

HALF-YEARLY REVIEW JANUARY–JUNE 2017



**HOIVATILAT**



# Suomen Hoivatilat Oyj

## Half-yearly review January–June 2017 (unaudited)

### **Strong profitable growth, new business concepts**

#### Half-yearly review January–June 2017

Suomen Hoivatilat Oyj stock exchange release on 22 August 2017, 8:00 a.m.

#### **January–June 2017 in brief (January–June 2016 in parentheses for comparison)**

- Revenue: 5.3 (3.4) million euros, growth 58.0%
- Profit for the period: 14.8 (6.6) million euros, growth 123.0%
- Operational result: 2.1 (1.3) million euros, growth 63.6%
- Earnings per share, undiluted 0.64 (0.36) euros
- Earnings per share, diluted 0.63 (0.36) euros
- Operational result per share 0.09 (0.07) euros
- Value of investment properties: 205.1 (115.1) million euros, growth 78.2%
- Economic occupancy rate: 100% (100%)
- Net asset value (NAV) per share: 5.14 (3.50) euros, growth 46.6%
- Value of the agreement portfolio (no index increases): 280.5 (190.5) million euros, growth 47.3%
- Average maturity of the agreement portfolio: 14.3 (14.3) years.

#### **Outlook for 2017**

The company expects its total revenue to reach at least EUR 12 million in 2017. The operational result is expected to be at least EUR 4.5 million. The market value of the investment properties is expected to be between EUR 225 and 245 million at the end of 2017.

#### **Jussi Karjula, CEO:**

The company's first half of the year was characterised by strong growth according to plan. Our revenue grew by 58% and the operational result increased by 64% compared to the comparison period. The fair value of our investment properties grew by 33% compared to the end of 2016 (78% compared to the comparison period), with the value being EUR 205 million at the end of June. The net asset value (NAV) per share also developed favourably and was EUR 5.14, showing growth of 47% from the comparison period.

We will continue on a growth path. On 30 June 2017, the company had a record number of 44 property projects under construction or with a building permit issued, and their procurement value is over

EUR 92 million. During the beginning of the year, we invested in growth and development by recruiting key personnel, among other things.

The occupancy rate of properties owned by Hoivatilat is 100%. This high number is based on our operating model of launching property projects only after the lease agreements have been signed. The value of the agreement portfolio at the end of the review period was nearly EUR 281 million, showing growth of EUR 90 million compared to the comparison period. The average maturity of the agreement portfolio was 14.3 years. During the spring and the summer, we signed the first 20-year lease agreements. During spring 2017, we also productised the Hoivatilat lifecycle model, in which the company may assume a more extensive responsibility for maintaining and servicing its properties. This is a tangible indication of the company's responsible ownership.

Considerable change factors will support the growth of Hoivatilat's business operations: The population is ageing and concentrating in growth centres, public sector's increased debt is causing the sector to seek alternatives to making own investments, citizens' freedom of choice and use of service vouchers are increasing. At the same time, companies operating in the social and health care sectors and the early education sector are becoming increasingly professional, and consolidating and improving their efficiency. These factors open up more opportunities for private services and investments.

On 1 March 2017, the company was moved from the First North list to Nasdaq Helsinki. The company carried out a directed offering for institutional investors, comprising 4,500,000 new shares and bringing in EUR 31.5 million in new capital before transaction costs. As a result, the company's capital reserves are excellent and major investments can be made in the property portfolio. The share issue added notable investors to the company's owner base from Sweden, Norway and the UK, in addition to Finland. The number of the company's shareholders has multiplied in the past year, exceeding 6,000 on 30 June 2017.

### **Operating environment**

According the Ministry of Finance, the Finnish economy has clearly taken an upward turn. GDP growth will also continue in the coming years, although it will slow down slightly. According to the preliminary annual national accounts by Statistics Finland, the Finnish economy grew by 1.2% in the first quarter of 2017 compared to the previous quarter, which was considerably more than expected. According to the forecast, the Finnish economy will grow by 2.4% in 2017. In 2018, the estimated growth will be 1.6% and in 2019 growth is expected to be 1.5%.

As the economic growth rate, growth will also take place across broader sectors. The economic activity no longer rests solely on domestic demand, but exports will also grow considerably. The strong industrial growth will also support a fast recovery in productivity.

The underlying assumptions in the forecast largely support growth. The monetary policy of central banks will support growth. The expectations regarding inflation are returning to normal. Short interest rates will remain negative throughout the forecast period, and the ten-year interest rate will also remain exceptionally low. The exchange rate of euro against the US dollar will continue to weaken in the forecast period. The moderately increasing price of oil, combined with the price increases of other raw materials, will accelerate inflation globally.

The normalisation of interest rates has begun in the USA, and this development is expected to continue during the forecast period. By contrast, the interest rates in the euro region will increase slowly in the forecast period and are expected to remain at a level clearly lower than those in the era before the debt crisis.

#### *Status of the social and health care reform*

As a result of its discussions on 5 July 2017, the Finnish Government decided to continue the health, social services and regional government reform so that the reform will enter into force on 1 January 2020. County elections will be held in October 2018.

Legislative proposals under consideration in Parliament will be amended in accordance with the statement issued by the Constitutional Law Committee on 29 June 2017. As regards the Act on Freedom of Choice, the Government will issue a new government proposal in early 2018. Based on ministries' replies, the Act on Organising Health and Social Services and the Counties Act, which are currently under consideration in the Parliament, will be amended in parliamentary committees to meet the changes required by the Constitutional Law Committee. The legislative proposals on health, social services and regional government reform will not be opened in any other respect. In accordance with the Constitutional Law Committee's proposal, the Counties Act, the Act on Organising Health and Social Services, and the Act on Freedom of Choice will be considered in the Parliament in the same connection.

The Ministry of Social Affairs and Health has set up a group of public officials to prepare the new Government's proposal on the Act on Freedom of Choice. The group's work started in July, and the plan is to submit the draft proposal for comments in November 2017. The preparation is based on the Government proposal completed in May, which will be amended by the changes required by the Parliament's Constitutional Law Committee and other necessary changes in terms of its model concerning freedom of choice. In addition, a new impact assessment will be carried out in cooperation with the National Institute for Health and Wellbeing. The group's draft Government proposal will be submitted for comments in November. After the consultation process, the intention is to present the Government proposal to the Parliament at the beginning of March 2018.

*Sources: Economic review 21 June 2017 [vm.fi](#) and [alueuudistus.fi](#) 14 July 2017.*

## Financial development

The company's revenue was EUR 5.3 (3.4) million, showing a growth of 58.0%. The revenue consisted of lease income in its entirety. A large part of the revenue increase is a result from the considerable increase in the number of the company's leased properties during the past 12 months. Income from measuring properties at fair value was EUR 15.8 (6.7) million in the review period. The fair values of the completed investment properties increased primarily due to the decrease in the required rate of return in the market. The fair values of the investment properties completed and under construction during the review period increased due to the decrease in the required rate of return, as well as the increase in the completion rate of projects and the project margins entered as income based on the completion rate.

The property maintenance costs amounted to EUR -0.5 (-0.2) million, which showed growth of 166.5% compared to the previous year. Most of the increase in the maintenance costs is due to the considerable growth in the property portfolio from the comparison period. The net lease income for the review period amounted to EUR 4.8 (3.2) million, which showed growth of 51.6%. At the end of the review period, the company had 67 (40) properties completed and generating rental cash flow, and their net return percentage was 6.6% at the end of the review period, whereas it was 6.9% in the previous financial statements (7.0% at the end of the comparison period). The decrease in the net return percentage is primarily due to the decline in the return requirements applied to determining the value of investment properties.

The expenses of employee benefits amounted to EUR -0.9 (-0.7) million, which showed growth of 30.6%. The average number of employees in the review period was 12 (9). The administrative expenses amounted to EUR -0.6 (-0.4) million, which showed growth of 51.3% from the previous year.

The operating profit was EUR 19.1 (8.8) million, which showed growth of 118.4%.

The net financial income and expenses were EUR -0.6 (-0.5) million. Taxes based on the taxable income of the review period were EUR -0.6 (-0.3) million and deferred taxes due to changes in the fair values of properties were EUR -3.2 (-1.4) million.

The net result for the review period amounted to EUR 14.8 (6.6) million, which showed growth of 123.0% from the comparison period. The undiluted earnings per share were EUR 0.64 (0.36) and earnings per share adjusted with the dilution effect were EUR 0.63 (0.36).

At the end of the review period, the consolidated balance sheet total was EUR 218.7 (122.2) million, showing growth of 79.0% from the comparison period and 36.9% from the previous financial statements. During the review period, investments of a total procurement value of EUR 34.5 (18.0) million were made in the property portfolio. The majority of these investments consisted of new building development. In addition, the company acquired two completed day care centres during the review period. The investment properties owned by the company are measured at fair value after the original recognition. Properties with a low completion rate are measured at acquisition cost. The fair value of

the properties has been determined by Realia Management Oy, an external specialist and authorised property valuation services provider. An assessment of the property valuation services provider on the fair value of the investment properties on 30 June 2017 is available on the company's website. At the end of the review period, the value of investment properties was EUR 205.1 (115.1) million, of which completed properties accounted for EUR 173.3 (92.4) million, properties under construction EUR 31.6 (22.3) million, and properties with a low completion rate measured at acquisition cost accounted for EUR 0.2 (0.4) million.

The company's interest-bearing liabilities amounted to EUR 85.4 (46.2) million at the end of the review period. The amount of interest-bearing liabilities increased by EUR 13.5 million net during the six-month period of 1 January 2017 – 30 June 2017. On 30 June 2017, the company had at its disposal credit facilities of a total of EUR 4.0 million, of which EUR 0.0 million were used.

According to the interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate tying period of the entire loan portfolio is two (2) years +/- six (6) months. The hedging rate of the company's loan portfolio was 30.4% on 30 June 2017 and the average interest rate tying period of the loan portfolio was 1.6 years.

### Properties and agreements

On 30 June 2017, the company had 67 completed properties generating rental cash flow. In addition, there were a total of 44 properties in progress and at the starting phase. During the review period, nine new properties were completed and the company purchased two complete properties. After the end of the review period, 11 properties have been completed, and they will generate rental cash flow starting from August 2017.

<b>Properties 30 June 2017</b>	<b>Completed</b>	<b>In progress and not started*</b>	<b>Total</b>
Properties, total	67	44	111
For rent, floor m <sup>2</sup>	59,068	40,950	100,018
Investment (acquisition cost), EUR thousand	126,124	92,814	218,939
Annual rents, EUR thousand	12,161	7,774	19,936

\*In addition to properties in progress, the item Properties in progress and not started also includes properties for which binding leases or letters of intent have been signed, but construction has not commenced yet.

On 30 June 2017, the company had a total of 111 leases (including letters of intent), which were divided between 25 clients. The value of the agreement portfolio was EUR 280.5 (190.5) million, and the average maturity of the entire agreement portfolio was 14.3 (14.3) years. The company's three largest key clients accounted for approximately 60% of the agreement portfolio on 30 June 2017. The share of the largest client in the agreement portfolio was 25%, that of the second largest client was 22% and that of the third largest client was 13%. Otherwise, the company has a diverse client base in both day care centres and nursing homes. The company's most important tenants are Finland's largest chains in the nursing and day care sector and well-known brands.

Sixty-six per cent of the agreement portfolio consisted of the rental income from properties located in the Greater Helsinki Area / Uusimaa region and the Tampere, Lahti, Turku, Oulu, Kuopio and Jyväskylä regions. Thirty-four per cent of the agreement portfolio consisted of properties in other locations/provincial centres, where the demographic structure of population is estimated to offer a very predictable need for services in the future as well.

<b>Area</b>	<b>Share of the agreement portfolio</b>
Greater Helsinki Area / Uusimaa Region	26%
Tampere Region	9%
Lahti Region	8%
Turku Region	7%
Oulu Region	6%
Kuopio Region	6%
Jyväskylä Region	4%
Other regions	34%
<b>Total</b>	<b>100%</b>

### **Shares and shareholders**

The number of the company's shares was 25,288,859 on 30 June 2017. The company holds no own shares. The closing price of the company's share on 30 June 2017 was EUR 7.75 and the combined market value of the shares was EUR 195.99 million. During the period under review, the company's highest closing price was EUR 8.96 and the lowest EUR 7.10.

During the financial year, the company was listed on Nasdaq OMX Helsinki Oy. Trading on the company's shares began on 1 March 2017. Before listing on the main market, the company's share was included in the Nasdaq First North 25 index maintained by Nasdaq OMX Helsinki for the period of 31 March 2016 – 28 February 2017. At the end of March, the company carried out a directed offering for institutional investors, comprising a total of 4,500,000 new shares. Trading on the new shares in the main market began on 29 March 2017.

On 30 June 2017, the company had a total of 6,304 shareholders.

### **Risks**

According to Hoivatilat's estimate, the risks in the current financial period and the near future are related primarily to the economic environment, success of the property projects, and customers. In addition, valuation of properties involves a risk of fluctuation in the fair values. The key risk factors in the economic environment include possible changes in the interest rate level and the availability of financing.

The business operations of Hoivatilat depend on the tenants' ability to pay rent. The property occupancy rate and the financial status of the tenants are monitored by means of regular meetings and

financial monitoring. Significant changes in legislation or orders by the authorities may also impact the operations of the company's customers and, subsequently, the demand for properties.

The risk factors related to the company's business operations are described in detail in the brochure published by the company in connection with transfer to the main market on 24 February 2017. There have been no material changes in the risk factors since the publication of the brochure. The brochure is available on the company's website.

### **Personnel, management and administration**

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairperson), Satu Ahlman, Mammu Kaario, Timo Pekkarinen and Reijo Tauriainen. Kristiina Hautakangas was a member of the Board until 23 February 2017.

The Audit Committee members are Reijo Tauriainen (chairperson), Mammu Kaario and Timo Pekkarinen.

The Remuneration Committee members are Pertti Huuskonen (chairperson), Satu Ahlman and Mammu Kaario.

The company's auditor is KPMG Oy Ab Authorised Public Accountants, with APA Tapio Raappana as the principal auditor.

The company's Board decided on 1 February 2017 that an executive team be established. The Group's executive team includes CEO Jussi Karjula, CFO Tommi Aarnio, Sales Director Antti Kurkela, Director, Southern Finland Timo Tanskanen, Property Director Juhana Saarni and Administrative Manager Riikka Säkkinen.

At the end of the review period, Hoivatilat had 13 employees. During the review period, two new employees were hired in project development and property management tasks, respectively.

### **Decisions by the Annual General Meeting**

The Annual General Meeting of Hoivatilat was held on 23 February 2017 in Oulu. The Annual General Meeting confirmed the financial statements and released the members of the Board of Directors and the CEO from liability for 2016. The dividend of EUR 0.10 per share, according to the decision by the Annual General Meeting, was paid on 7 March 2017. The Annual General Meeting approved the Nomination Board's proposal on the composition and remuneration of the Board of Directors. The Board members Pertti Huuskonen, Reijo Tauriainen, Timo Pekkarinen and Mammu Kaario were re-elected as the members of the Board of Directors and Satu Ahlman was elected as the new member. The auditor elected for a term ending at the end of the next Annual General Meeting was KPMG Oy Ab, Authorised Public Accountants, with APA Tapio Raappana as the principal auditor.



The Annual General Meeting authorised the Board of Directors to decide on the issuance of a maximum of 10,000,000 new shares or shares held by the company in one or more share issues with consideration, which can be directed share issues or share issues in accordance with shareholders' pre-emptive subscription right. The share issue authorisation will be in effect until the end of the next Annual General Meeting, however no later than 30 April 2018. The Board of Directors was authorised to decide on all other terms and conditions of the share issue(s).

More information on the decisions made by the Annual General Meeting is available at <https://hoivatilat.fi/en/investors/governance/general-meeting/>

### **Disclosure notifications**

On 2 March 2017, Hoivatilat received a notification pursuant to the Securities Market Act from OP Fund Management Company Ltd., according to which the aggregate ownership of shares and votes in Hoivatilat of OP-Suomi Arvo investment fund and OP-Suomi Pienyhtiöt investment fund managed by OP Fund Management Company Ltd., has exceeded the threshold of 5% following a share purchase completed on 1 March 2017. The OP-Suomi Arvo investment fund owns 3.07% and OP-Suomi Pienyhtiöt investment fund owns 2.33% of all Hoivatilat shares and votes.

On 28 March 2017, Hoivatilat received a notification pursuant to chapter 9, section 5 of the Securities Market Act from Timo Pekkarinen, according to which the aggregate ownership of shares and votes in Hoivatilat of Timo Pekkarinen and Tirinom Oy, an entity controlled by him, has fallen below the threshold of 5% following an event changing the breakdown of shares or voting rights on 28 March 2017. Timo Pekkarinen owns 3.54% and Tirinom Oy owns 0.85% of all shares and votes in Hoivatilat.

### **Events after the review period**

The company's Board of Directors decided on 21 August 2017 to launch a school concept, in which municipalities and other operators in the school sector are offered a modern school building, constructed in accordance with the new curriculum, under the turnkey model without the need for user investment in the facilities. Service manager, M.A., Petri Kauppinen, who previously worked as the municipal manager of Sotkamo, was appointed to head the school business operations.

On 16 August 2017, Hoivatilat and the municipality of Siilinjärvi signed a 20-year lease and maintenance agreement on an assisted living facility project, which will be completed towards the end of 2018. The municipality of Siilinjärvi announced the procurement decision on 28 June 2017, and the agreement was included in the company's reported agreement portfolio on 30 June 2017. The value of the agreement is more than EUR 10 million (without index adjustments).

On 21 August 2017, Hoivatilat signed a lease agreement on a day care centre to be built of logs in Lahti. This project will be the first day care centre in which the company uses logs as the construction material.

## **Financial calendar for 2017**

Suomen Hoivatilat Oyj will publish its Business Review (January–September 2017) on 8 November 2017

In Oulu on 22 August 2017

Suomen Hoivatilat  
Board of Directors

Further information:

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## Tables

The accounting policies of the half-yearly report and the calculation formulas of the key figures are the same as in the company's latest financial statements. The IAS 34 standard was applied in preparing the half-yearly report.

### Hoivatilat Group

#### Income statement

EUR	1-6/2017	1-6/2016	1-12/2016
<b>REVENUE</b>	<b>5,315,223</b>	<b>3,364,443</b>	<b>7,414,028</b>
Transfers of investment properties and changes in fair value	15,835,798	6,673,978	14,809,103
Expenses of employee benefits	-853,440	-653,261	-1,467,141
Depreciation	-4,358	-3,638	-8,210
Other operating expenses	-1,149,613	-616,635	-1,444,093
<b>OPERATING PROFIT (LOSS)</b>	<b>19,143,610</b>	<b>8,764,888</b>	<b>19,303,688</b>
Financial income	168	2,814	3,522
Financial expenses	-614,425	-472,977	-868,713
<b>PROFIT BEFORE TAXES</b>	<b>18,529,354</b>	<b>8,294,724</b>	<b>18,438,498</b>
Taxes for the financial year and previous periods	-3,759,816	-1,671,414	-3,741,105
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>14,769,538</b>	<b>6,623,311</b>	<b>14,697,393</b>

#### Consolidated statement of comprehensive income IFRS

EUR	1 January 2017 – 30 June 2017	1 January 2016 – 30 June 2017	1 January 2016 – 31 December 2016
PROFIT FOR THE FINANCIAL YEAR	14,769,538	6,623,311	14,697,393
Other comprehensive income items			
Items that may be reclassified to profit or loss later:			
Cash flow hedging	158,519	-269,765	-309,692
Taxes associated with other comprehensive income items	-31,704	53,953	61,938
<b>Other comprehensive income items for the financial year after taxes</b>	<b>126,815</b>	<b>-215,812</b>	<b>-247,754</b>
<b>COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	<b>14,896,353</b>	<b>6,623,311</b>	<b>14,449,639</b>
Distribution of profit for the financial year			
To parent company shareholders	14,769,538	6,623,311	14,697,393
To shareholders with non-controlling interest	0	0	0
Distribution of comprehensive income for the financial year			
To parent company shareholders	14,896,353	6,623,311	14,449,639
To shareholders with non-controlling interest	0	0	0

Earnings per share calculated on the profit belonging to the parent company's shareholders

Undiluted earnings per share	0.64	0.36	0.75
Earnings per share adjusted with the dilution effect	0.63	0.36	0.75

## Suomen Hoivatilat Group

### Balance sheet

EUR	30 June 2017	30 June 2016	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11,600	17,161	14,050
Investment properties	205,079,229	115,080,143	154,751,290
Machinery and equipment	23,325	23,135	21,723
Deferred tax assets	426,626	207,489	214,758
<b>Total non-current assets</b>	<b>205,540,780</b>	<b>115,327,928</b>	<b>155,001,821</b>
<b>Current assets</b>			
Trade receivables and other receivables	940,783	377,907	436,748
Cash and cash equivalents	12,267,956	6,533,343	4,329,328
<b>Total current assets</b>	<b>13,208,740</b>	<b>6,911,250</b>	<b>4,766,076</b>
<b>ASSETS TOTAL</b>	<b>218,749,519</b>	<b>122,239,178</b>	<b>159,767,897</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity belonging to the parent company's shareholders</b>			
Share capital	80,000	80,000	80,000
Invested non-restricted equity reserve	69,720,511	39,109,917	39,109,917
Fair value reserve	-120,938	-215,812	-247,754
Retained earnings/losses	33,903,137	21,116,809	21,201,642
Profit/loss for the financial year	14,769,538	6,623,311	14,697,393
<b>Equity belonging to the parent company's shareholders, total</b>	<b>118,352,248</b>	<b>66,714,226</b>	<b>74,841,198</b>
<b>Non-current liabilities</b>			
Financial liabilities	80,390,478	43,024,311	66,863,991
Deferred tax liabilities	11,509,935	6,081,968	8,318,775
<b>Total non-current liabilities</b>	<b>91,900,413</b>	<b>49,106,279</b>	<b>75,182,766</b>
<b>Current liabilities</b>			
Financial liabilities	5,044,282	3,187,913	5,044,282
Trade payables and other liabilities	3,452,576	3,230,760	4,699,650
<b>Total current liabilities</b>	<b>8,496,859</b>	<b>6,418,673</b>	<b>9,743,932</b>
<b>Total liabilities</b>	<b>100,397,272</b>	<b>55,524,952</b>	<b>84,926,698</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>218,749,519</b>	<b>122,239,178</b>	<b>159,767,897</b>

**Suomen Hoivatilat Group**  
**Consolidated cash flow statement**

EUR	1-6/2017	1-6/2016	1-12/2016
Cash flow from operations			
Profit for the financial year	14,769,538	6,623,311	14,697,393
Adjustments			
Non-cash transactions and other adjustments	-15,748,451	-6,631,483	-14,677,203
Interest and other financial expenses	614,425	472,977	868,713
Interest income	-168	-2,814	-3,522
Taxes	3,759,816	1,671,414	3,741,105
Changes in working capital			
Change in trade receivables and other receivables	-502,491	-296,400	-368,313
Change in trade payables and other liabilities	-1,049,263	-743,104	-160,782
Interest paid	-620,332	-587,173	-1,033,470
Interest received	168	-4,366	2,146
Taxes paid	-115,348	-85,790	-184,209
<b>Net cash flow from operations (A)</b>	<b>1,107,894</b>	<b>416,572</b>	<b>2,881,858</b>
Cash flow from investment activities			
Acquisition of subsidiaries less their cash and cash equivalent on the date of acquisition	-2,421,607	0	0
Investments in property, plant, and equipment	-33,697,710	-16,551,699	-46,920,160
Investments in intangible assets	2,450	-7,461	-4,350
<b>Net cash flow from investment activities (B)</b>	<b>-36,116,867</b>	<b>-16,559,159</b>	<b>-46,924,510</b>
Cash flow from financing activities			
Payments from the share issue	31,500,000	16,804,089	16,804,089
Loan withdrawals	17,487,040	1,957,895	29,427,203
Loan repayments	-3,960,553	-1,565,244	-3,338,503
Dividends paid	-2,078,886	-1,033,671	-1,033,671
<b>Cash flow from financing activities (C)</b>	<b>42,947,601</b>	<b>16,163,070</b>	<b>41,859,119</b>
<b>Change in cash and cash equivalents (A + B + C)</b>	<b>7,938,628</b>	<b>20,482</b>	<b>-2,183,533</b>
Cash and cash equivalents at the beginning of the financial year	4,329,328	6,512,861	6,512,861
Cash and cash equivalents at the end of the financial year	12,267,956	6,533,343	4,329,328

## Suomen Hoivatilat Group

### Calculation of changes in the Group's equity

	Equity belonging to the parent company's shareholders				Total equity
	Share capital	Invested non-restricted equity reserve	Fair value reserve	Retained earnings	
EUR					
<b>Total equity 1 January 2016</b>	50,000	23,005,805	0	22,111,623	45,167,428
<b>Comprehensive income</b>					
Profit for the financial year				6,623,311	6,623,311
Other comprehensive income items *					
Cash flow hedging			-215,812		-215,812
<b>Total comprehensive income for the financial year</b>			<b>-215,812</b>	<b>6,623,311</b>	<b>6,407,499</b>
<b>Transactions with shareholders</b>					
Distribution of dividends				-1,033,671	-1,033,671
Share issue	30,000	16,774,089			16,804,089
Transaction costs of the share issue with the adjusted impact of deferred taxes		-669,977			-669,977
Incentive system				38,857	38,857
<b>Transactions with shareholders, total</b>	<b>30,000</b>	<b>16,104,112</b>		<b>-994,813</b>	<b>15,139,299</b>
<b>Total equity 30 June 2016</b>	<b>80,000</b>	<b>39,109,917</b>	<b>-215,812</b>	<b>27,740,120</b>	<b>66,714,226</b>
<b>Total equity 1 January 2017</b>	80,000	39,109,917	-247,754	35,899,035	74,841,198
<b>Comprehensive income</b>					
Profit for the financial year				14,769,538	14,769,538
Other comprehensive income items *					
Cash flow hedging			126,815		126,815
<b>Total comprehensive income for the financial year</b>			<b>126,815</b>	<b>14,769,538</b>	<b>14,896,353</b>
<b>Transactions with shareholders</b>					
Distribution of dividends				-2,078,886	-2,078,886
Share issue		31,500,000			31,500,000
Transaction costs of the share issue with the adjusted impact of deferred taxes		-889,406			-889,406
Incentive system				82,988	82,988
<b>Transactions with shareholders, total</b>	<b>0</b>	<b>30,610,594</b>		<b>-1,995,898</b>	<b>28,614,696</b>
<b>Total equity 31 December 2016</b>	<b>80,000</b>	<b>69,720,511</b>	<b>-120,938</b>	<b>48,672,675</b>	<b>118,352,248</b>

\* = Items that may be reclassified to profit or loss later.

## Suomen Hoivatilat Group

### Key figures

<b>EUR thousand</b>	<b>Group 30 June 2017</b>	<b>Group 30 June 2016</b>	<b>Group 31 December 2016</b>
Revenue	5,315	3,364	7,414
Operating profit	19,144	8,765	19,304
Profit for the financial year	14,770	6,623	14,697
Operational result	2,101	1,284	2,850
Sum total on the balance sheet	218,750	122,239	159,768
NAV, EUR thousand	129,862	72,796	83,055
NNAV, EUR thousand	118,352	66,714	74,841
Equity ratio, %	54.1%	54.6%	46.8%
Net gearing, %	52.6%	53.0%	90.3%
Return on equity, %	30.6%	23.7%	24.5%
Earnings per share (undiluted), EUR	0.64	0.36	0.75
Earnings per share (diluted), EUR	0.63	0.36	0.75
Dividend per share, EUR	-	-	0.10
Operational result per share, EUR	0.09	0.07	0.15
Loan-to-value (LTV), %	35.7%	34.5%	43.7%
NAV/share, EUR	5.14	3.50	4.00
NNAV/share, EUR	4.68	3.21	3.60
Net return, %	6.6%	7.0%	6.9%
Value of the agreement portfolio*	280,529	190,472	214,219
Average maturity of the agreement portfolio (years)	14.3	14.3	14.2
Economic occupancy rate, %	100%	100%	100%
Number of shares adjusted for the share issue at the end of the period	25,288,859	20,788,859	20,788,859
Average number of shares adjusted for the share issue during the period	23,150,737	18,173,831	19,495,409
Average number of shares adjusted for the share issue during the period, diluted	23,330,508	18,205,799	19,618,457
Number of employees at the end of the period	13	10	11
Average number of personnel during the period	12	9	10

\* Future rental cash flow from the company's leases and letters of intent without index increases

## Investment properties

Investment properties are originally recognised at fair value. More information on determining the fair value and on calculation principles is available in the brochure published by the company in connection with the company's listing on 24 February 2017 and in the 2016 financial statements. The brochure and the financial statements are available on the company's website.

	30 June 2017	30 June 2016	2016
<b>Fair value of investment properties, 1 January</b>	<b>154,751,290</b>	<b>90,447,794</b>	<b>90,447,794</b>
Investments in properties under construction and in the starting phase	31,953,496	17,904,908	49,329,642
Other investments in investment properties	84,507	53,462	164,751
Additions due to purchased properties	2,454,138	0	0
Profits and losses from changes in fair value	15,835,798	6,673,978	14,809,103
<b>Fair value of investment properties, 31 Dec</b>	<b>205,079,229</b>	<b>115,080,143</b>	<b>154,751,290</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>2016</b>
Completed investment properties	173,250,000	92,350,000	130,110,000
Investment properties under construction	31,613,500	22,180,821	24,226,731
Investment properties in the starting phase (valued at acquisition cost)	215,729	549,323	414,558
<b>Total</b>	<b>205,079,229</b>	<b>115,080,143</b>	<b>154,751,290</b>

On 30 June 2017, the Group was under contractual obligation to complete the investment properties which are under construction or in the starting phase. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of approximately EUR 67.3 million in the properties.



	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>31 December 2016</b>
<b>Liabilities</b>			
<b>Property mortgages</b>			
Loans from financial institutions	85,434,761	46,212,225	71,908,274
Mortgages provided	137,139,500	81,984,500	115,369,500
<b>Mortgages total</b>	<b>137,139,500</b>	<b>81,984,500</b>	<b>115,369,500</b>
<b>Pledged property shares</b>			
Pledged investment properties	57,590,000	52,107,822	54,060,000
<b>Pledges total</b>	<b>57,590,000</b>	<b>52,107,822</b>	<b>54,060,000</b>
<b>Leasing liabilities</b>			
Within one year	42,256	42,256	49,584
In one to five years	29,584	69,936	45,144
In more than five years	0	0	0
<b>Leasing liabilities, total</b>	<b>71,839</b>	<b>112,192</b>	<b>94,729</b>
<b>Land lease liabilities</b>			
Within one year	620,250	437,922	496,882
In one to five years	2,481,001	1,751,689	1,987,528
In more than five years	23,136,752	16,747,629	19,136,475
<b>Land lease liabilities, total</b>	<b>26,238,003</b>	<b>18,937,241</b>	<b>21,620,885</b>
<b>Return liability on the value added tax on investment properties</b>			
Value added tax return liability	782,478	101,544	84,620
<b>Interest rate swaps</b>			
Nominal value	26,000,000	16,000,000	26,000,000
Fair value	-120,938	-215,812	-309,692
<b>Business transactions with external related party companies</b>	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>31 December 2016</b>
Construction contracts invoiced by Rakennusliike Lapti Oy	17,319,207	8,544,221	23,275,588
Construction contracts invoiced by Rakennusliike Lehto Oy	816,723	0	1,387,802
Group's trade payables to Rakennusliike Lapti Oy	861,437	1,424,441	1,744,000
Group's trade payables to Rakennusliike Lehto Oy	0	0	1,387,802

IFRS 15 Revenue from Contracts with Customers will replace the current IAS 18 and IAS 11 standards and their interpretations as of 1 January 2018. Hoivatilat Group's revenue from contracts consists completely of lease income based on lease agreements; the IFRS 15 standard is not expected to have a material effect on the financial statements. IFRS 9 Financial Instruments will replace the current IAS 39 standard as of 1 January 2018. The most significant changes in the new standard are related to the classification of financial instruments, debts and investments, accounting procedures of credit losses as well as hedge accounting regulations. According to the company's estimate, the impact of the IFRS 9 standard on financial reporting is minimal. The IFRS 16 Leases standard will become effective as of 1 January 2019. According to the company's estimate, the standard will affect the accounting processing and presentation method of such land lease agreements in which the Group is a lessee. The Group is in the process of assessing the effects of the IFRS 16 standard.

In accordance with IFRIC 21, the company recognises property tax liability in the balance sheet on the date when the liability is incurred. Property taxes are deferred as an expense in accordance with the elapsed time.

**Key figure formulas (IFRS key figures)**

Earnings per share (EPS), undiluted, EUR =	$\frac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares in the review period}}$
Earnings per share (EPS), diluted, EUR =	$\frac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares adjusted with the dilution effect in the review period}}$
Dividend per share, EUR =	$\frac{\text{Dividend paid for the financial year}}{\text{Number of shares entitled to dividend}}$

**Key figure formulas (alternative key figures)**

Equity ratio, % =	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \cdot 100$
Net gearing, % =	$\frac{\text{Interest-bearing liabilities - cash in hand and at banks}}{\text{Equity}} \cdot 100$
Return on equity, % =	$\frac{\text{Profit/loss for the financial year}}{\text{Average equity during the financial year}} \cdot 100$
Economic occupancy rate, % =	$\frac{\text{Gross rents for the review period / number of months}}{\text{Potential gross rents / number of months}} \cdot 100$
Operational result, EUR thousand	Profit for the financial year - /+ Net gains/losses from measuring investment properties at fair value -/+ Net gains/losses from divestments of investment properties +/- Taxes based on the profit for the financial year generated by the aforementioned items +/- Deferred taxes generated by the aforementioned items
Operational result per share, EUR	$\frac{\text{Operational result}}{\text{Weighted average of the number of shares in the review period}}$
NAV, EUR thousand =	Equity belonging to parent company's shareholders + deferred tax liability generated by measuring investment properties at fair value
NAV per share, EUR	$\frac{\text{NAV}}{\text{Number of shares adjusted for the share issue at the end of the period}}$
NNAV, EUR thousand =	NAV - deferred tax liability generated by measuring investment properties at fair value
NNAV per share, EUR =	$\frac{\text{NNAV}}{\text{Number of shares adjusted for the share issue at the end of the period}}$
Net return, % =	$\frac{\text{Annualised rental income for the month of the financial statements - the forecast 12-month expenses of the properties in question}}{\text{Value of the investment properties generating rental cash flow for the month of the financial statements}} \cdot 100$
Loan-to-value (LTV), % =	$\frac{\text{Financial liabilities - Cash and cash equivalents}}{\text{Fair value of investment properties}} \cdot 100$

**Reconciliation calculations concerning certain key figures**
**Net return, %**
*EUR thousand*

	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>31 December 2016</b>
Annualised rental income for the month of the financial statements	12,162	7024.5	8,847
The forecast 12-month expenses of the properties generating rental income	-778	-527.091	-669
Net rental income	11,384	6,497	8,178
Value of the investment properties generating rental cash flow for the month of the financial statements	173,250	92,350	118,210
<b>Net return, %</b>	<b>6.6%</b>	<b>7.0%</b>	<b>6.9%</b>

**NAV, EUR thousand**
*EUR thousand*

	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>31 December 2016</b>
Equity belonging to the parent company's shareholders	118,352	66,714	74,841
Deferred tax liability generated by measuring investment properties at fair value	11,510	6,082	8,214
<b>NAV, EUR thousand</b>	<b>129,862</b>	<b>72,796</b>	<b>83,055</b>

**Operational result**
*EUR thousand*

	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>31 December 2016</b>
Profit for the financial year	14,770	6,623	14,697
-/+ Net gains/losses from measuring investment properties at fair value	-15,836	-6,674	-14,809
-/+ Net gains/losses from divestments of investment properties	0	0	0
+/- Taxes based on the profit for the financial year generated by the aforementioned items	0	0	0
+/- Deferred taxes generated by the aforementioned items	3,167	1,335	2,962
<b>Operational result</b>	<b>2,101</b>	<b>1,284</b>	<b>2,850</b>



# HOIVATILAT

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