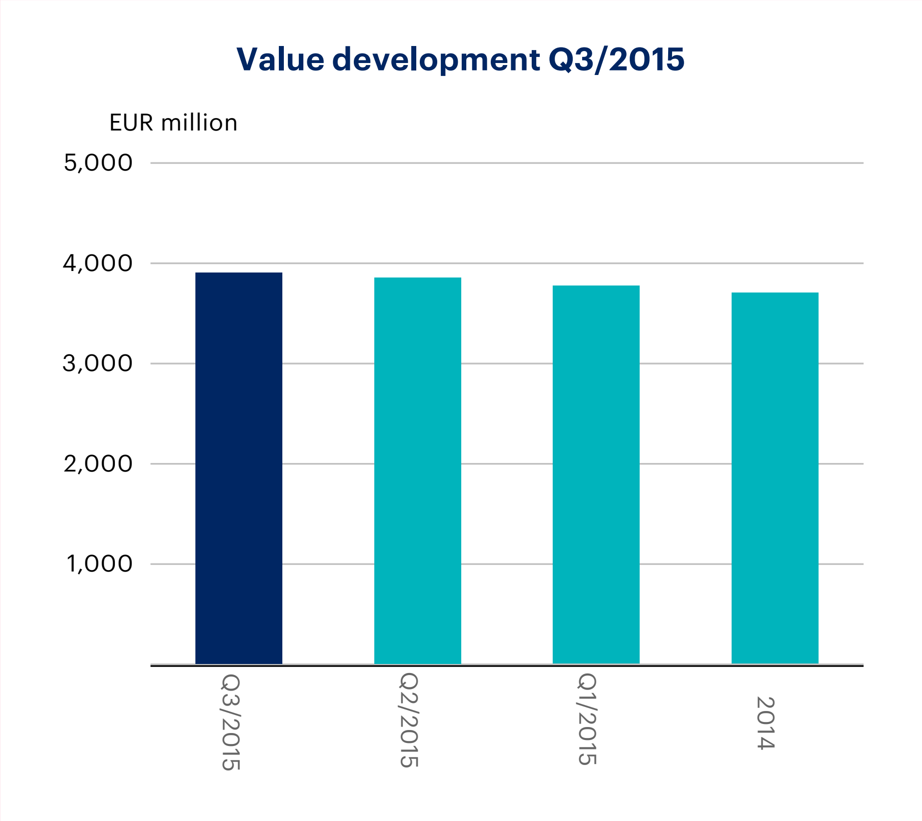
VVO Group owned a total of 40,899 (40,668) rental apartments at period end. The VVO Non-subsidised segment accounted for 24,481 (19,880) of these homes and the VVO State-subsidised segment for 16,418 (20,788). At the end of the review period, VVO owned apartments in 41 (42) municipalities.

At the end of the review period, the fair value of VVO Group's investment properties stood at EUR 3.9 (3.6) billion, with an increase in fair value of EUR 199.2 (107.1) million during the period. The change includes EUR 52.5 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 the Group's investment properties. The last valuation statement was issued on the situation as on 30 September 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 (37.7) million.

EUR million	1-9/2015	1-9/2014	1-12/2014
Fair value of investment properties, beginning of period	**3,708.8**	**3,510.3**	**3,510.3**
Acquition of investment properties *)	125.1	108.6	169.5
Other investments on investment properties	27.2	19.7	29.1
Disposals of investment properties	-7.2	-16.1	-28.8
Capitalised borrowing costs	1.6	1.9	2.5
Valuation gains/losses on fair value assessment	52.5	-6.9	26.2
Fair value of investment properties, end of period	**3,907.9**	**3,617.4**	**3,708.8**

*) incl acquition costs of the new construction projects



Value development Q3/2015
EUR million
5,000
4,000
3,000
2,000
1,000
Q3/2015
Q2/2015
Q1/2015
2014

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 97.5 (98.1) per cent for the review period. At the end of the review period, 472 (462) apartments were vacant due to renovations. The tenant turnover rate, which includes internal transfers, increased slightly from the corresponding period of the financial year 2014, that is, 20.4 (19.8) per cent.

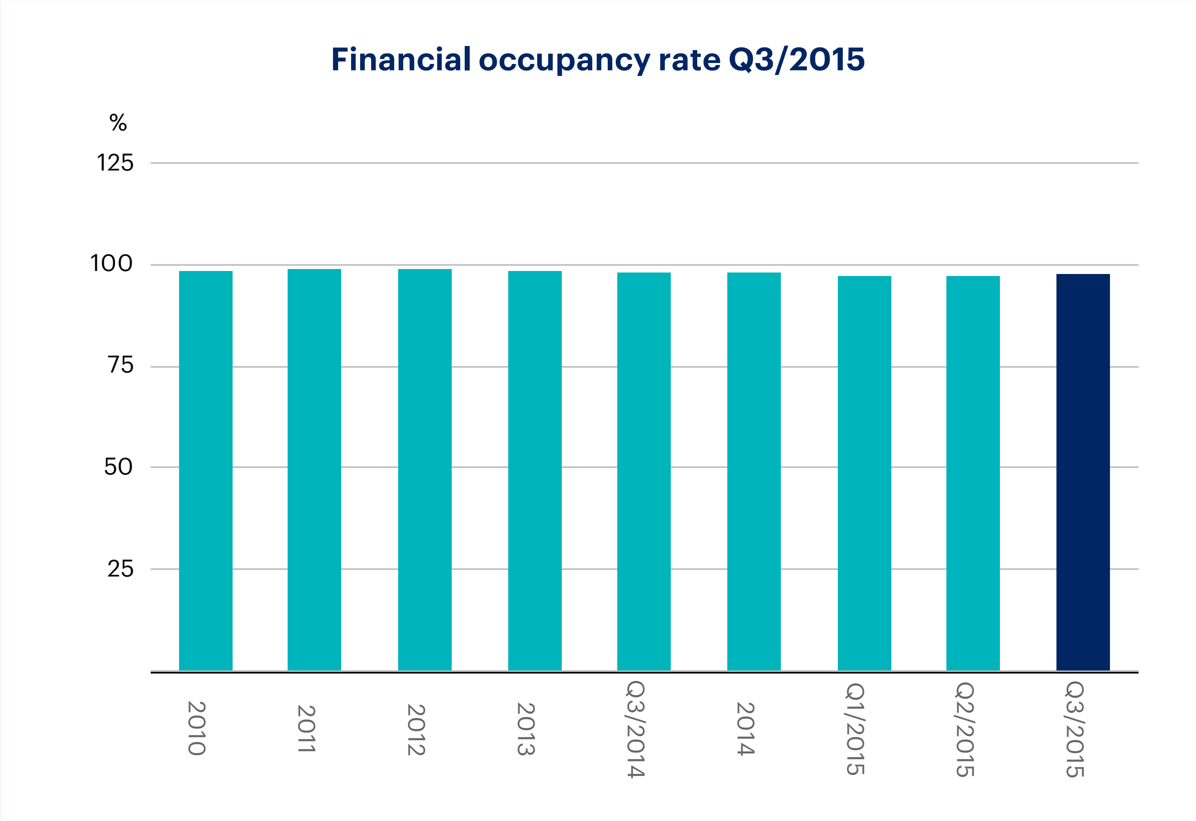
The average rent for the Group's 27,233 (26,493) market-based rental apartments (Lumo) was 13.74 (13.12) per sq m per month during the review period, and EUR 13.92 (13.27) at period end. The corresponding figures for the 13,666 (14,175) apartments rented at cost price (VVO) was EUR 12.72 (12.37) during the review period and EUR 12.80 (12.45) at period end.

At the end of the review period, there were 18,733 (22,133) active applications. (Applications are active for three months.) The average number of active applications per rental agreement termination was 19.7 (23.7). A total of 48,422 (54,752) new rental housing applications were received during the review period.

During the review period, we carried out development activities to make the renting of an apartment even easier for the customer. Immediately after the review period, at the beginning of October, we launched an online apartment rental service at www.lumo.fi/kotinyt. The Kotinyt.fi service is a new way to rent an apartment immediately: 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 first couple of days already showed that the new apartment rental service is a great success among new customers.

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.

The results of the annual customer satisfaction survey were finalised and, according to them, tenant satisfaction in both Lumo and VVO apartments has remained high. Tenants are satisfied with customer service, the location of apartments, improved property maintenance, online services and the small rental deposit. Renovation opportunities and the Internet connection included in the rent were also commended.


Financial occupancy rate Q3/2015
%
125
100
75
50
25
2010
2011
2012
2013
Q3/2014
2014
Q1/2015
Q2/2015
Q3/2015

Rental housing stock 30 September 2015

Investments, divestments and real estate development

Rental apartments under construction
1,199

Investments
159.2
EUR million

VVO Group launched construction of 382 (493) apartments during the review period. There were a total of 1,199 (964) apartments under construction at the end of the period, all of them privately financed. Of the apartments under construction, 820 (651) are located in the Helsinki region and 379 (313) in other Finnish growth centres.

During the review period, VVO Group acquired 40 (74) apartments in Espoo and sold 244 (156) apartments. Towards the end of the review period, VVO 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 continuation to the more than EUR 100 million agreement published in autumn 2014. In addition, the City of Espoo decided to sell 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 is EUR 9 million.

310 (550) new apartments were completed during the period. An estimated 736 (750) apartments are scheduled for completion by the end of the year.

The Group’s gross investments totalled EUR 159.2 (132.4) million. Total repair costs and modernisation investments during the review period amounted to EUR 61.6 (53.0) million, of which modernisation investments accounted for EUR 27.2 (19.7) million. The VVO Non-subsidised segment accounted for EUR 152.6 (120.9) million of gross investments, and the VVO State-subsidised segment for EUR 6.6 (11.7) million.

At period end, there were binding acquisition agreements worth a total of 268.7 (243.9) million. The acquisition agreements are used for building approximately 1,900 new apartments, 1,199 of which were under construction at the period end.

During the review period, properties' consumption of heating energy was 251 (256) GWh.

Personnel

At the end of the review period, the VVO Group had a total of 363 (335) employees. The average number of personnel during the period was 366 (338).

The Responsible Summer Job campaign rewarded the most responsible summer job employers in Finland. VVO Group came second in the major employer category.

Management and administration

There were no changes in the composition of the Board of Directors or the Management Group during the third quarter.

Shareholders

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

VVO Group plc’s 10 major shareholders on 30 Sept. 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 Healt and Social Care Professionals	1.39
Others	8.40
Total	100.00

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.

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 review period, VVO Group brought district cooling to rental apartments: in connection with the renovation, VVO Group connected the 25 Lumo apartments on the Messeniuksenkatu street in the Töölö district of Helsinki to the district cooling network.

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 VVO Group's Virkeä programme, sponsorships were awarded to 20 promising athletes in the application round of autumn 2015. This year, a total of 50 grants have been awarded. 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.

Near-term risks and uncertainties

Thus far, the Finnish economy has not recovered, which is reflected in both the housing and financial markets. This may impair VVO Group's cash flow.

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 level in accordance with the Group's treasury policy.

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

Events after the review period

There were no events affecting this Interim Report.

Consolidated income statement, IFRS

EUR million	Note	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Total revenue		**93.1**	**89.4**	**276.3**	**266.6**	**356.5**
Maintenance expenses		-21.8	-20.8	-71.2	-70.1	-97.1
Repair expenses		-14.0	-12.6	-34.5	-33.3	-49.5
Net rental income		**57.3**	**55.9**	**170.5**	**163.1**	**210.0**
Administrative expenses		-9.0	-9.0	-29.4	-27.3	-38.7
Other operating income		0.5	0.4	1.4	1.9	2.9
Other operating expenses		-0.1	0.0	-0.4	-0.2	-0.9
Profit/loss on sales of investment properties		0.0	0.0	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	5.3	-4.1	52.5	-6.9	26.2
Depreciation, amortisation and impairment losses		-0.3	-0.3	-0.9	-0.9	-1.7
Operating profit/loss		**53.6**	**42.9**	**195.2**	**130.6**	**192.9**
Financial income		0.3	0.6	6.9	2.5	2.7
Financial expenses		-11.1	-12.5	-34.9	-37.1	-50.0
Total amount of financial income and expenses		**-10.8**	**-11.9**	**-27.9**	**-34.6**	**-47.3**
Share of result of associated companies					0.5	0.9
Profit before taxes		**42.9**	**31.0**	**167.3**	**96.4**	**146.5**
Current tax expense		-3.6	-1.8	-10.7	-15.1	-23.5
Change in deferred taxes		-3.3	-4.2	-22.6	-7.8	-12.2
Income taxes total		-6.9	-6.0	-33.3	-22.9	-35.7
Profit/loss for the period		**36.0**	**25.0**	**134.0**	**73.5**	**110.8**
Profit of the financial period attributable to						
Shareholders of the parent company		36.0	25.0	133.9	73.5	110.7

Non-controlling interests	0.0	0.0	-0.1	0.0	-0.1
Earnings per share based on profit attributable to equity holders of the parent company					
Basic, euro	4.86	3.38	18.10	9.93	14.95
Diluted, euro	4.86	3.38	18.10	9.93	14.95
Average number of the shares, millions			0.0	0.0	0.0

CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

EUR million	**7-9/2015**	**7-9/2014**	**1-9/2015**	**1-9/2014**	**1-12/2014**
Profit/loss for the period	**36.0**	**25.0**	**134.0**	**73.5**	**110.8**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedgings	-6.6	-4.7	2.8	-16.2	-19.5
Available-for-sale financial assets	-0.2	0.0	-1.2	0.7	0.6
Deferred taxes	1.4	0.9	-0.3	3.1	3.8
Items that may be reclassified subsequently to profit or loss, total	-5.4	-3.7	1.3	-12.3	-15.1
Total comprehensive income for the period	**30.6**	**21.3**	**135.3**	**61.2**	**95.7**
Total comprehensive income attributable to					
Shareholders of the parent company	30.6	21.3	135.2	61.1	95.6
Non-controlling interests	0.0	0.0	-0.1	0.0	-0.1

Consolidated balance sheet, IFRS

EUR million	Note	30 September 2015	30 September 2014	31 December 2014
ASSETS				
Non-current assets				
Intangible assets		1.2	1.5	1.4
Investment properties	3	3,907.9	3,617.4	3,708.8
Property, plant and equipment	4	31.3	31.8	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		13.4	11.6	11.8
Non-current assets total		**3,960.1**	**3,668.8**	**3,760.6**
Current assets				
Trading properties		1.2	3.1	3.0
Current tax assets		3.2	2.5	1.4
Trade and other receivables		16.1	11.9	9.6
Financial assets	7	54.6	62.7	68.3
Cash and cash equivalents		74.2	130.3	114.4
Current assets total		**149.3**	**210.4**	**196.7**
ASSETS TOTAL		**4,109.4**	**3,879.3**	**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		-33.7	-32.2	-35.0
Invested non-restricted equity reserve		17.9	17.9	17.9
Retained earnings		1,614.0	1,465.1	1,502.3
Equity attributable to shareholders of the parent company		**1,692.0**	**1,544.5**	**1,579.0**
Non-controlling interests		0.6	0.5	0.5
Total equity		**1,692.5**	**1,545.0**	**1,579.5**
LIABILITIES				
Non-current liabilities				
Liabilities	5, 7	1,709.9	1,677.1	1,689.3
Deferred tax liabilities		430.3	401.7	405.9
Derivatives	6, 7	50.4	48.6	53.7
Provisions		1.0	1.0	1.5
Other non-current liabilites		8.2	8.1	7.4
Non-current liabilities total		**2,199.8**	**2,136.5**	**2,157.7**
Current liabilities				
Current liabilities	5, 7	178.4	149.9	160.8
Derivatives	6, 7	1.6	1.0	1.1
Current tax liabilities		3.6	9.4	12.3
Trade and other payables		33.4	37.5	45.9
Current liabilities total		**217.0**	**197.8**	**220.0**
Total liabilities		**2,416.8**	**2,334.3**	**2,377.8**
TOTAL EQUITY AND LIABILITIES		**4,109.4**	**3,879.3**	**3,957.2**

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

Consolidated statement of cash flows, IFRS

EUR million	1-9/2015	1-9/2014	1-12/2014
Cash flow from operating activities			
Profit for the period	134.0	73.5	110.8
Adjustments	7.7	62.9	61.7
Change in net working capital	-7.7	-3.3	2.1
Interest paid	-34.1	-36.2	-45.2
Interest received	0.5	0.8	1.0
Other financial items	-0.3	-0.2	-0.2
Taxes paid	-21.2	-13.9	-18.4
Net cash flow from operating activities	**78.9**	**83.6**	**111.7**
Cash flow from investing activities			
Acquisition of investment properties	-158.9	-132.2	-200.3
Acquisition of property, plant and equipment and intangible assets	-0.3	-0.2	-0.3
Proceeds from sale of investment properties	8.5	21.3	26.4
Proceeds from sale of tangible and intangible assets		0.0	0.0
Proceeds from sale of associated companies	0.0	0.6	0.6
Purchases of financial assets	-13.0	-16.0	-13.2
Proceeds from sale of financial assets	27.4	20.1	11.7
Non-current loans, granted	0.0		
Repayments of non-current receivables	0.5	0.1	0.1
Interest and dividends received on investments	1.1	1.0	1.1
Net cash flow from investing activities	**-134.8**	**-105.2**	**-173.8**
Cash flow from financing activities			

Non-current loans, raised	145.6	91.2	124.2
Non-current loans, repayments	-110.5	-47.7	-60.9
Current loans, raised	151.4	152.7	197.4
Current loans, repayments	-148.6	-158.2	-198.1
Dividends paid	-22.2	-16.3	-16.3
Net cash flow from financing activities	**15.7**	**21.8**	**46.3**
Change in cash and cash equivalents	**-40.2**	**0.1**	**-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	**74.2**	**130.3**	**114.4**

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 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			2.3				2.4		2.4
Available-for-sale financial assets			-1.0				-1.1		-1.1
Result for the financial period						133.9	133.9	0.1	134.0
Total comprehensive income	**0.0**	**0.0**	**1.3**	**0.0**	**0.0**	**133.9**	**135.2**	**0.1**	**135.3**
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**
Total change in equity	0.0	0.0	1.3	0.0	0.0	111.7	113.0	0.1	113.1
Equity at 30 September 2015	58.0	35.8	-33.7	0.0	17.9	1,614.0	1,692.0	0.6	1,692.5

		Share	Fair	Contin-	Invested non-restricted		Equity attri-butable to share-holders of the	Non-	

EUR million	Share capital	issue premium	value reserve	gency fund	equity reserve	Retained earnings	parent company	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			-12.9				-12.9		-12.9
Available-for-sale financial assets			0.6				0.6		0.6
Result for the financial period						73.5	73.5	0.0	73.5
Total comprehensive income	**0.0**	**0.0**	**-12.3**	**0.0**	**0.0**	**73.5**	**61.1**	**0.0**	**61.2**
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**
Total change in equity	0.0	0.0	-12.3	0.0	0.0	57.2	44.8	0.0	44.9
Equity at 30 September 2014	58.0	35.8	-32.2	0.0	17.9	1,465.1	1,544.5	0.5	1,545.0

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.

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 in Interim Report Q1.

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 the 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.

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 a 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 on 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.

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

EUR million	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 30 September 2014 under FAS	**58.0**	**35.8**	**0.0**	**1.7**	**0.0**	**17.9**	**426.5**	**11.2**	**551.0**
Changes									
Structual changes and changes in consolidation methods and other adjustments							7.9	-10.7	-2.8
Valuation at fair value of the investment properties							1,081.5		1,081.5
Deferred taxes of investment properties							-47.2		-47.2
Cash flow hedgings					-33.4		-2.2		-35.6
Available-for-sale financial assets					1.1		0.6		1.7
Electricity hedgings							-0.6		-0.6
Employee benefits							-1.3		-1.3
Other items				-1.7					-1.7
Equity at 30 September 2014 under IFRS	**58.0**	**35.8**	**0.0**	**0.0**	**-32.2**	**17.9**	**1,465.1**	**0.5**	**1,545.0**

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

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 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.

Segment information

EUR million	VVO Non-subsidised 1-9/2015	VVO State subsidised 1-9/2015	Group consolidation methods	VVO Group total 1-9/2015
Total revenue	**141.4**	**138.0**	**-3.2**	**276.3**
Maintenance expenses	-35.7	-36.9	1.3	-71.2
Repair expenses	-12.6	-21.9	0.0	-34.5
Net rental income	**93.2**	**79.1**	**-1.8**	**170.5**
Administrative expenses	-16.2	-16.2	3.0	-29.4
Other operating income	0.7	1.8	-1.1	1.4
Other operating expenses	-0.3	-0.2	0.2	-0.4
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	14.0	38.4		52.5
Depreciation, amortisation and impairment losses	-0.9			-0.9
Operating profit/loss	**91.4**	**103.6**	**0.3**	**195.2**
Financial income				6.9
Financial expenses				-34.9
Total amount of financial income and expenses				**-27.9**
Share of result of associated companies				
Profit before taxes				**167.3**
Current tax expense				-10.7
Change in deferred taxes				-22.6
Income taxes total				-33.3
Profit/loss for the period				**134.0**
Investments	147.6	6.2	0.0	153.9

Transfers between segment in investment properties	503.4	-503.5	0.1	0.0
Investments in investment properties	**651.0**	**-497.3**	**0.1**	**153.9**
Investment properties	2,959.2	948.3	0.4	3,907.9
Investments in associated companies	0.9	2.6		3.5
Liquid assets	27.0	47.1	0.0	74.2
Other assets	198.5	23.2	-97.9	123.8
Total Assets	**3,185.6**	**1,021.3**	**-97.5**	**4,109.4**
Interest bearing liabilities	1,296.9	682.4	-91.0	1,888.4
Other liabilities	451.2	79.6	-2.3	528.5
Total Liabilities	**1,748.1**	**762.0**	**-93.2**	**2,416.8**

EUR million	**VVO Non-subsidised 1-9/2014**	**VVO State subsidised 1-9/2014**	**Group consolidation methods**	**VVO Group total 1-9/2014**
Total revenue	**131.5**	**138.6**	**-3.5**	**266.6**
Maintenance expenses	-34.2	-37.5	1.6	-70.1
Repair expenses	-11.8	-21.6	0.0	-33.3
Net rental income	**85.6**	**79.4**	**-1.9**	**163.1**
Administrative expenses	-14.6	-15.6	2.9	-27.3
Other operating income	1.4	1.5	-1.0	1.9
Other operating expenses	-0.4	0.0	0.2	-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	8.6	-15.5		-6.9
Depreciation, amortisation and impairment losses	-0.9			-0.9
Operating profit/loss	**80.5**	**49.8**	**0.2**	**130.6**
Financial income				2.5
Financial expenses				-37.1
Total amount of financial income and expenses				-34.6

Share of result of associated companies				0.5
Profit before taxes				**96.4**
Current tax expense				-15.1
Change in deferred taxes				-7.8
Income taxes total				-22.9
Profit/loss for the period				**73.5**
Investments	**119.7**	**10.5**	**0.0**	**130.2**
Transfers between segment in investment properties				
Investments in investment properties				
Investment properties	2,240.1	1,377.1	0.3	3,617.4
Investments in associated companies	0.9	2.2		3.1
Liquid assets	66.1	64.2	0.0	130.3
Other assets	160.0	56.1	-87.7	128.4
Total Assets	**2,467.0**	**1,499.7**	**-87.4**	**3,879.3**
Interest bearing liabilities	943.6	961.5	-78.1	1,827.0
Other liabilities	380.8	131.0	-4.6	507.3
Total Liabilities	**1,324.5**	**1,092.5**	**-82.7**	**2,334.3**

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**
Transfers between segment in investment properties				
Investments in investment properties				
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**

Investment properties

EUR million	1-9/2015	1-9/2014	1-12/2014
Fair value of investment properties, beginning of period	**3,708.8**	**3,510.3**	**3,510.3**
Acquition of investment properties *)	125.1	108.6	169.5
Other investments on investment properties	27.2	19.7	29.1
Disposals of investment properties	-7.2	-16.1	-28.8
Capitalised borrowing costs	1.6	1.9	2.5
Valuation gains/losses on fair value assessment	52.5	-6.9	26.2
Fair value of investment properties, end of period	**3,907.9**	**3,617.4**	**3,708.8**

*) incl acquition 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 the 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 on 30 September 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 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. 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

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

Change in market prices	-233.2	-116.6		116.6	233.2
Properties measured at yield values					
Yield requirement	75.4	35.7		-32.3	-61.7
Lease income	-109.5	-54.7		54.7	109.5
Maintenance costs	37.3	18.7		-18.7	-37.3
Financial Occupancy rate (change in procent points)	**-2**	**-1**	**0%**	**1**	**2**
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.

Property, plant and equipment

EUR million	30 September 2015	30 September 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	-0.6	-0.6	-0.7
Book value, end of period	**31.3**	**31.8**	**31.7**

Interest-bearing liabilites

EUR million	30 September 2015	30 September 2014	31 December 2014
Interest subsidy loans	566.1	608.8	602.5
Annuity and mortage loans	254.8	302.4	302.4
Market-based loans	986.2	841.0	865.8
Other loans	13.3	26.9	14.4
Commercial papers	67.9	47.9	64.9
Total interest-bearing liabilities	**1,888.4**	**1,827.0**	**1,850.1**

The interest expenses of the interest subsidy loans guaranteed by the state were EUR 6.0 (7.0) million for the period. The amount of interest subsidy paid by the state to the banks was EUR 0.1 (0.2) million.

Derivative instruments

Fair values of derivative instruments

	30 September 2015			30 September 2014	31 December 2014
EUR million	Positive	Negative	Net	Net	Net
Interest rate derivatives					
Interest rate swaps, cash flow hedges	1.8	-44.5	-42.7	-41.9	-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	-7.8	-7.8	-6.7	-8.3
Electricity derivatives	0.6	-2.0	-1.5	-0.8	-0.9
Total	**2.4**	**-54.3**	**-52.0**	**-49.6**	**-54.8**

Nominal values of derivative instruments

EUR million	**30 September 2015**	**30 September 2014**	**31 December 2014**
Interest rate derivatives			
Interest rate swaps, cash flow hedges	607.5	410.0	404.3
Interest rate options, cash flow hedges	0.0	14.2	14.2
Interest rate derivatives, not in hedge accounting	38.3	38.6	38.8
Total	**645.8**	**462.8**	**457.3**
Electricity derivatives, MWh	282,330	228,106	230,087

The interest risk of the market loans and commercial papers is hedged with interest rate derivatives according to VVO Group's treasury policy. The targeted hedging ratio is 50–100%. The hedging ratio was 71 (73) per cent at the end of the review period and the average maturity of the interest rate derivatives was 8.6 (6.2) years.

Fair values of financial instruments

	30 September 2015					31 December 2014				
EUR million	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	-50.5	-	-50.5	-	-50.5	-53.8	-	-53.8	-	-53.8
Electricity derivatives	-1.5	-1.5	-	-	-1.5	-0.9	-0.9	-	-	-0.9
Available-for-sale financial assets	39.2	36.8	1.9	0.5	39.2	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	9.0	9.0	-	-	9.0	6.0	6.0	-	-	6.0
Other interest-bearing debt	1788.8	-	1,788.8	-	1,788.8	1,750.6	-	1,750.6	-	1,750.6
Bond	99.6	-	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 hierachy 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 September 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 hierachy level 3 are unquoted shares measured at historical cost less any impairment losses as their fair values cannot be measured reliably.

Collateral and contingent liabilities

EUR million	30 September 2015	30 September 2014	31 December 2014
Loans covered by pledges on property and shares as a collateral	1,823.2	1,780.9	1,787.0
Mortgages	2,501.9	2,498.6	2,554.4
Pledged deposit	0.0	0.0	0.0
Shares	213.6	212.4	212.5
Pledged collaterals total	**2,715.5**	**2,711.0**	**2,766.9**
Other collaterals given			
Pledges given	12.9	12.9	12.9
Guarantees given*)	367.3	341.2	346.2
Other collaterals total	**380.3**	**354.2**	**359.1**

*) 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 September 2015	30 September 2014	31 December 2014
New construction	247.9	210.1	265.9
Renovation	20.8	33.8	35.0
	268.7	**243.9**	**300.9**

Key figures

VVO Group	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Revenue, EUR million	93.1	89.4	276.3	266.6	356.5
Net rental income, EUR million	57.3	55.9	170.5	163.1	210.0
% revenue	61.5	62.6	61.7	61.2	58.9
Profit before taxes, EUR million	42.9	31.0	167.3	96.4	146.5
Earnings per share, EUR	4.86	3.39	18.09	9.93	14.95
Equity per share, EUR			228.57	208.64	213.30
Return on equity, % (ROE)			10.9	6.4	7.2
Return on investments, % (ROI)			7.7	5.3	5.9
Equity ratio, %			41.2	39.9	40.0
Financial Occupancy rate, %	97.8	98.0	97.5	98.1	98.1
Gross investments, EUR million	44.2	30.7	159.2	132.4	200.5
Investment properties, EUR million			3,907.9	3,617.4	3,708.8
Interest bearing liabilities, EUR million			1,888.4	1,827.0	1,850.1
Number of personnel, end of period			363	335	343

Formulas used in the calculation of the key figures

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