FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

HOIVATILAT

CONTENT

The balance sheet book must be retained for a minimum of ten years from the end of the financial year (Accounting Act Section 2, Article 10). The receipts for the financial year must be retained for a minimum of six years from the end of the year when the financial year ended.

Suomen Hoivatilat Oyj, Lentokatu 2, 90460 Oulunsalo, Registered office Oulu, Business ID 2241238-0

BOARD OF DIRECTORS' REPORT 2016

Suomen Hoivatilat Oyj specialises in producing, developing, owning and leasing out nursing homes, day care centres and service blocks. Founded in 2008, Hoivatilat has been working in cooperation with as many as 50 Finnish municipalities and launched 100 property projects around Finland. The company was listed on the First North Finland market maintained by Nasdaq Helsinki Oy in 2016 and it has nearly 4,000 shareholders.

At the end of the financial year, on 31 December 2016, the Hoivatilat Group consisted of the parent company Suomen Hoivatilat Oyj and 77 subsidiaries. The Group's operational activities are centralised to the parent company. The subsidiaries are limited liability housing companies, and all of them are wholly owned by the parent company.

PROFITABLE, STRONG GROWTH

The company experienced strong growth in 2016. Total revenue increased by 93.9% and profit for the financial year increased by 40.4%. The size of the investment portfolio grew by 71.1% during the reporting period and its value amounted to EUR 154.8 (90.4) million at the end of December.

MATERIAL EVENTS DURING THE FINANCIAL YEAR

The past financial year was characterised by strong growth in the Suomen Hoivatilat Oyj Group (the "Group", "Company" or "Hoivatilat"), in the same manner as in the previous year. During the financial year, a total of 18 (19) new day care centres and nursing homes were completed: eight in the Uusimaa region, two in the Tampere region, two in the Pori region, two in Kouvola and one property in the each of the following locations: Jyväskylä, Orimattila, Rovaniemi and Kajaani. During the financial year, 33 new housing companies were established.

At the end of March, the company was listed on the First North market. The share issue organised in connection with the listing was hugely oversubscribed and the company obtained approximately 1,200 new shareholders. The share issue collected EUR 16.80 million before expenses in new capital for investment property funding needs. Shareholders maintained a strong interest in Hoivatilat throughout the year and at the end of the financial year the company had nearly 4,000 shareholders.

On 1 November 2016, the company's management decided on the preparation of the 2016 financial statements in accordance with the IFRS. On the same occasion, a decision was made to start investigating the possibility to be listed on the main market of Nasdaq OMX Helsinki in 2017. On the basis of the investigation, the company is planning to carry out the listing during the first months of 2017.

FINANCIAL OPERATING ENVIRONMENT AND MARKET OUTLOOK

The Ministry of Finance forecasts the GDP to grow by 0.9% in 2017 and by 1.0% in 2018. In the third quarter of 2016, the GDP increased by 1.6% from the previous year. In 2016, growth was based on domestic demand and growing private consumption, in particular. In addition, construction investments have increased rapidly. The labour market situation improved during 2016, and the unemployment rate has already decreased to 8.6%.

In 2017, growth in private consumption is forecast to slow down, while inflation is expected to accelerate and delay real income growth. The Agreement on Competitiveness will keep the growth in the salary sum minimal in the short term. Growth in private investments will temporarily slow down in 2017, as growth in construction investments ends. The volume of public consumption is expected to decrease by 0.5% in 2017. Public consumption expenses will be reduced by the decrease in holiday pay, reduction in employer's social security payments and the extended annual work time included in the Agreement on

Competitiveness. Growth in exports will accelerate in 2017 and 2018. Export will be increased by the transport equipment deliveries already scheduled.

The interest rates in Finland and the euro region are currently low. The low interest rates and strong investor demand have reduced the levels of the required rate of return and increased the values of properties.

Finland is undergoing a historically significant reform in the social welfare and health care services and regional governance, which will transfer the responsibility for the provision of social welfare and health care services to 18 autonomous provinces on 1 January 2019. Key features of the reform include increasing and enabling freedom of choice for citizens, which is expected to create more opportunities for companies and third sector

KEY FIGURES

	IFRS Group 31/12/2016	IFRS Group 31/12/2015	FAS Group 31/12/2014
Total revenue	7,414	3,823	1,789
Operating profit	19,304	13,720	9,582
Profit for the financial year	14,697	10,468	7,402
Operational result	2,850	1,197	405
Sum total on the balance sheet	159,768	97,274	52,096
NAV, EUR thousand	83,055	49,908	30,389
NNAV, EUR thousand	74,841	45,167	28,068
Equity ratio, %	46.8 %	46.4 %	53.9 %
Net gearing, %	90.3 %	87.0 %	40.1 %
Return on equity (ROE), %	24.5 %	28.6 %	37.1 %
Earnings per share (undiluted), EUR	0.75	0.79	0.82
Earnings per share (diluted), EUR	0.75	0.79	0.82
Dividend per share*	0.10*	0.07	0.06
Operational result per share, EUR	0.15	0.09	0.04
NAV/share, EUR	4.00	3.22	2.38
NNAV/share, EUR	3.60	2.92	2.92
Net return, %	6.9 %	7.1 %	7.6 %
Value of the agreement portfolio**	214,219	139,286	92,736
Average maturity of the agreement portfolio (years)	14.2	14.4	14.4
Economic occupancy rate, %	100 %	100 %	100 %
Number of shares adjusted for the share issue at the end of the period	20,788,859	15,486,951	12,786,951
Average number of shares adjusted for the share issue during the period	19,495,409	13,208,595	9,010,825
Average number of shares adjusted for the share issue during the period, diluted	19,618,457	13,249,532	9,010,825
Number of employees at the end of the period	11	7	5
Average number of personnel during the period	10	7	4

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

operators to produce services. More detailed policies and legislation will be completed in 2017.

Primarily, education and day care services will be among the municipalities' basic duties even after the reform, in the same manner as they currently are.

The objective of the social welfare and health care reform is to close well-being and health gaps between citizens and to manage costs. In order to meet these objectives, the social welfare and healthcare services will be combined at all levels, in accordance with the Government decision. An integral part of the reform is the freedom of choice legislation, which will provide service users with increased opportunities to choose a private service provider. According to Hoivatalot's estimate, it would also result in an increase in private service provision and subsequently grow the need for nursing homes financed by private funding.

Hoivatilat estimates that the following market trends that the company has identified will support the company's growth:

- ageing of the population and weakening of the dependency ratio
- urbanisation and centralisation of the population
- increased debt in the public sector
- increased use of private services in municipal social welfare and health care services
- service structure reform in the social wel fare and health care services
- the social welfare and health care service and housing services market
- early education services market, status of the day care centre building stock, as well as increased use of service vouchers.

Sources: Economic review 22 December 2016 (vm.fi) and alueuudistus.fi 24 January 2017

RESEARCH AND DEVELOPMENT ACTIVITIES

Hoivatilat works in active cooperation with its partner network in order to develop new concepts, such as service blocks. Together with its partner network, the company launched a project to reduce the energy costs of the properties' life cycle. The project looked for energy-efficient options for the heating and lighting of properties, for example. In 2016, solar panels were installed in the first property, and information on their impact on energy savings will be available during the first months of 2017.

An increasing number of Hoivatalot properties use geothermal heat as their heating method. Clients find it a safe, long-term and ecological heating solution. Led lights are raising interest as a lighting method. Led lighting is suitable for day care centres and, in particular, nursing homes, where lighting is needed 24/7. Led lighting has been installed in several properties and its impact on the electricity consumption in the property is being monitored.

The Hoivatilat properties were included in a remote management and monitoring system in 2016. It enables centralised management of heating and ventilation of the properties from one location. This will help influence the life cycle of the property, adjust heating appropriately to the conditions, as well as ensure that the volume of ventilation air in indoor areas is correct.

FINANCIAL REVIEW
1 JANUARY – 31 DECEMBER 2016

FINANCIAL DEVELOPMENT

The revenue of Hoivatilat was EUR 7.4 (3.8) million, showing an increase of 93.9% compared to 2015. The revenue consisted almost completely of rental income. The increase in revenue is a result of the considerable growth in the number of the company's leased properties in the past 12 months. The income from measuring investment properties at fair value was EUR 14.8 (11.1) million. No investment properties were divested during the financial year. During the comparison period, two housing companies were sold, generating a gain of EUR 0.47 million. The property maintenance expenses were EUR -0.6 (-0.4) million, showing an increase of 55.4% compared to the previous year. The net rental income for the year was EUR 6.8 (3.4) million, showing an increase of 98.7%. At the end of the financial year, the company had 56 (38) completed properties generating cash flow from leasing operations. Their net rental income rate was 6.9% (7.1%).

Personnel expenses were EUR -1.5 (-0.8) million, showing an increase of 85.1%. The average number of employees was 10 (7) during the financial year. The administrative expenses were EUR -0.8 (-0.5) million, showing an increase of 67.2% compared to the previous year. In particular, the administrative expenses were increased by the company's investments in future growth.

Operating profit was EUR 19.3 million (13.7), with an increase of 40.7%.

The net financial income and expenses were EUR -0.9 (-0.6) million. The financial expenses grew compared to the comparison period due to the increase in interest-bearing liabilities. Taxes based on the taxable income for the financial year were EUR -0.1 (-0.2) million, and deferred taxes mainly due to the changes in the fair values of properties amounted to EUR -3.6 (-2.4) million.

The net profit for the financial year was EUR 14.7 (10.5) million, showing an increase of 40.4% from the comparison period. The diluted and undiluted earnings per share were EUR 0.75 (0.79).

The consolidated balance sheet total at the end of the financial year was EUR 159.8 (97.3) million, showing an increase of 64.2% from the comparison period.

INVESTMENTS

During the 2016 financial year, investments with a total acquisition cost of EUR 49.5 (39.06) were made in the property portfolio. During the financial year, a total of 18 (19) new properties were completed.

FUNDING

During the 2016 financial year, cash flow from operations was EUR 2.9 million, whereas it had been EUR 1.5 million in the previous year. Cash flow from investing activities was EUR -46.9 (-37.7) million, consisting mainly of investment in new properties. Cash flow from financing activities was EUR 41.9 (32.8) million, of which the portion of the share issue carried out in the spring was EUR 16.8 million. At the end of the financial year, the company's liquid assets totalled EUR 4.3 (6.5) million. On the balance sheet date, the Group had access to cheque account limits of EUR 4.0 million, of which EUR 1.7 million was used.

After the end of the financial year, the company signed an agreement on 27 January 2017 on increasing the overdraft facilities by a total of EUR 7 million. The limit is increased for a fixed period of time and it is in effect until 27 July 2017.

PROPERTIES AND AGREEMENTS

On 31 December 2016, the company had 56 completed properties generating cash flow from leasing operations. Properties under construction or at the start-up phase totalled 30.

On 31 December 2016, the company had a total of 86 leases (including letters of intent), which were divided between 20 clients. The value of the agreement portfolio was EUR 214.2 (139.3) million, and the average maturity of the entire agreement portfolio was 14.2 (14.4) years. The company's three largest key clients accounted for approximately 67% of the company's agreement portfolio on 31 December 2016. The share of the largest client in the agreement portfolio was 29%, that of the second largest client was 27% and that of the third largest client was 11%. 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.

Seventy-two per cent of the agreement portfolio consisted of the rental income from properties located in the Greater Helsinki Area / Uusimaa region and the Lahti, Tampere, Turku, Oulu, Jyväskylä, and Kuopio regions. Twenty-eight 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 predictable need for services in the future as well.

SHARES AND SHAREHOLDERS

The number of the company's shares was 20,788,859 on 31 December 2016. The company holds no own shares. The closing price of the company's share on 31 December 2016 was EUR 8.32 and the combined market value of the shares was EUR 173.0 million. During the period under review, the company's highest closing price was EUR 8.32 and the lowest EUR 3.50.

During the financial year, the company was listed on the First North Finland market maintained by Nasdaq Helsinki Oy. In the IPO, the company collected gross funds of a total of EUR 16,808,740.80. Trading in the company's shares began on 31 March 2016. As of 1 July 2016, the company's share was included in the Nasdaq First North 25 index, which consists of the shares of the largest and most traded companies on the First North markets in the Nordic countries.

On 9 June 2016, Suomen Hoivatilat Oyj's Board of Directors decided on granting options to the company's key employees for share subscription in accordance with the conditions of the 2015 share reward system. A total of 28,800 options were given to the company's CEO and CFO, who

PROPERTIES 31 DEC 2016	Completed	In progress and not started*	Total
Number of properties	56	30	86
For rent, floor m²	46,420	27,531	73,950
Investment (acquisition cost), EUR million	96.0	67.0	163.1
Annual rents, EUR million	9.7	5.6	15.3

* = Properties in progress and not started also include properties for which binding leases or letters of intent have been signed, but construction has not commenced yet.

AREA	Share of the agreement portfolio
Greater Helsinki Area / Uusimaa	30 %
Lahti region	9 %
Tampere region	11 %
Turku region	7 %
Oulu region	7 %
Jyväskylä region	5 %
Kuopio region	2 %
Other regions	28 %
Total	100,00 %

are included in the share reward system, without consideration. Each option entitled the holder to subscribe for one (1) share at a subscription price of EUR 0.01 per share. The options given were used to subscribe for 28,800 new shares of the company. The share subscription price of a total of EUR 288.00 was recognised in full in the company's invested unrestricted equity reserve. The new shares were registered in the trade register and entered in the subscribers' book entry accounts on 17 June 2016 and trading on the First North Finland market maintained by Nasdaq Helsinki Oy started on 20 June 2016. Within the limits of the authorisation received from the Annual General Meeting on 18 February 2106, the company's Board of Directors can issue option rights or other specific rights, which enable the holders to subscribe for a maximum of 193,092 company shares (the original authorisation was 221,892 shares, of which 28,800 have been used). The authorisation given to the Board of Directors by the Annual General Meeting will be in effect until 31 December 2018.

Otherwise, the changes to shares and equity are covered by the prospectus published in connection with the company's listing on the First North Finland market (2 March 2016) https://hoivatilat.fi/wp-content/uploads/2016/02/Esite_Suomen_Hoivatilat_Oyj.pdf

On 31 December 2016, the company had a total of 3,993 shareholders.

GROUP STRUCTURE

At the end of the financial year on 31 December 2016, the Hoivatilat Group consisted of the parent company Suomen Hoivatilat Oyj and 77 subsidiaries. The Group's operational activities are centralised to the parent company. The subsidiaries are limited liability housing companies, and all of them are wholly owned by the parent company.

ASSESSMENT OF RISKS AND UNCERTAINTIES OF OPERATIONS

Financial and strategic risks

The uncertainty in the global economy and the financial markets can affect the company. If the Finnish economy develops unfavourably in the future and regional differences grow, the company's operations, result, financial position and/or future outlook may be adversely affected.

Strategic risks include the competitive situation in the market and dependence on a limited number of clients. Interest in the sector as an investment has grown considerably, which has resulted in new operators entering the market. The company's future growth depends on successful implementation of the company's business strategy.

The property projects owned by Hoivatilat have been designed and developed for nursing home and day care centre use and for service blocks combining these services. However, the company ensures already at the design stage of property projects that the premises can be modified and thus also used for purposes other than nursing homes and day care centres. However, it is not certain that the use of the properties for other purposes, such as residential or office use, would necessarily be possible if there no longer were a need according to the original purpose. If realised, this risk may have essential adverse impact on the company's business operations, result, financial position and/or future outlook. Considerable changes in legislation and official regulations may also impact the company's business operations and, subsequently, the demand for properties.

The company's strategic objective is to grow faster than the market. According to the estimate of the management of Hoivatilat, the company may pursue result growth primarily through the implementation of new property projects and an increase in revenue. According to the management's estimate, the implementation of new property projects and an increase in revenue in accordance with the objective requires finding new property projects, developing and expanding existing customer relationships, obtaining new clients, and expanding the operations geographically. There is no guarantee that the company succeeds in finding new property projects or obtaining new clients.

Operational risks

Operational risks include dependence on the competence of the key employees and possible changes in the demand for the properties produced by the Group. The realisation of any risk related to the company's nature as a growth company may have an essentially adverse effect on the company's business operations, result, financial position and/or future outlook.

The commitment of the key employees is important to the company. The company's success depends essentially on the competence of the management and personnel of Hoivatilat as well as on the company's ability to commit the current management and other key employees and to recruit new, competent personnel in the future as well. Well-being at work and job satisfaction are assessed, in particular, in development discussions carried out with personnel every six months. In addition, the key employees have an incentive share reward programme.

Accident risks

Accident frequency in the construction industry is higher than in many other sectors. Construction sites are by nature dangerous work environments, where serious injuries or even fatal accidents can happen. Any and all accidents have an adverse effect on the company's business operations and personnel well-being. Accident investigations carried out in cooperation with the authorities incur costs and delay construction. The company's insurance premiums increase if the accident frequency becomes higher. In addition, accidents may result in civil and criminal liabilities, based on applicable law, to the company and its management and employees. Accidents may also damage the company's reputation. The realisation of any risk related to the personnel's health and safety may have an essentially adverse impact on the company's business operations, result, financial position and/or future outlook.

The company estimates that it carries insurance cover typical of the industry and sufficient insurance cover in case of common accidents. The company has insured the properties with full-value insurance. The company's management and Board of Directors have valid liability insurance.

Financial risks

Expanding the scope or geographical area of the operations requires sufficient working capital and availability of both equity and external capital. A potentially unstable situation in the financial market may hinder Hoivatalot's opportunities to obtain new funding or sell properties it owns. A potential general weakening in available funding and increased financial expenses may have an adverse impact on the company's opportunities to obtain additional funding in the future or it may weaken the liquidity of properties, which could result in difficulties selling the properties.

Changes in the interest rate level have a considerable impact on the property business. Changes in the market rates and interest rate margins may impact the company's financial expenses and financial income. Changes in the interest rate level impact the interest rate expenses of the company's variable-rate loans, which will increase as the market rates increase. The company carefully monitors the development of the interest rate level and actively hedges against the impact of changes in the interest rates. The company primarily uses interest rate swaps to manage the interest rate risk. The fair value of the interest rate swaps and the payable and receivable cash flow in accordance with the agreement depend on the changes in the interest rate level. Profit or loss generated by the agreements to the company has not been limited, and thus a considerable decrease in the interest rate level, for example, may result in interest rate swaps having an essentially adverse impact on the company's cash flow, financial position and/or future outlook. Although the company believes that it can manage its interest rate risks, it is not certain that the company's hedging measures are effective or that the interest rate fluctuations do not have an essentially adverse impact on the company's cash flow, financial position and/or future outlook.

The company's rental receivables are associated with a risk of clients not being able to repay their loans when the loans fall due. As a rule, the company's leases include a security deposit of 3–6 months, which from the company's perspective reduces the risks and loss of income caused by clients' potential financial difficulties. The occupancy rate of the properties and the financial situation of tenants are monitored by means of regular meetings and financial monitoring.

RESPONSIBILITY AND ENVIRONMENTAL MATTERS

The company's most important focus areas of responsibility from the environmental point of view include the reduction of the energy consumed and the use of ecological heating systems in the properties, if possible. In addition, the company wants to make use of the methods enabled by digital operations to extend the life cycle of the properties and to ensure responsible ownership.

PERSONNEL

At the end of 2016, Hoivatilat had a CEO and 10 other employees. During the period under review, the Group had an average of 10 employees. The Hoivatilat organisation has two units: the company's headquarters is located in Oulu and the other unit is located in Helsinki.

BOARD OF DIRECTORS AND COMPANY'S MANAGEMENT

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairman), Kristiina Hautakangas, Mammu Kaario, Timo Pekkarinen and Reijo Tauriainen.

The Audit Committee comprises three members of the Board. The Audit Committee prepares matters concerning the company's financial supervision and reporting. The Audit Committee members are Mammu Kaario, Timo Pekkarinen and Reijo Tauriainen. Reijo Tauriainen is the chairman of the Committee.

The Remuneration Committee comprises three members of the Board. The Remuneration Committee prepares the matters concerning the compensation of the CEO and the company's other management as well as the compensation systems for other personnel. The Remuneration Committee members are Kristiina Hautakangas, Mammu Kaario and Timo Pekkarinen. Timo Pekkarinen is the chairperson of the Committee.

The Shareholders' Nomination Committee comprises Timo Pekkarinen (chairman), Eino Hintsala and Minna Åman-Toivio.

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

The company's CEO is Jussi Karjula and the CFO is Tommi Aarnio.

GOVERNANCE AND STEERING SYSTEM

Suomen Hoivatilat Oyj adheres to the Finnish Limited Liability Companies Act and the rules of the First North market in the organisation of its governance. In accordance with the Limited Liability Companies Act, the governance of the company is divided between the Annual General Meeting, the Board of Directors and the Chief Executive Officer. The shareholders exercise their rights mainly in the Annual General Meeting, which is usually convened by the company's

Board of Directors. In addition, a General Meeting must be held if the company's auditor or shareholders, whose shares represent at least one tenth of all issued shares that are not in the possession of the company, demand in writing that a General Meeting be held.

ANNUAL GENERAL MEETING 2016

The Annual General Meeting of Hoivatilat was held on 18 February 2016.

Decisions by the Annual General Meeting

The Annual General Meeting decided to increase the company's share capital to EUR 80,000 as an increase from reserves by transferring funds from the invested non-restricted equity reserve to the share capital. In addition, the Annual General Meeting decided to amend item 1, Business name and domicile, of the company's Articles of Association. It was decided that the company's business name is Suomen Hoivatilat Oyj.

The Annual General Meeting authorised the Board of Directors to decide on a share issue without consideration, or a share split, in which two new shares were issued against each existing share, totalling 10,336,706 new shares. In addition, the Annual General Meeting authorised the Board of Directors to decide on the issuance of a maximum of 221,892 option rights and other special rights. The authorisation given to the Board of Directors by the Annual General Meeting will be in effect until 31 December 2018.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to authorise the Board to decide on a directed share issue, in which a maximum of 5,200,000 new shares would be offered for subscription, departing from the shareholders' pre-emptive subscription right, and on all other conditions of the share issue.

Furthermore, in accordance with the proposal of the Board of Directors, the Annual General Meeting authorised the Board to decide on a directed share issue to the personnel, in which a maximum of 55,000 new shares were offered to the personnel for subscription, departing from the shareholders' pre-emptive subscription right, at a 10% discount from the subscription price of the shares in the rights issue.

In accordance with the proposal of the Board's Nomination Committee, the Annual General Meeting decided to pay an annual compensation of EUR 8,250 to each Board member and an annual compensation of EUR 16,500 to the chairman of the Board. In addition, in accordance with the proposal of the Board's Nomination Committee, the Annual General Meeting decided to pay a meeting attendance compensation of EUR 600 per meeting to each Board member and a meeting attendance compensation of EUR 1,200 per meeting to the chairman of the Board.

In accordance with the proposal of the Nomination Committee, the Annual General Meeting decided to set the number of Board members to five. The members of the Board elected were Pertti Huuskonen, Kristiina Hautakangas, Timo Pekkarinen, Reijo Tauriainen and Mammu Kaario. Pertti Huuskonen was elected as the chairman of the Board.

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 decided that a Shareholders' Nomination Committee be established. The Shareholders' Nomination Committee annually prepares the proposals concerning the election and remuneration of Board members for the Annual General Meeting. In accordance with the proposal of the Board of Directors, the Shareholders' Nomination Committee consists of three members nominated by the shareholders. In addition, the company's CEO participates in the work of the Nomination Committee as an expert. The right to nominate members, who represent the shareholders, rests with the three shareholders whose share of the votes conferred by the company's all shares is the largest, based on the company's shareholder register maintained by Euroclear Finland Oy on 1 September.

EVENTS AFTER THE FINANCIAL YEAR

After the end of the financial year, the company signed an agreement on 27 January 2017 on increasing the overdraft facilities by a total of EUR 7 million. The limit is increased for a fixed period of time and it is in effect until 27 July 2017.

The company's Board decided on 1 February 2017 that a management team be established. The Group's management 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.

FINANCIAL GUIDANCE FOR 2017

Hoivatilat estimates that its revenue will be a minimum of EUR 12 million in 2017. The company estimates that the fair value of investment properties will be EUR 200–220 million at the end of 2017. The operational result is expected to be a minimum of EUR 4.5 million.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The company's distributable funds were EUR 42,472,257 at the end of the financial year. The Board of Directors proposes to the Annual General Meeting convening on 23 February 2017 that the company's distributable funds be used to distribute a dividend of EUR 0.10 per share, or a total of EUR 2,078,886, using the number of shares valid on the balance sheet date. The proposed dividend equals approximately to 72.9% of the operational result for the financial year.

Hoivatilat's objective in accordance with its dividend distribution policy is to distribute at least 50% of the operational result as dividend. If dividend is distributed, the company's all shares entitle holders to receive the same dividend. The operational result reflects the profitability of the company's operations excluding the impact of the change in the fair value of the properties. In accordance with the dividend policy, the company's distribution of dividend is based on the operational result.

There have been no material changes in the financial position of Hoivatilat after the end of the financial year. The liquidity of Hoivatilat is good, and the proposed distribution of profits will not endanger the company's solvency, according to the view of the Board of Directors.

ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting will be held at 3 p.m. on 23 February 2017 in Oulu.

FINANCIAL REPORTING IN 2017

Hoivatilat will publish the financial statements bulletin and financial statements for the 2016 financial year on 2 February 2017. The financial statements are attached to this bulletin, and they will be made available on the company's website at www.hoivatilat.fi. The company will hold a press conference on the result starting at 9 a.m. on 2 February 2017 in Helsinki.

The interim report for January–March 2017 will be published on 18 May 2017. Hoivatilat's half-year financial report for January–June will be published on 22 August 2017, and an interim report for January–September will be published on 8 November 2017.

CONSOLIDATED INCOME STATEMENT 1 JANUARY – 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT IFRS			
EUR	Note	**2016**	**2015**
TOTAL REVENUE	1, 2	**7,414,028**	**3,823,232**
Transfers of investment properties and changes in fair value	3, 10	14,809,103	11,588,841
Expenses of employee benefits	4, 16, 24	-1,467,141	-792,807
Depreciation	5	-8,210	-5,603
Other operating expenses	6	-1,444,093	-893,242
OPERATING PROFIT (LOSS)		**19,303,688**	**13,720,420**
Financial income	7	3,522	12,242
Financial expenses	7	-868,713	-606,463
PROFIT BEFORE TAXES		**18,438,498**	**13,126,199**
Taxes for the financial year and previous periods	8	-3,741,105	-2,657,897
PROFIT FOR THE FINANCIAL YEAR		**14,697,393**	**10,468,301**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IFRS			
EUR	Note	**2016**	**2015**
PROFIT FOR THE FINANCIAL YEAR		14,697,393	10,468,301
Other comprehensive income items			
Items that may be reclassified to profit or loss later:			
Cash flow hedging	19	-309,692	0
Taxes associated with other comprehensive income items	12	61,938	0
Other comprehensive income items for the financial year after taxes		**-247,754**	**0**
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**14,449,639**	**10,468,301**
Distribution of profit for the financial year			
To parent company shareholders		14,697,393	10,468,301
To shareholders with non-controlling interest		0	0
Distribution of comprehensive income for the financial year			
To parent company shareholders		14,449,639	10,468,301
To shareholders with non-controlling interest		0	0
Earnings per share calculated on the profit belonging to the parent company's shareholders			
Undiluted earnings per share	9	0.75	0.79
Earnings per share adjusted with the dilution effect	9	0.75	0.79

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET IFRS				
	Note	**2016**	**2015**	**2014**
ASSETS				
Non-current assets				
Intangible assets		14,050	9,700	4,800
Investment properties	10	154,751,290	90,447,794	42,091,580
Machinery and equipment	0	21,723	21,850	5,378
Deferred tax assets	12	214,758	6,850	0
Total non-current assets		**155,001,821**	**90,486,194**	**42,101,757**
Current assets				
Trade receivables and other receivables	13	436,748	274,967	177,741
Cash and cash equivalents	14	4,329,328	6,512,861	9,816,304
Total current assets		**4,766,076**	**6,787,828**	**9,994,045**
ASSETS TOTAL		**159,767,897**	**97,274,022**	**52,095,802**
EQUITY AND LIABILITIES				
Equity belonging to the parent company's shareholders				
Share capital	15	80,000	50,000	50,000
Invested non-restricted equity reserve		39,109,917	23,005,805	15,868,805
Fair value reserve		-247,754	0	0
Retained earnings/losses		21,201,642	11,643,321	4,747,404
Profit/loss for the financial year		14,697,393	10,468,301	7,401,760
Equity belonging to the parent company's shareholders, total		**74,841,198**	**45,167,428**	**28,067,969**
Non-current liabilities				
Financial liabilities	17	66,863,991	42,600,467	19,634,229
Deferred tax liabilities	12	8,318,775	4,740,073	2,320,885
Total non-current liabilities		**75,182,766**	**47,340,541**	**21,955,114**
Current liabilities				
Financial liabilities	17	5,044,282	3,219,106	1,428,780
Trade payables and other liabilities	18	4,699,650	1,546,948	643,938
Total current receivables		**9,743,932**	**4,766,054**	**2,072,718**
Total liabilities		**84,926,698**	**52,106,595**	**24,027,833**
EQUITY AND LIABILITIES TOTAL		**159,767,897**	**97,274,022**	**52,095,802**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IFRS			
EUR	Note	**2016**	**2015**
Cash flow from operations			
Profit for the financial year		14,697,393	10,468,301
Adjustments			
Non-cash transactions and other adjustments	21	-14,677,203	-11,559,987
Interest and other financial expenses		868,713	606,463
Interest income	7	-3,522	-12,242
Taxes		3,741,105	2,657,897
Changes in working capital			
Change in trade receivables and other receivables		-368,313	-113,882
Change in trade payables and other liabilities		-160,782	330,369
Interest paid		-1,033,470	-606,463
Interest received		2,146	12,242
Taxes paid		-184,209	-237,068
Net cash flow from operations (A)		**2,881,858**	**1,545,631**
Cash flow from investment activities			
Divestment of subsidiaries less their cash and cash equivalent on the date of divestment		0	1,369,507
Investments in property, plant, and equipment	10	-46,920,160	-39,052,106
Investments in intangible assets		-4,350	-10,503
Net cash flow from investment activities (B)		**-46,924,510**	**-37,693,103**
Cash flow from financing activities			
Payments from the share issue	15	16,804,089	7,137,000
Loan withdrawals	17	29,427,203	29,144,463
Loan repayments	17	-3,338,503	-2,908,340
Dividends paid	15	-1,033,671	-529,094
Cash flow from financing activities (C)		**41,859,119**	**32,844,029**
Change in cash and cash equivalents (A + B + C)		**-2,183,533**	**-3,303,443**
Cash and cash equivalents at the beginning of the financial year		6,512,861	9,816,304
Cash and cash equivalents at the end of the financial year		4,329,328	6,512,861

CALCULATION OF CHANGES IN THE GROUP'S EQUIT

CALCULATION OF CHANGES IN THE GROUP'S EQUITY IFRS						
		Equity belonging to the parent company's shareholders				
EUR	Note	Share capital	Invested non-restricted equity reserve	Fair value reserve	Retained earnings	Equity, total
Equity on 31 Dec 2014 FAS		50,000	15,868,805	0	12,149,164	28,067,969
Impact of the implementation of IFRS						
Equity on 1 Jan 2015 IFRS		50,000	15,868,805	0	12,149,164	28,067,969
Comprehensive income						
Profit for the financial year					10,468,301	10,468,301
Other comprehensive income items *						
Total comprehensive income					**10,468,301**	**10,468,301**
Transactions with shareholders						
Distribution of dividends					-529,094	-529,094
Share issue			7,137,000			7,137,000
Incentive system					23,251	23,251
Transactions with shareholders, total			**7,137,000**		**-505,843**	**6,631,157**
Equity on 31 Dec 2015		**50,000**	**23,005,805**	**0**	**22,111,623**	**45,167,428**
Equity on 1 Jan 2016	15	**50,000**	**23,005,805**	**0**	**22,111,623**	**45,167,428**
Comprehensive income						
Profit for the financial year					14,697,393	14,697,393
Other comprehensive income items *						0
Cash flow hedging				-247,754		-247,754
Total comprehensive income for the financial year				**-247,754**	**14,697 393**	**14,449,639**
Distribution of dividends					-1,033,671	-1,033,671
Share issue	15	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					123,690	123,690
Transactions with shareholders, total		**30,000**	**16,104,112**		**-909 981**	**15,224,132**
Equity on 31 Dec 2016		**80,000**	**39,109,917**	**-247,754**	**35 899 035**	**74,841,198**

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

ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS

GROUP'S BASIC INFORMATION

Suomen Hoivatilat Group specialises in producing, developing, owning and leasing out nursing homes, day care centres and service blocks. The Group's parent company is Suomen Hoivatilat Oyj with shares listed on the First North Finland market on Nasdaq Helsinki since the end of March 2016.

The parent company's registered office is in Oulu, Finland, and its registered address is Lentokatu 2, 90460 Oulunsalo. Copies of the consolidated financial statements are available at www.hoivatilat.fi or from the Group's registered address.

Suomen Hoivatilat Oyj's Board of Directors approved these financial statements for publication in its meeting on 1 February 2017. In accordance with the Finnish Limited Liability Companies Act, shareholders can approve or reject the financial statements in the Annual General Meeting to be held after the financial statements have been published. The Annual General Meeting can also decide to amend the financial statements.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2016 have been applied in preparing them. 'International Financial Reporting Standards' refer to the standards and interpretations thereof approved for application in the EU in accordance with the procedure stipulated in the Finnish Accounting Act and related regulations in the EU directive (EC) N:o 1606/2002. The applicable Finnish accounting and corporate legislation requirements supplementing the IFRS regulations have also been taken into account when preparing the Notes to the financial statements.

These financial statements are the Group's first consolidated financial statements prepared in accordance with the IFRS accounting policy, and standard IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in the preparation. The Group's transition date to IFRS was 1 January 2015. The preparation of the consolidated financial statements consistently follows the accounting principles presented hereafter for all financial years presented and the opening balance sheet prepared on 1 January 2015. Previously, the Group applied the Finnish Accounting Standards (FAS).

The impact on the transition to the IFRS on the consolidated balance sheet, statement of comprehensive income and cash flows is described in detail in Note 26 Transition to IFRS financial statements.

The consolidated financial statements are prepared for a calendar year, which is the financial year for the Group's parent company and other Group companies.

The consolidated financial statements have been prepared based on original acquisition costs, with the exception of investment properties and the monetary portion of the share reward system, which have been measured at fair value.

The financial statements are presented in euros.

The preparation of the financial statements in compliance with IFRS calls for estimates and decisions based on judgement by the Group's management. Information on the decisions based on judgement, which the management has used when applying the Group's accounting principles and which have the greatest impact on the figures presented in the financial statements, as well as the assumptions concerning the future and the key assumptions related to the estimates are presented in section "Main uncertainties in respect of estimates" of the accounting principles.

CONSOLIDATION PRINCIPLES

The subsidiaries are companies in which the Group has controlling interest. Controlling interest is generated when the Group, by being involved in an entity, is exposed to the variable profit of the entity or is entitled to its variable profit and is able to influence this profit by exercising its power in the entity.

The Group's mutual shareholding has been eliminated by means of the purchase method. All intra-Group transactions, receivables, liabilities, unrealised profits, and internal distribution of profits are eliminated when preparing the consolidated financial statements.

All subsidiaries included in the consolidated financial statements are wholly owned and established by the parent company, and the Group does not include shares of non-controlling shareholders

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCY

Transactions denominated in foreign currency have been measured in the operating currency of the Group companies using the exchange rate of the transaction date. Monetary items and liabilities denominated in foreign currency have been translated into euro at the exchange rates of the closing day of the financial year.

Profit and loss from transactions denominated in foreign currency and translation of monetary items have been measured through profit and loss.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment losses and are depreciated in accordance with the predefined depreciation plan over their economic lives. Intangible assets are primarily depreciated with straight-line depreciation of 5 years and machinery and equipment are depreciated with straight-line depreciation of 10 years from the original acquisition cost.

Additional costs generated later will be capitalised if is likely that they will generate future financial benefit for the company and that they can be reliably determined and allocated to an asset. Otherwise, they are recognised as an expense in the income statement.

The economic life of intangible assets and property, plant and equipment is reviewed annually and their book values are assessed for any impairments. If indications of impairments exist, the recoverable monetary amount of the asset item is determined. The recoverable monetary amount is also assessed annually for intangible assets in progress, regardless of whether there are any indications of impairments.

The recoverable amount is defined as the fair value of the asset less cost to sell or the value in use, whichever is higher. Value in use refers to the estimated future net cash flows from the asset or cash-generating unit in question, which are discounted at their current value. The discount rate used is the interest rate defined before tax, which reflects the market's view of the time value of money and the special risks associated with the asset.

If the book value of the asset item is determined to be higher than its recoverable future monetary amount, the impairment loss is recognised as an expense measured through profit and loss. If the impairment loss is later deemed unfounded, the impairment loss recognised earlier can be reversed by measuring it through profit and loss. The maximum amount of the impairment being reversed is the book value that the asset would have if the impairment loss was not recognised, and impairment loss on any goodwill will not be reversed.

On the balance sheet date, the Group does not have assets with an indefinite estimated economic life or goodwill, which should annually be tested for impairment using impairment tests.

INVESTMENT PROPERTIES

Investment properties are properties that the Group holds in order to obtain rental income or an appreciation in the asset value, or both. The investment properties include the buildings and built and non-built land areas owned by the Group. Investment properties are originally recognised at acquisition cost and, later, at fair value. The change in the value of investment properties is recognised in the income statement. In addition to the value change of the properties that were ready and owned throughout the year, the change in the fair value of investment properties generated during the financial year is due to the recognition at fair value of properties, which were under construction during the financial year and to the increases in the acquisition cost recognised during the financial year.

According to IFRS 13, fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. When defining fair value, an assumption is made that the transaction realised to sell takes place either in the principal market or, if a principal market does not exist, in the most advantageous market to which the company has access on the measurement date. Fair value is defined using the assumptions that the market participants would use in pricing, assuming that the market participants act in accordance with their best financial interests. When defining the fair value, the market participant's ability to gain financial advantage by using the investment property in its best and most profitable use or by selling it to another market participant, which would use the investment property in its best and most profitable use, is taken into consideration. The best and most profitable use of the investment properties owned by Hoivatilat does not differ from the way they are currently used.

Hoivatilat uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of an investment property reflects the market conditions of the measurement date, considering the prices paid on properties in an equivalent location and condition and with equivalent lease terms. The fair value of investment properties is defined by an external assessor once per year, at a minimum. In 2016, the assessments were commissioned every six months. The determination of the fair value of investment properties is based on the forecast lease income from the properties, which have been discounted using the cash flow approach on the measurement date.

Acquisition costs related to the construction of the investment property generated during construction, any related plot leases, interest expenses, and costs arising from employee benefits are capitalised in the investment properties under construction in the balance sheet. Investment properties under construction are thereafter measured at fair value, based on their completion rate, provided that the fair value can be reliably determined. The fair value of investment properties under construction is determined using the same valuation technique as when defining the fair value of completed investment properties. The change in the fair value of investment properties based under construction, based on their completion rate, is recognised in the income statement.

All investment properties are Level 3 inputs in the fair value hierarchy.

MEASUREMENT AT FAIR VALUE

In the consolidated financial statements, investment properties and the monetary portion of the share reward system are measured at fair value.

Asset items measured at fair value, which are categorised as hierarchy Level 1, are based on the quoted (unadjusted) prices of identical assets or liabilities in an active market, such as the quoted prices on Nasdaq Helsinki on the measurement date. The fair values of Level 2 assets or liabilities are, to a significant extent, based on inputs other than the quoted prices included in Level 1. However, they are based on information that is observable for the said asset item either directly as a price or indirectly as derived from prices. In determining the fair value of these instruments, the Group uses generally accepted valuation models in which the input is, nevertheless, to a significant extent based on verifiable market information. The fair values of Level 3 asset items are based on the inputs concerning the asset item in question, which are not based on observable market information (unobservable inputs) but, to a considerable extent, on management estimates and the use thereof in generally accepted valuation techniques.

LEASES

Leases are categorised as finance leases and other leases based on the extent to which the incident risks of owning a leased asset are borne by the lessee or the lessor. Such leases in which an essential portion of the risks and rewards of owning an asset are transferred to the lessee are categorised as finance leases. If the risks and rewards related to owning the asset are not transferred, the lease is categorised as other lease. Other leases are measured through profit and loss on a straight-line basis over the lease period, unless another systematic basis better describes the actual nature of the lease.

GROUP AS A LESSOR

Leases in which the risks and rewards incident to ownership remain with the lessor are processed as other leases. All of the Group's leases are other leases. Lease income is recognised in the income statement on a straight-line basis over the lease period. All lease income is recognised in the total revenue. The Group does not have any active facility leases, which would be categorised as finance leases.

GROUP AS A LESSEE

Leases in which the risks and rewards incident to ownership remain with the lessor are processed as other leases. All of the Group's leases are other leases. Lease income is recognised in the income statement on a straight-line basis over the lease period.

EQUITY

Ordinary shares are categorised as equity. The company has one series of shares, and each share confers one vote in the Annual General Meeting. The shares have no nominal value and the share capital has no maximum amount.

Transaction costs immediately incurred by the issuance of new shares or options are presented in equity as a deduction of payments, adjusted with tax consequences. If Suomen Hoivatilat Oyj repurchases its equity instruments, the acquisition cost of these instruments is deducted from equity.

FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Suomen Hoivatilat Group have been divided into the following groups in accordance with IAS 39 Financial Instruments: Recognition and Measurement: financial assets recognised at fair value measured through profit and loss, loans and other receivables, as well as available-for-sale financial assets. The assets are categorised based on the purpose of acquiring the financial assets and liabilities and in connection with the original acquisition. The financial instruments are originally recognised at fair value entered in accounting based on the consideration received or paid. The transaction costs are included in the original book value of the financial assets and liabilities, when the item in question is not measured at fair value through profit. All purchases and sales of financial assets and liabilities are recognised on the transaction date. Derecognition of financial assets is carried out when the Group has lost its contractual right to cash flows or when it has transferred, to a considerable extent, risks and profits outside the company.

The financial assets or liabilities recognised at fair value through profit and loss group includes such derivatives that are not processed in accordance with hedge accounting provided in IAS 39 Financial Instruments: Recognition and Measurement. Those maturing in 12 months are included in other current assets or liabilities.

The items in the group are measured at fair value, and the fair value of all investments in this group has been defined on the basis of price quotations published in the active markets or the generally accepted pricing models. Both realised and unrealised profits and losses caused by changes in the fair value and the related taxes are recognised through profit and loss for the financial year in which they are incurred.

Payments related to loans and other receivables are fixed or can be determined and they are not quoted in an active market and the company does not hold them for trading purposes. This group includes the Group's financial assets, which have been generated by transferring money, goods or services to the debtor. They are measured at amortised cost and included in current and non-current financial assets; in the latter if they mature after more than 12 months. The Group will recognise an impairment on an individual receivable when there is objective evidence that the receivable cannot be collected in full.

Interest-bearing liabilities are recognised in the balance sheet at amortised cost using the effective interest method. Current interest-bearing liabilities include all interest-bearing liabilities maturing in less than 12 months, including commercial papers issued by the company.

IMPAIRMENT OF FINANCIAL ASSETS

The Group will recognise an impairment loss on trade receivables when there is objective evidence that the receivable cannot be collected in full. The debtor's considerable financial difficulties, the probability of a bankruptcy, failure to make payments, or a payment overdue by more than 90 days are evidence of the impairment of a financial asset. The amount of an impairment loss recognised through profit and loss is determined as the difference in the book value of the receivable and the current value of the estimated future cash flows. If the amount of the impairment loss decreases during a subsequent period and the change can be objectively attributed to an event that has taken place after the recognition of the impairment loss, the recognised loss is reversed through profit and loss.

DERIVATIVE CONTRACTS

The Group uses derivative contracts to hedge primarily against interest rate risk. Interest rate derivative contracts are defined as hedging instruments for future interest rate flows, and the Group applies cash flow hedging to processing the contracts when the hedge accounting criteria in accordance with standard IAS 39 are met. The change in the fair value of a derivative contract is recognised in other comprehensive income items to the extent that the hedge is effective. The ineffective portion of the hedge is immediately recognised in financial items in the income statement. If the derivative contract used as a hedging instrument expires, is sold or prematurely terminated, but the fulfilment of the interest rate flows of the hedged loans continues to be extremely likely, the profits and losses accumulated from interest rate swaps remain in equity and are recognised in the income statement while the hedged interest rate flows are realised in the result. If the realisation of the hedged cash flows is no longer extremely likely, the profits and losses accumulated from interest rate swaps are immediately recognised from equity to financial income and expenses in the income statement.

BORROWING COSTS

Borrowing costs are recognised as an expense for the financial year in which they were incurred. Borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are included in the cost of the asset. The borrowing costs to be capitalised are expenses incurred by the loans withdrawn for construction projects in property development operations or expenses calculated from construction projects multiplied by the capitalisation rate, if no withdrawn loan is allocated to the construction project in question separately. The capitalisation rate is the weighted average interest rate of the interest-bearing liabilities during the Group's financial year. The capitalised borrowing costs are presented as part of the investment cash flow.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits available for withdrawal upon request, and other current, very liquid investments. The maximum maturity of items categorised as cash and cash equivalents is three months from the acquisition.

PRINCIPLES OF INCOME RECOGNITION

The Group's revenue primarily consists of facility rental income from business operations. The revenue has been adjusted with indirect taxes and sales adjustment items. The Group's income is recognised when it is likely that the financial benefit related to the transaction will benefit the community. The rental income from the investment properties is recognised as income on a straight-line basis through profit and loss for the entire lease period in accordance with IAS 17.

GOVERNMENT GRANTS

Government grants are recognised when it is reasonably certain that the company meets the related conditions and will receive the grants. Grants received for various development programmes are presented in other operating income. Expenses allocated to development programmes are presented in the service expenses in other operating income and in expenses incurred by employee benefits.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include salaries and bonuses, and they are recognised as expenses for the financial year during which the work was performed.

Post-employment benefits

The Group's personnel is covered by defined contribution plans. Payments to pension plans are recognised in the income statement in the financial period which the payment concerns.

Share-based payments

The Group has a share-based incentive system, in which payments are made in part shares and in part cash. The share portion is recognised as expenses incurred by employee benefits and in the Group's equity during the period in which the right to such payment was generated. The shares to be issued are measured at the fair value of the issue date. The cash-settled portion is recognised as expenses incurred by employee benefits during the period in which the right to such payment was generated and as debt. The debt is revalued on each balance sheet date.

TAXES

Tax expenses include current taxes based on the taxable income for the financial year, adjustments of prior year taxes, and changes in deferred taxes. Deferred taxes related to investment properties have been calculated from the difference of the fair value of the properties and the acquisition cost not deducted in taxation.

The change of deferred taxes for the financial year is measured through profit and loss. The calculation of deferred taxes is based on the corporate tax rate confirmed on the balance sheet date.

OPERATING PROFIT

The Group defines operating profit as follows: operating profit is the net amount generated when other operating income is added to revenue and when expenses, depreciation and amortization and possible impairments caused by employee benefits as well as the changes in the fair value of investment properties are deducted from it. All income statement items other than those mentioned above are presented below operating profit.

EARNINGS PER SHARE

Earnings per share are presented as undiluted and adjusted with the dilution impact. Undiluted earnings per share are calculated using the parent company's average number of shares for the financial year. When calculating earnings per share adjusted by the dilution impact, the parent company's average number of shares has been adjusted by the assumed dilution impact of the additional shares offered as a share incentive. If the company had a share issue in the current or previous financial year, the average number of shares of the financial years have been adjusted for share issue when calculating the earnings per share.

RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements. The entities are related parties if one entity is controlled or jointly controlled by the reporting entity or the reporting entity has significant influence over the decision-making of the other party. The company's related parties include key management personnel and their family members as well as companies which are controlled or jointly controlled by these persons. Key management personnel include the members of the parent company's Board of Directors as well as the CEO and CFO.

MAIN UNCERTAINTIES IN RESPECT OF ESTIMATES

When preparing the financial statements, the Group's management must exercise discretion in applying the accounting principles and make estimates and assumptions concerning the contents of the financial statements. The most significant estimates in the Group's financial statements are related to the information concerning the properties, which are used in the fair value calculation model and submitted to an external expert, who performs an appraisal of the property. Key information to be submitted to the external appraiser include property rents, expiration dates of leases, expenses that the lessor continues to be responsible for, such as the plot rent, property tax and insurance, as well as the estimated repair costs of the property. Regarding the aforementioned information, the management must make estimates on the future accumulation of property expenses and repair expenses. When making estimates and assumptions, the management has applied the best knowledge it possesses on the balance sheet date. The actual future outcome may deviate from the estimates and assumptions.

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

The Group has noted the new standards published earlier by IASB, which nevertheless were not applied when preparing the 2015 financial statements, such as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. These new standards are not expected to have a material effect on the financial statements. The IFRS 16 Leases standard will become effective for financial years beginning on or after 1 January 2019. According to the management's estimate, the standard will affect the accounting processing and presentation method in the financial statements 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. OPERATING SEGMENTS

Historically, the Group's resource and result situation has always been assessed as one entity, which is also the basis for the Group's reporting model and administration structure. Therefore, the Group only has one operating segment to be reported on, and the segment's figures and information are consistent with the figures and information of the entire Group. Thus, the income of this operating segment consists of property rental income. The highest decision-making power in the Group rests with the CEO and the parent company's Board of Directors. In 2016, the Group had two clients whose share in the Group's external revenue exceeded the 10% limit. The share of the largest client was 42% and that of the second largest client was 19%. In 2015, the Group had two clients whose share in the Group's external revenue was more than 10%. The share of the largest client was 29%, that of the second largest client was 25% and that of the third largest client was 18% of the revenue. The increase in the relative share of the revenue accumulated from the largest client in 2016 is largely attributable to a merger of two of the Group's tenants. The Group operated only in Finland in the financial year and the preceding financial years.

2. REVENUE AND OTHER OPERATING INCOME

EUR	2016	2015
Rental income from properties	7,409,462	3,813,823
Other sales	4,566	9,408
Total	**7,414,028**	**3,823,232**

The Group's revenue in 2016 and 2015 consisted in full of rental income and other sales generated in Finland.

As a rule, fixed term leases of 12–15 years are signed for investment properties, and the leases generally include a deposit equalling the rent of three to six months. The annual rent increases are tied to the cost of living index. The tenants are responsible for the operating and maintenance costs of the properties.

VALUE AND AVERAGE MATURITY OF THE AGREEMENT PORTFOLIO

	2016	2015
Value of agreement portfolio at the end of the year	214,218,546	139,286,431
Average maturity of agreement portfolio at the end of the year (years)	14.2	14.4

The value of the agreement portfolio includes the signed leases and letters of intent at the current rent levels without the index increase effect.

EXPIRATION OF LEASES (VALUE OF THE AGREEMENT PORTFOLIO)

EUR	2016	2015
In 2024	1,471,029	1,656,879
In 2027	2,019,300	1,515,100
In 2028	8,797,489	9,532,270
In 2029	25,894,258	26,491,553
In 2030	47,033,106	52,394,136
In 2031	39,732,800	44,068,593
In 2032	89,270,564	3,627,900
Total	**214,218,546**	**139,286,431**

3. TRANSFERS OF INVESTMENT PROPERTIES AND CHANGES IN FAIR VALUE		
EUR	**2016**	**2015**
Changes in the fair value of investment properties	14,809,103	11,120,764
Transfers of investment properties	0	468,077
Total	**14,809,103**	**11,588,841**

In accordance with IAS 40, investment properties are measured at fair value. The valuation of investment properties and the methods used are covered in the accounting principles and hereafter in Note 10.

4. EXPENSES OF EMPLOYEE BENEFITS AND AVERAGE NUMBER OF EMPLOYEES		
EUR	**2016**	**2015**
Salaries	-1,157,949	-702,587
Pension expenses – defined contribution arrangements	-190,146	-119,739
Share-based payments	-225,435	-57,500
Other personnel expenses	-48,610	-27,980
Capitalised in property acquisition costs	155,000	115,000
Total	**-1,467,141**	**-792,807**
Group's average number of employees	10	7

5. DEPRECIATION		
EUR	**2016**	**2015**
Intangible assets	-5,388	-3,050
Machinery and equipment	-2,822	-2,553
Total	**-8,210**	**-5,603**

6. PROPERTY MAINTENANCE COSTS AND ADMINISTRATIVE COSTS		
EUR	**2016**	**2015**
Property maintenance costs		
Direct maintenance costs of investment properties, which have accumulated rental income during the financial year	-585,690	-364,940
Direct maintenance costs of investment properties, which have not accumulated rental income during the financial year	-64,190	-53,327
Total	**-649,881**	**-418,267**

Property maintenance costs include land area rents, property taxes, full-value indemnities of properties, property repair and maintenance costs as well as administrative costs directly allocated to limited liability housing companies.

Administrative costs	**2016**	**2015**
Other operating expenses, which are not allocated to investment properties	-794,212	-474,975
Total	**-794,212**	**-474,975**

Auditor's fees		
Audit	-18,622	-13,840
Certificates and statements	-1,100	-3,550
Other services	-54,985	0
Total	**-74,707**	**-17,390**

7. FINANCIAL INCOME AND EXPENSES		
EUR	**2016**	**2015**
Financial income		
Interest income	2,146	12,242
Ineffective portion of hedge accounting	1,376	0
Total	**3,522**	**12,242**
Financial expenses		
Interest expenses	-1,050,735	-726,259
- interest expenses capitalised in the properties' acquisition costs	182,022	119,796
Total	**-868,713**	**-606,463**

8. INCOME TAXES		
EUR	**2016**	**2015**
Tax based on the taxable income of the financial year	-140,879	-245,559
Deferred taxes	-3,600,226	-2,412,338
Total	**-3,741,105**	**-2,657,897**

Indirect reconciliation calculation of tax expenses and the taxes calculated using parent company's tax rate		
Profit before taxes	18,438,498	13,126,199
Taxes at the parent company's tax rate on the balance sheet date	-3,687,700	-2,625,240
Use of tax losses previously not recognised	584	909
Deferred tax assets not recognised from tax losses	-1,931	-4,330
Non-deductible expenses	2,508	-287
Taxes from previous periods	288	-24,300
Impact of the incentive system	-24,738	-4,650
Other items	-30,116	0
Taxes in the income statement	**-3,741,105**	**-2,657,897**

9. EARNINGS PER SHARE		
EUR	**2016**	**2015**
Profit for the financial year belonging to the parent company's shareholders	14,697,393	10,468,301
Earnings per share, undiluted	0.75	0.79
Earnings per share, adjusted with the dilution effect	0.75	0.79
Weighted average number of shares during the financial year, undiluted	19,495,409	13,208,595
Weighted average number of shares during the financial year, diluted	19,618,457	13,249,532
Bridge calculation for earnings per share		
Weighted average number of shares during the financial year, undiluted	19,495,409	13,208,595
Impact of the share reward system	123,048	40,937
Weighted average number of shares during the financial year, diluted	19,618,457	13,249,532

10. INVESTMENT PROPERTIES		
EUR	**2016**	**2015**
Fair value of investment properties, 1 Jan	**90 447 794**	**42 091 580**
Investments in properties under construction and in the starting phase	49 329 642	39 526 048
Other investment property investments	164 751	80 586
Deductions from divestments	0	-2 371 184
Profits and losses from changes in fair value	14 809 103	11 120 764
Fair value of investment properties, 31 Dec	**154 751 290**	**90 447 794**
Completed investment properties	130 110 000	86 000 000
Investment properties under construction	24 226 731	3 879 793
Investment properties in the starting phase (valued at acquisition cost)	414 558	568 002
Total	**154 751 290**	**90 447 794**

The Group is under contractual obligation to complete the investment properties which are under construction or in the starting phase on the balance sheet date. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of approximately EUR 45.6 million in the properties.

INVESTMENT PROPERTY VALUATION PROCESS

Investment properties are properties that the Group holds in order to obtain rental income or an appreciation in the asset value, or both. The fair value of the investment properties is based on an appraisal performed by an external appraiser, Realia Management Oy (“Realia”). Realia has defined a market value of 70 (40) properties. Of the appraised properties, 56 (38) were completed and generated cash flow on the balance sheet date and 14 (2) were under construction. The 15 (3) properties, which had been started but had a completion rate of less than 10% on the balance sheet date, are measured at acquisition cost. Realia’s statement on the appraisal of the properties is available on the Suomen Hoivatilat website at www.hoivatilat.fi

On 31 December 2016, the net operating income of the portfolio (NOI1) calculated using the individual properties appraised was 6.88% (7.16%). All investment properties are Level 3 inputs in the fair value hierarchy.

Sensitivity analysis of the fair value calculation of investment properties			
	Change in the net operating income requirement		
	31/12/16	**+1.0%**	**-1.0%**
Portfolio net operating income	6.88 %	7.88 %	5.88 %
Fair value of investment property portfolio	154 751 290	135,112,801	181,069,536
Impact of the change in the yield requirement on the fair value of investment properties		-19,638,489	26,318,247

11. GROUP COMPANIES

The Group includes the parent company Suomen Hoivatilat Oyj and its wholly owned subsidiaries. At the end of the 2016 financial year, the Group included the parent company and 77 limited liability housing companies.

Company	Group's holding 31/12/2016	Group's holding 31/12/2015
Suomen Hoivatilat Oyj		
Kiinteistö Oy Espoon Hirvisuontie	100 %	0 %
Kiinteistö Oy Espoon Opettajantie	100 %	0 %
Kiinteistö Oy Espoon Vuoripirtintie	100 %	0 %
Kiinteistö Oy Heinolan Lähteentie	100 %	0 %
Kiinteistö Oy Hollolan Sarkatie	100 %	0 %
Kiinteistö Oy Kokkolan Vanha Ouluntie	100 %	0 %
Kiinteistö Oy Kotkan Loitsutie	100 %	0 %
Kiinteistö Oy Kouvolan Pappilantie	100 %	0 %
Kiinteistö Oy Kuopion Rantaraitti	100 %	0 %
Kiinteistö Oy Lohjan Ansatie	100 %	0 %
Kiinteistö Oy Mäntyharjun Lääkärinkuja	100 %	0 %
Kiinteistö Oy Mäntyharjun Taavetintie	100 %	0 %
Kiinteistö Oy Nokian Näsiäkatu	100 %	0 %
Kiinteistö Oy Orimattilan Suppulanpolku	100 %	0 %
Kiinteistö Oy Oulun Ukkoherrantie	100 %	0 %
Kiinteistö Oy Oulun Ukkoherrantie B	100 %	0 %
Kiinteistö Oy Porin Palokärjentie	100 %	0 %
Kiinteistö Oy Porvoon Fredrika Runeberginkatu	100 %	0 %
Kiinteistö Oy Porvoon Vanha Kuninkaantie	100 %	0 %
Kiinteistö Oy Rovaniemen Ritarinne	100 %	0 %
Kiinteistö Oy Ruskon Päällistönmäentie	100 %	0 %
Kiinteistö Oy Sipoon Satotalmantie	100 %	0 %
Kiinteistö Oy Ulvilan Peltotie	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku A	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku B	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku C	100 %	0 %
Kiinteistö Oy Uudenkaupungin Puusepänkatu	100 %	0 %
Kiinteistö Oy Vantaan Mesikukantie	100 %	0 %
Kiinteistö Oy Varkauden Kaura-ahontie	100 %	0 %
Kiinteistö Oy Vihdin Koivissillankuja	100 %	0 %
Kiinteistö Oy Jyväskylän Haperontie	100 %	0 %
Kiinteistö Oy Kajaanin Erätie	100 %	0 %
Kiinteistö Oy Keravan Männiköntie	100 %	0 %
Kiinteistö Oy Espoon Fallåkerinrinne	100 %	100 %
Kiinteistö Oy Espoon Meriviitantie	100 %	100 %
Kiinteistö Oy Espoon Tikasmäentie	100 %	100 %

Company	Group's holding 31/12/2016	Group's holding 31/12/2015
Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie	100 %	100 %
Kiinteistö Oy Jyväskylän Väliharjuntie	100 %	100 %
Kiinteistö Oy Kajaanin Menninkäisentie	100 %	100 %
Kiinteistö Oy Kangasalan Mäntyveräjäntie	100 %	100 %
Kiinteistö Oy Kirkkonummen Kotitontunkuja	100 %	100 %
Kiinteistö Oy Kouvolan Kaartokuja	100 %	100 %
Kiinteistö Oy Kouvolan Toukomiehentie B	100 %	100 %
Kiinteistö Oy Kouvolan Vinttikaivontie	100 %	100 %
Kiinteistö Oy Kuopion Sipulikatu	100 %	100 %
Kiinteistö Oy Lahden Vallesmanninkatu A	100 %	100 %
Kiinteistö Oy Lahden Vallesmanninkatu B	100 %	100 %
Kiinteistö Oy Laukaan Hytösenkuja	100 %	100 %
Kiinteistö Oy Limingan Kauppakaari	100 %	100 %
Kiinteistö Oy Loviisan Mannerheiminkatu	100 %	100 %
Kiinteistö Oy Maskun Ruskontie	100 %	100 %
Kiinteistö Oy Mäntsälän Liedontie	100 %	100 %
Kiinteistö Oy Nokian Vikkulankatu	100 %	100 %
Kiinteistö Oy Nurmijärven Laidunalue	100 %	100 %
Kiinteistö Oy Nurmijärven Vehnäpellontie	100 %	100 %
Kiinteistö Oy Oulun Kehätie	100 %	100 %
Kiinteistö Oy Oulun Paulareitti	100 %	100 %
Kiinteistö Oy Oulun Rakkakiventie	100 %	100 %
Kiinteistö Oy Paimion Kämmekkä	100 %	100 %
Kiinteistö Oy Pirkkalan Lehtimäentie	100 %	100 %
Kiinteistö Oy Porin Ojantie	100 %	100 %
Kiinteistö Oy Porvoon Peippolankuja	100 %	100 %
Kiinteistö Oy Raision Tenavakatu	100 %	100 %
Kiinteistö Oy Siilinjärven Sinisiipi	100 %	100 %
Kiinteistö Oy Tampereen Lentävänniemenkatu	100 %	100 %
Kiinteistö Oy Turun Kukolantie	100 %	100 %
Kiinteistö Oy Turun Teollisuuskatu	100 %	100 %
Kiinteistö Oy Turun Vakiniituntie	100 %	100 %
Kiinteistö Oy Turun Vähäheikkiläntie	100 %	100 %
Kiinteistö Oy Uudenkaupungin Salmenkatu	100 %	100 %
Kiinteistö Oy Vantaan Koetilankatu	100 %	100 %
Kiinteistö Oy Vantaan Punakiventie	100 %	100 %
Kiinteistö Oy Vantaan Tuovintie	100 %	100 %
Kiinteistö Oy Vantaan Vuohirinne	100 %	100 %
Kiinteistö Oy Vihdin Vanhan-Sepän tie	100 %	100 %
Kiinteistö Oy Ylöjärven Mustarastaantie	100 %	100 %
Kiinteistö Oy Ylöjärven Työväentalontie	100 %	100 %

The address of all Group companies is Lentokatu 2, 90460 Oulunsalo, Finland.

12. DEFERRED TAXES		
EUR	**2016**	**2015**
Deferred tax assets		
From transaction costs recognised in equity in the share issue	125,621	0
From other comprehensive income items	61,938	0
From the share-based incentive system	27,199	6,850
Total	**214,758**	**6,850**
Deferred tax liabilities		
From measuring investment properties at fair value	8,213,963	4,740,073
Other items	104,812	0
Total	**8,318,775**	**4,740,073**

13. TRADE RECEIVABLES AND OTHER RECEIVABLES		
EUR	**2016**	**2015**
Trade receivables	109,780	0
Accrued income	283,319	250 238
Other receivables	11,749	24,729
Tax receivables based in the taxable income for the financial year	31,900	0
Total	**436,748**	**274 967**

Trade receivables on 31 December 2016 do not include overdue trade receivables. No credit losses were recognised on trade receivables during financial years 2015 and 2016.

14. CASH AND CASH EQUIVALENTS		
EUR	**2016**	**2015**
Cash and bank accounts	4,329,328	6,512,861
Total	**4,329,328**	**6,512,861**

15. EQUITY

Share capital
Suomen Hoivatilat Oyj has one series of shares. On 31 December 2016, the company's share capital was EUR 80,000 and the number of shares was 20,788,859. The company did not hold any own shares. Each share confers one vote in the Annual General Meeting. The share does not have a nominal value. All shares issued have been paid in full.

Invested non-restricted equity reserve
The invested non-restricted equity reserve includes other equity investments and share subscription to the extent that it is not recognised in share capital by a specific decision.

Authorisations
Within the limits of the authorisation received from the Annual General Meeting on 18 February 2016, the company's Board of Directors can issue option rights or other specific rights which enable the subscription of a maximum of 193,092 company shares (the original authorisation was 221,892 shares, of which 28,800 have been used). The authorisation given to the Board of Directors by the Annual General Meeting will be in effect until 31 December 2018.

Dividends

In 2016, the dividend distributed was EUR 0.07 per share, totalling EUR 1,033,671. The number of shares entitling to the dividend paid in 2016 was 15,505,059. In 2015, the dividend distributed was EUR 0.06 per share, totalling EUR 529,094. The number of shares entitling to the dividend paid in 2015 was 9,336.951, taking the share split into consideration.

After the end date of the reporting period, Suomen Hoivatilat Oyj's Board of Directors has proposed that a dividend of EUR 0.10 per share be distributed, totalling EUR 2,078,886.

Changes in the number of shares and the corresponding changes in equity

	Number of shares	Share capital	Invested non-restricted equity reserve	Total
31/12/14	**4,262,317**	**50,000**	**15,868,805**	**15,918,805**
Share issue	900,000		7,137,000	7,137,000
31/12/15	**5,162,317**	**50,000**	**23,005,805**	**23,055,805**
Option subscriptions	6,036	0	60	60
Splitting shares by means of a share issue without a consideration	10,336,706			0
Increase from reserves	0	30,000	-30,000	0
Share issue	5,255,000	0	16,803,741	16,803,741
Transaction costs of the share issue with the adjusted impact of deferred taxes			-669,977	-669,977
Option subscriptions	28,800	0	288	288
31/12/16	**20,788,859**	**80,000**	**39,109,917**	**39,189,917**

16. SHARE-BASED PAYMENTS

Share reward system 2015

In accordance with the authorisation issued by the Annual General Meeting on 8 April 2014, the Board of Directors of Suomen Hoivatilat Oyj decided, on 12 December 2014, on the implementation of a share reward system for the management and key personnel as of the beginning of 2015. In accordance with the conditions of the share reward system 2015 approved by the Board of Directors on 10 February 2015, the system consists of three performance periods covering the calendar years 2015–2017. The target group of the system includes the Group's key personnel designated by the Board of Directors for each performance period. The system participants have the opportunity to earn company shares as a reward for meeting the earnings objectives set by the Board of Directors for each performance period separately. The Board of Directors decides separately on the maximum reward of each participant for each performance period. In addition to the net number of the shares to be subscribed for, the reward includes a monetary portion, which covers the taxes and tax-like payments incurred to the participant by the reward. However, the maximum monetary amount to be paid is an amount equalling the fair value of the shares. The reward is paid to the participants no later than by the end of April of the year following each performance period.

Share reward system 2015, calendar years 2015 and 2016

On 10 February 2015, the Board of Directors of Suomen Hoivatilat Oyj decided on the criteria of performance periods 2015 and 2016 of the share reward system 2015. The reward criteria of performance period 2015 were tied to the Group's net assets on 31 December 2015. The reward criteria of performance period 2016 was the trading of Suomen Hoivatilat Oyj's shares on Nasdaq OMX's First North no later than 31 December 2016. The maximum reward quantity of performance period 2015 was 35,700 shares, of which a total of 18,108 shares were paid as a reward. The maximum reward quantity of performance period 2015 was 28,800 shares, of which a total of 28,800 shares were paid as a reward to the company's CEO and CFO. The shares from performance periods 2015 and 2016 may not be transferred, pledged or otherwise used before the vesting period ends on 31 December 2018. If the employment or service agreement of the person who received the reward ends during the vesting period, the shares received as a reward must be returned to the company without compensation.

Share reward system 2015, calendar years 2016–2017

On 26 April 2016, the Board of Directors of Suomen Hoivatilat Oyj decided on the criteria of performance period 2015–2017 of the share reward system 2015 The total number of shares to be paid as the reward is tied to the company's performance measured by the total shareholder return (TSR). The maximum reward quantity for performance period 2016–2017 is 180,000 shares. The shares from performance periods 2016–2017 may not be transferred, pledged or otherwise used before the vesting period ends on 31 December 2019. If the employment or service agreement of the person who received the reward ends during the vesting period, the shares received as a reward must be returned to the company without compensation.

Parameters used in the recognition of the share reward programme			
	2016–2017	**2016**	**2015**
Share issuance date	26/04/16	10/02/15	15/02/15
Maximum number of shares to be given as a reward	180,000	28,800	35,700
Share value, EUR	3.63	2.19	2.19
Performance period	1/1/2016–31/12/2017	1/1/2015–31/12/2016	1/1/2015–31/12/2015
Vesting period ends	31.12.19	31.12.18	31.12.18
Estimated success rate, %	80.0 %	100.0 %	50.7 %
Actual success rate, %	-	-	-
Debt related to the share reward programme on the balance sheet date	135,995	0	0

The portion of share rewards measured through profit and loss is presented in Note 4. The shares received as a reward are technically recognised at the subscription price of EUR 0.01 per share after the performance period. The impact of these share options has been taken into consideration when calculating the diluted key figure per share in Note 9.

17. FINANCIAL LIABILITIES		
EUR	**2016**	**2015**
Non-current financial liabilities measured at amortised cost		
Overdraft facility accounts	1,660,018	0
Loans from financial institutions	65,203,973	42,600,467
Total	**66,863,991**	**42,600,467**
Current financial liabilities measured at amortised cost		
Loans from financial institutions	5,044,282	3,219,106
Total	**5,044,282**	**3,219,106**

The Group's bank loans have a variable interest rate. The Group's average interest rate on 31 December 2016 was 1.69% (1.88% in 2015). The amounts of the Group's variable-rate loans and their repricing periods in accordance with the agreement are as follows:

	2016	**2015**
Less than 3 months	369,302	0
3–6 months	32,472,951	27,282,808
6–12 months	39,066,021	18,536,765
Total	**71,908,274**	**45,819,573**

18. TRADE PAYABLES AND OTHER LIABILITIES		
EUR	**2016**	**2015**
Current liabilities measured at amortised cost		
Advances received	67,900	20,011
Trade payables	3,268,497	1,118,502
Accrued expenses	931,966	183,803
Other liabilities	121,595	224,632
Total	**4,389,958**	**1,546,948**
Current liabilities recognised at fair value through profit and loss	**2016**	**2015**
Derivative contracts – in hedge accounting	309,692	0
Total	**309,692**	**0**

19. MANAGEMENT OF FINANCIAL RISKS

By managing financial risks, the Group aims to secure effective and competitive funding for its operations and reduce the negative impact of the fluctuations in the financial market on its operations. In order to manage financial risks, the Group uses a broad circle of financers, diverse selection of financial instruments and maturity division as well as maintains a sufficient capital adequacy ratio. The goal of refinancing risk management is to ensure that the Group's loan portfolio and the unused credit facilities are diverse and large enough from the perspective of the loan repayment schedule, investments and any other funding needs. Suomen Hoivatilat only uses derivative instruments to reduce or eliminate the financial risks in the balance sheet. The instability of the financial market may impact the availability of growth funding and refinancing as well as financial expenses in the future.

Interest rate risk

The Group's most important financial risk is the interest rate risk targeting the loan portfolio. The company has an interest rate hedging policy confirmed by the Board of Directors. The objective of managing interest rate risks is to reduce the negative impact of the fluctuation of the market rates on the company's result, financial position and cash flow. 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 is two (2) years +/- six (6) months. At the end of 2015, the company signed instalment-free interest rate swaps with a nominal value of EUR 16 million, which will mature in 5 years. In addition, at the end of 2016, the company signed instalment-free interest rate swaps with a nominal value of EUR 10 million, which will become effective in two years and mature in 5 years. These interest rate swaps will be used to hedge both current loans and loans to be withdrawn in the future, and their purpose is to hedge future variable-rate loans generally against interest rate risk. In accordance with the agreement, the company pays the counterparty a fixed annual interest rate and receives variable Euribor interest rate. More detailed information on the nominal and market values of interest rate swaps on the balance sheet date is available below in Note 20 of the consolidated financial statements.

The interest sensitivity of the loan portfolio of Suomen Hoivatilat at the end of 2016 is indicated by the fact that a change of one percentage point in the money market interest rates would increase the annual interest rate expenses by EUR 0.6 million (in 2015, by EUR 0.3 million). Of the interest-bearing loans, 0.5% is tied to the under 3-month Euribor rate and 99.5% is tied to the 3–12-month Euribor rate. At the end of 2016, 36.2% of the company's interest-bearing liabilities had been hedged by interest rate swaps, and the interest rate tying period, which describes the average interest rate fixing date, was 1.93 years. The remaining loan period of interest-bearing liabilities weighted with capital was 9.3 years.

Liquidity and counterparty risk

The Group's management assesses and continuously monitors the amount of funding required by the operations in order to ensure that the Group's liquid assets are sufficient for funding the operations and repaying maturing loans. Counterparty risk of funding is generated when the contracting party in a funding transaction is not necessarily capable of fulfilling its obligations. In order to manage the liquidity and counterparty risk, Suomen Hoivatilat uses a broad circle of financers and maintains such capital adequacy as it deems appropriate. The Group's long-term funding has been organised through several Finnish financial institutions. For short-term funding needs, the Group has checking accounts with overdraft facilities.

On the balance sheet date, Suomen Hoivatilat had at its disposal overdraft facilities of EUR 4,000,000, of which EUR 1,660,018 were in use. After the end of the financial period, the company signed an agreement on increasing the overdraft facilities by a total of EUR 7,000,000. The limit is increased for a fixed period of time and it is in effect until 27 July 2017.

Loan covenants

The company's loan arrangements include regular collaterals and covenants. The company uses collaterals in the loan arrangements and its loan arrangements include regular prohibitions concerning pledges. On the balance sheet date, the Group had EUR 71.9 million of interest-bearing loans, in which the loan capital of EUR 20.2 million contains covenants related to the location of properties, the loan-to-value ratio ("LTV") and diversification of tenants. Breaking covenants may result in the bank requiring additional amortisation of debt in order to rectify the situation or, alternatively, cancelling all bonds for immediate repayment.

On 31 December 2016, the Group did not fulfil the tenant distribution condition included in certain loan agreements. The breach of the condition resulted from a merger of the Group's two significant tenants in the 2016 financial year. On 31 August 2016, the creditor waived its right to demand the repayment of loans in full or in the extent that would fulfil the condition concerning the tenant distribution. In the balance sheet, loans are presented in accordance with the original loan agreements, divided into non-current and current financial liabilities.

Exchange rate risk

The properties owned by and the business operations of Suomen Hoivatilat are located in Finland, and thus the Group is not exposed to exchange rate risk.

Credit risk

The management of Suomen Hoivatilat Group's credit risk focuses on management of customer risks. Customers' creditworthiness is assessed before leases are signed, and a deposit equalling the rent of 3–6 months is typically included in new leases. Any overdue receivables are first subjected to internal collection measures. If they fail to produce results, the collection of the overdue receivable is handed over to a specialised outsourcing partner.

The Group does not have significant receivables that would generate uncertainty in terms of collection. The Group does not have overdue trade receivables, and credit losses have not been recognised on receivables in the financial year or for the previous financial year.

Maturity of repayments of financial liabilities and of financial expenses						
	Cash flow based on agreement					
EUR	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total	Balance sheet value
31/12/16						
Bank loans	6,236,282	7,366,807	21,391,126	43,976,011	78,970,226	71,908,274
Interest rate derivatives	81,280	81,280	418,113	179,400	760,073	309,692
Trade payables and other liabilities	3,457,992				3,457,992	3,457,992
Total	**9,775,554**	**7,448,087**	**21,809,240**	**44,155,411**	**83,188,291**	**75,675,958**
31/12/15						
Bank loans	4,082,381	4,171,765	13,808,636	28,847,701	50,910,484	45,819,573
Interest rate derivatives	37,600	37,600	106,533	0	181,733	0*
Trade payables and other liabilities	1,363,145				1,363,145	1,363,145
Total	**5,483,127**	**4,209,365**	**13,915,169**	**28,847,701**	**52,455,363**	**47,182,719**

31 Dec 2016 Interest rate swaps	Weighted maturity	Nominal value	Fair value
Interest rate swaps	4.28	26,000,000	-309,692

31 Dec 2015 Interest rate swaps	Weighted maturity	Nominal value	Fair value
Interest rate swaps	4.9	16,000,000	4,254

Required rate of return risk in the market related to investment properties

Changes in the rates of return in the market may considerably impact the company's result development through the fair value of the investment properties. As the required rates of return in the market increase, the fair values of properties decrease, and vice versa. Value changes either decrease or increase the company's operating profit and net result. Changes in the required rates of return in the market do not have a direct impact on the company's revenue, operating result or cash flow. However, the negative value change of investment properties may increase the LTV key figure so that the covenant condition of some loan agreements is realised, which might result in a need to make additional repayments for these loans or to repay the liabilities in full.

Management of capital

The objective of capital management is to maintain the Group's optimal capital structure, which helps the company ensure the regular prerequisites of business operations and grow shareholder value in the long term. The management and Board of Directors monitor the company's capital structure and liquidity development. The objective of monitoring is to ensure the company's liquidity and the flexibility of the capital structure in order to implement the growth strategy and dividend distribution policy. The managed capital consists of equity as shown in the consolidated balance sheet, and its structure can be affected by means of funds from operations, dividend distribution and share issues.

The Group monitors the development of its capital structure by means of the share of equity in the total capital (equity ratio). At the end of financial year 2016, equity ratio was 46.8% (46.4% in 2015).

20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table shows the fair values and book values of each financial asset and liabilities item, which correspond to the values in the consolidated balance sheet. The table also shows the hierarchy levels of the fair values.

2016	Book value	Fair value	Fair value hierarchy
Financial assets			
Loans and other receivables			
Current			
Trade receivables	109,780	109,780	
Other receivables	326,968	326,968	
Cash and cash equivalents	4,329,328	4,329,328	
Financial assets, total	**4,766,076**	**4,766,076**	
Financial liabilities			
Measured at amortised cost			
Non-current			
Bank loans	66,863,991	66,863,991	2
Current			
Bank loans	5,044,282	5,044,282	2
Trade payables and other liabilities	3,457,992	3,457,992	
Measured at fair value			
Current			
Interest rate swaps – in hedge accounting	309,692	309,692	2
Financial liabilities Total	**75,675,958**	**75,675,958**	

2015	Book value	Fair value	Fair value hierarchy
Financial assets			
Loans and other receivables			
Current			
Trade receivables	0	0	
Other receivables	274,967	274,967	
Cash and cash equivalents	6,512,861	6,512,861	
Financial assets, total	**6,787,828**	**6,787,828**	
Financial liabilities			
Measured at amortised cost			
Non-current			
Bank loans	42,600,467	42,600,467	2
Current			
Bank loans	3,219,106	3,219,106	
Trade payables and other liabilities	1,363,145	1,363,145	
Financial liabilities Total	**47,182,719**	**47,182,719**	

21. ADJUSTMENTS OF CASH FLOWS FROM OPERATIONS		
EUR	**2016**	**2015**
Non-cash transactions and other adjustments		
Depreciation	8,210	5,603
Share-based payments	123,690	23,251
Changes in the fair value of investment properties	-14,809,103	-10,740,950
Transfers of investment properties	0	-847,891
Total	**-14,677,203**	**-11,559,987**

22. OTHER LEASES

Group as a lessor
Information concerning the investment properties leased out by the Group is provided in Note 2.

Group as a lessee
The Group's leases mainly consist of land lease agreements and leases of facilities used by the parent company. The lease period in the land lease agreements is typically 30–50 years. Facility leases are in effect until further notice and their period of notice is 3–4 months. In addition, the Group has leased office equipment and vehicles with leases of 3–4 years. The land lease agreements and facility leases include an index clause.

Minimum rents payable based on non-cancellable other leases		
EUR	**2016**	**2015**
Leasing liabilities		
Within one year	49,584	26,784
In one to fice years	45,144	15,178
In more than five years	0	0
Leasing liabilities, total	**94,729**	**41,962**
Land lease liabilities		
Within one year	496,882	268,533
In one to five years	1,987,528	1,074,133
In more than five years	19,136,475	9,830,083
Land lease liabilities, total	**21,620,885**	**11,172,749**
Leasing and lease liabilities		
Within one year	546,467	295,317
In one to five years	2,032,673	1,089,311
In more than five years	19,136,475	9,830,083
Leasing and land lease liabilities, total	**21,715,614**	**11,214,711**

23. COLLATERAL PROVIDED, CONTINGENT LIABILITIES AND OTHER LIABILITIES		
EUR	**2016**	**2015**
Property mortgages		
Loans from financial institutions	71,908,274	45,819,573
Mortgages provided	115,369,500	65,434,500
Mortgages total	**115,369,500**	**65,434,500**
Pledged property shares		
Pledged investment properties	54,060,000	49,558,041
Pledges total	**54,060,000**	**49,558,041**

Other liabilities

Audit obligation related to value added tax on property investments

Suomen Hoivatilat Oyj's subsidiary Kiinteistö Oy Siilinjärven Sinisiipi is obligated to audit the value added tax deductions it has made on a property investment completed in 2012, if the taxable use of the property decreases during the audit period. The last audit year is 2021. The deducted value added tax is EUR 169,239.64. The return liability is EUR 84,620, at a maximum.

24. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements. The entities are related parties if one entity is controlled or jointly controlled by the reporting entity or the reporting entity has significant influence over the decision-making of the other party. The company's related parties include the subsidiaries, members of the Board of Directors, CEO, CFO and their immediate family and the controlled companies. In addition, the related parties include Partnera Oy, which owns 22.9% of the share capital of Suomen Hoivatilat Oyj through Nurture Property Holding Oy and Nurture Real Estate Holding Oy, both of which it owns.

Rakennusliike Lapti Oy and Rakennusliike Lehto construction companies are among the Group's construction partners. Timo Pekkarinen, member of Suomen Hoivatilat Oyj's Board of Directors, is the managing director, Board member and shareholder of Rakennusliike Lapti Oy. Pertti Huuskonen, chairman of the Board of Directors of Suomen Hoivatilat Oyj is the chairman of the Board of Directors and a shareholder of Rakennusliike Lehto Oy's parent company Lehto Group Oyj.

EUR	**2016**	**2015**
Business transactions with external related party companies		
Construction contracts invoiced by Rakennusliike Lapti Oy	23,275,588	23,947,160
Construction contracts invoiced by Rakennusliike Lehto Oy	1,387,802	0
Group's trade payables to Rakennusliike Lapti Oy 31 Dec	1,744,000	501,280
Group's trade payables to Rakennusliike Lehto Oy 31 Dec	1,387,802	0
Management remuneration and employee benefits		
The management key employees are the Board of Directors and the CEO. In financial years 2016 and 2015, the Group did not have a management team. The management has been nominated after the end of the financial year.		

CEO's remuneration and other short-term employee benefits	**2016**	**2015**
Salaries and fringe benefits	155,176	136,611
Performance-related pay	84,800	92,837
Share rewards	221,888	0
Total	**461,864**	**229,448**

The CEO's retirement age and pension are determined in accordance with the general regulations, and the TyEL pension expenses are paid on an accrual basis. The CEO's period of notice is six months and the severance pay equals six months' pay in addition to the monthly compensation during the period of notice.

The Annual General Meeting held on 18 February 2016 resolved to pay annual compensation to the members of the Board of Directors as follows: EUR 16,500 to the chairman of the Board and EUR 8,250 to each member of the Board. In addition to the annual compensation, the Board members are paid a meeting attendance compensation of EUR 600 per meeting and the chairman of the Board is paid EUR 1,200 per meeting, and the chairman of each committee is paid EUR 600 and the committee members are paid EUR 400 per committee meeting. An increase of 150% applies if the travel time to attend a meeting is more than three hours.

EUR	2016	2015
Board members		
Pertti Huuskonen, chairman	42,500	27,600
Timo Pekkarinen	23,150	12,400
Kristiina Hautakangas	17,850	13,900
Reijo Tauriainen (Board member since 17 March 2015)	18,950	12,150
Mammu Kaario (Board member since 18 February 2016)	16,650	0
Jani Nikko (Board member 17 March 2015 – 18 February 2016)	2,800	15,900
Jaakko Niemelä (Board member until 17 March 2015)	0	1,275
Kirsi Nurmi (Board member until 17 March 2015)	0	2,040
Total	**121,900**	**85,265**

Shareholding of Board members and CEO	2016	2015
CEO	292,515	257,400
Board	1,645,882	1,328,943
Total	**1,938,397**	**1,586,343**

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 27 January 2017, the company signed a credit limit agreement, which increased the Group's existing EUR 4,000,000 limits by EUR 7,000,000. The limit is increased for a fixed period of time and in effect until 27 July 2017.

The company's Board decided on 1 February 2017 to establish a management team. The Group's management 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.

26. TRANSITION TO THE IFRS FINANCIAL STATEMENTS

Suomen Hoivatilat Group will publish its first consolidated financial statements prepared in accordance with IFRS standards for the financial year that ended on 31 December 2016 and prepare the comparison data in accordance with IFRS for the financial year that ended on 31 December 2015. The date of transitioning to the IFRS standards was 1 January 2015, and the company will apply standard IFRS 1 First-time Adoption of International Financial Reporting Standards in these financial statements. Previously, the Group applied the Finnish Accounting Standards (FAS). The impact of transitioning to the IFRS standards are presented in the following tables and further detailed in the references associated with the tables:

Equity reconciliation calculation 1 January 2015 and 31 December 2015							
EUR	Reference	**FAS 31/1/2014**	**Impact of the IFRS transition**	**IFRS 1/1/ 2015**	**FAS 31/12/2015**	**Impact of the IFRS transition**	**IFRS 31/12/2015**
ASSETS							
Non-current assets							
Intangible assets		4,800	0	4,800	9,700		9,700
Investment properties		42,091,580	0	42,091,580	90,447,794		90,447,794
Machinery and equipment		5,378	0	5,378	21,850		21,850
Deferred tax assets	A, B	0	0	0	0	6,850	6,850
Total non-current assets		**42,101,757**	**0**	**42,101,757**	**90,479,344**	**6,850**	**90,486,194**
Current assets							
Trade receivables		0	0	0	0		0
Other receivables		10,583	0	10,583	24,729		24,729
Accrued income		167,158	0	167,158	250,238		250,238
Cash and cash equivalents		9,816,304	0	9,816,304	6,512,861		6,512,861
Total current assets		**9,994,045**	**0**	**9,994,045**	**6,787,828**	**0**	**6,787,828**
ASSETS TOTAL		**52,095,802**	**0**	**52,095,802**	**97,267,172**	**6,850**	**97,274,022**
EQUITY AND LIABILITIES							
Equity belonging to the parent company's shareholders							
Share capital		50,000	0	50,000	50,000		50,000
Invested non-restricted equity reserve		15,868,805	0	15,868,805	23,005,805		23,005,805
Retained earnings	A	4,747,404	0	4,747,404	11,620,070	23,251	11,643,321
Profit for the financial year	A, B	7,401,760	0	7,401,760	10,518,952	-50,650	10,468,301
Equity belonging to the parent company's shareholders, total		**28,067,969**	**0**	**28,067,969**	**45,194,827**	**-27,400**	**45,167,428**
Non-current liabilities							
Financial liabilities		19,634,229	0	19,634,229	42,600,467		42,600,467
Deferred tax liabilities		2,320,885	0	2,320,885	4,740,073		4,740,073
Non-current liabilities, total		**21,955,114**	**0**	**21,955,114**	**47,340,541**		**47,340,541**
Current liabilities							
Financial liabilities		1,428,780	0	1,428,780	3,219,106		3,219,106
Trade payables and other liabilities	A	643,938	0	643,938	1,512,698	34,250	1,546,948
Current receivables, total		**2,072,718**	**0**	**2,072,718**	**4,731,805**		**4,766,054**
Liabilities, total		**24,027,833**	**0**	**24,027,833**	**52,072,345**	**0**	**52,106,595**
EQUITY AND LIABILITIES TOTAL		**52,095,802**	**0**	**52,095,802**	**97,267,172**	**-27,400**	**97,274,022**

Reconciliation calculation of the Group's profit for financial year 1 January – 31 December 2015				
EUR	Reference	FAS 1 January – 31 December 2015	Impact of the IFRS transition	IFRS 1 January – 31 December 2015
TOTAL REVENUE		**3,823,232**	**0**	**3,823,232**
Transfers of investment properties and changes in fair value		11,588,841	0	11,588,841
Expenses of employee benefits	A	-735,307	-57,500	-792,807
Depreciation		-5,603		-5,603
Other operating expenses		-893,242		-893,242
OPERATING PROFIT (LOSS)		**13,777,920**	**-57,500**	**13,720,420**
Financial income		12,242		12,242
Financial expenses		-606,463		-606,463
PROFIT BEFORE TAXES		**13,183,699**	**-57,500**	**13,126,199**
Taxes for the financial year and previous periods	A, B	-2,664,747	6,850	-2,657,897
PROFIT FOR THE FINANCIAL YEAR		**10,518,952**	**-50,650**	**10,468,301**
Consolidated statement of comprehensive income IFRS				
PROFIT FOR THE FINANCIAL YEAR		10,518,952	-50,650	10,468,301
Other comprehensive income items		0		0
TOTAL COMPREHENSIVE INCOME		**10,518,952**	**-50,650**	**10,468,301**
Distribution of profit for the financial year				
To parent company shareholders		10,518,952		10,468,301
To shareholders with non-controlling interest		0		0
Distribution of comprehensive income for the financial year				
To parent company shareholders		10,518,952		10,468,301
To shareholders with non-controlling interest		0		0
Earnings per share calculated on the profit belonging to the parent company's shareholders				
Undiluted earnings per share		0.80		0.79
Earnings per share adjusted with the dilution effect		0.79		0.79

Impact of the transition to the IFRS standards on the cash flow statement

EUR	Reference	FAS 1 January – 31 December 2015	Impact of the IFRS transition	IFRS 1 January – 31 December 2015
Cash flow from operations				
Profit for the financial year	A, B	10,518,952	-50,650	10,468,301
Adjustments				
Non-cash transactions	A	-11,583,238	23,251	-11,559,987
Interest and other financial expenses		606,463		606,463
Interest income		-12,242		-12,242
Taxes	B	2,664,747	-6,850	2,657,897
Changes in working capital				
Change in trade receivables and other receivables	B	-107,032	-6,850	-113,882
Change in trade payables and other liabilities	A	296,119	34,250	330,369
Interest paid		-606,463		-606,463
Interest received		12,242	0	12,242
Taxes paid	B	-243,918	6,850	-237,068
Net cash flow from operations (A)		**1,545,631**	**0**	**1,545,631**
Cash flow from investing activities				
Divestment of subsidiaries less their cash and cash equivalent on the date of divestment		1,369,507		1,369,507
Investments in property, plant, and equipment		-39,052,106		-39,052,106
Investments in intangible assets		-10,503		-10,503
Net cash flow from investment activities (B)		**-37,693,103**	**0**	**-37,693,103**
Cash flow from financing activities				
Payments from the share issue		7,137,000		7,137,000
Loan withdrawals		29,144,463		29,144,463
Loan repayments		-2,908,340		-2,908,340
Dividends paid		-529,094		-529,094
Cash flow from financing activities (C)		**32,844,029**	**0**	**32,844,029**
Change in cash and cash equivalents (A + B + C)		**-3,303,443**		**-3,303,443**
Cash and cash equivalents at the beginning of the financial year		9,816,304		9,816,304
Cash and cash equivalents at the end of the financial year		6,512,861		6,512,861

Impact of the transition to the IFRS standards on the consolidated retained earnings

	01/01/15	**31/12/15**
Retained earnings FAS	12,149,164	22,139,022
IFRS adjustments		
IFRS 2	0	-34,250
IAS 12	0	6,850
Retained earnings IFRS	**12,149,164**	**22,111,623**

Notes to the reconciliation calculations on the Group's equity and profit

A. IFRS 2 Share-based payment
The company has a share-based incentive system in effect or the personnel (Share reward system 2015) for 2015–2017. The decision to establish the incentive system was made on 12 December 2014. The company's share reward system is a market-based incentive system in accordance with IFRS 2, which is measured at fair value on the date the programme was issued and it is amortised as an expense over the validity of the programme. In terms of the shares to be paid as shares, the expense is recognised as an increase in equity and as an expense in the result (IFRS 2.7–8). The cash-settled portion of the share reward system is amortised as an expense over the validity of the programme. The expense recognised for financial year 2015 is EUR 57,500. The portion of the fair value of shares of the expense, EUR 23,251, is recognised as an expense incurred by employee benefits and as an increase in equity. EUR 34,250 of the cash-settled portion of the share rewards have been recognised as an expense in the income statement, and EUR 34,250 have been recognised as accrued expenses.

B. IAS 12 Income taxes
Deferred taxes resulting from IFRS adjustments are recognised to the extent that they have caused temporary taxes. The 2015 income statement includes a total impact of EUR +6,850 related to IFRS adjustments and deferred taxes. The changes are due to the amortisation of the expenses in the cash-settled portion of the share-based payments recognised in accordance with IFRS 2.

GROUP'S KEY FIGURES

	IFRS Group 31/12/16	IFRS Group 31/12/2015	FAS Group 31/12/2014
Total revenue	7,414	3,823	1,789
Operating profit	19,304	13,720	9,582
Profit for the financial year	14,697	10,468	7,402
Operational result	2,850	1,197	405
Sum total on the balance sheet	159,768	97,274	52,096
NAV, EUR thousand	83,055	49,908	30,389
NNAV, EUR thousand	74,841	45,167	28,068
Equity ratio, %	46.8 %	46.4 %	53.9 %
Net gearing, %	90.3 %	87.0 %	40.1 %
Return on equity, %	24.5 %	28.6 %	37.1 %
Earnings per share (undiluted), EUR	0.75	0.79	0.82
Earnings per share (diluted), EUR	0.75	0.79	0.82
Dividend per share**	0.10*	0.07	0.06
Operational result per share, EUR	0.15	0.09	0.04
NAV/share, EUR	4.00	3.22	2.38
NNAV/share, EUR	3.60	2.92	2.20
Net return, %	6.9 %	7.1 %	7.6 %
Value of the agreement portfolio***	214,219	139,286	92,736
Average maturity of the agreement portfolio (years)	14.2	14.4	14.4
Economic occupancy rate, %	100 %	100 %	100 %
Number of shares adjusted for the share issue at the end of the period	20,788,859	15,486,951	12,786,951
Average number of shares adjusted for the share issue during the period	19,495,409	13,208,595	9,010,825
Average number of shares adjusted for the share issue during the period, diluted	19,618,457	13,249,532	9,010,825
Number of employees at the end of the period	11	7	5
Average number of personnel during the period	10	7	4

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

KEY FIGURE FORMULAS

Equity ratio, %

$$= \frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$$

Net gearing, %

$$= \frac{\text{Interest-bearing liabilities - cash in hand and at banks}}{\text{Equity}} \times 100$$

Return on equity, %

$$= \frac{\text{Profit/loss for the financial year}}{\text{Average equity during the financial year}} \times 100$$

Earnings per share (EPS), EUR

$$= \frac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares in the review period}}$$

Economic occupancy rate, %

$$= \frac{\text{Gross rents for the review period / number of months}}{\text{Potential gross rents / number of months}} \times 100$$

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, %

$$= \frac{\text{Annualised rental income for the month of the financial statements - the forecast 12-month expenses of the properties in question}}{\text{Value of the investment properties generating rental cash flow for the month of the financial statements}} \times 100$$

Dividend per share, EUR

$$= \frac{\text{Dividend paid for the financial year}}{\text{Number of shares entitled to dividend}}$$

PARENT COMPANY'S INCOME STATEMENT

EUR	Note	2016	2015
TOTAL REVENUE	1	**7,618,086.35**	**3,938,231.64**
Other operating income	2	106,679.16	880,127.40
Personnel expenses			
Salaries, wages and remuneration	3	-1,157,949.29	-702,587.07
Indirect personnel expenses			
Pension expenses	3	-190,146.10	-119,739.42
Other personnel expenses	3	-48,610.31	-27,980.38
		-1,396,705.70	-850,306.87
Depreciation and impairment losses			
Depreciation according to plan	5	-217,090.19	-5,602.89
		-217,090.19	-5,602.89
Other operating expenses	4	-6,923,094.68	-3,559,915.38
OPERATING PROFIT (LOSS)		**-812,125.06**	**402,533.90**
Financial income and expenses	6		
Other interest and financial income			
From Group companies		1,608,008.93	803,362.48
From others		2,817.84	12,224.05
Interest and other financial expenses			
From others		-73,524.70	-19,194.23
		1,537,302.07	796,392.30
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**725,177.01**	**1,198,926.20**
Appropriations			
Increase (-)/decrease (+) in depreciation difference		-4,689.96	0.00
		-4,689.96	0.00
Income taxes			
Taxes for the financial year	7	-141,301.37	-240,030.29
		-141,301.37	-240,030.29
PROFIT (LOSS) FOR THE FINANCIAL YEAR		**579,185.68**	**958,895.91**

PARENT COMPANY'S BALANCE SHEET FAS

EUR	Note	**2016**	**2015**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	8	13,399.97	8,400.00
Other expenses with long-term effects	8	628,753.15	1,300.00
		642,153.12	**9,700.00**
Property, plant and equipment			
Machinery and equipment	8	21,723.37	21,850.12
		21,723.37	**21,850.12**
Investments			
Holdings in Group companies	9	192,987.60	110,000.00
Receivables from Group companies	10	239,413.34	239,413.34
		432,400.94	**349,413.34**
		1,096,277.43	**380,963.46**
CURRENT ASSETS			
Receivables			
Non-current			
Receivables from Group companies	10	39,042,730.64	19,393,646.88
		39,042,730.64	**19,393,646.88**
Current			
Trade receivables		115,979.59	0.00
Receivables from Group companies	10	4,558,399.07	2,148,837.03
Other receivables	11	11,722.19	24,712.52
Accrued income	11	123,629.45	154,041.89
		4,809,730.30	**2,327,591.44**
Cash in hand and at banks		**230,260.38**	**4,385,204.94**
		44,082,721.32	**26,106,443.26**
ASSETS TOTAL		**45,178,998.75**	**26,487,406.72**

PARENT COMPANY'S BALANCE SHEET FAS

EUR	Note	2016	2015
LIABILITIES			
EQUITY			
Share capital	12	80,000.00	50,000.00
Invested non-restricted equity reserve	12	39,779,894.19	23,005,805.03
Retained earnings/losses	12	2,113,177.17	2,187,951.86
Profit/loss for the financial year	12	579,185.68	958,895.91
		42,552,257.04	**26,202,652.80**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		5,546.62	856.66
		5,546.62	**856.66**
DEBT CAPITAL			
Non-current			
Loans from financial institutions	16	1,660,018.48	0.00
		1,660,018.48	**0.00**
Current			
Advances received		67,900.00	20,011.41
Trade payables		40,631.61	67,349.81
Liabilities to Group companies	14	551,859.65	36,405.64
Other liabilities		122,682.91	74,615.66
Accrued expenses	15	178,102.44	85,514.74
		961,176.61	**283,897.26**
		2,621,195.09	**283,897.26**
LIABILITIES TOTAL		**45,178,998.75**	**26,487,406.72**

PARENT COMPANY'S CASH FLOW STATEMENT FAS

EUR	Note	2016	2015
Cash flow from operations			
Profit before taxes		720,487.05	1,198,926.20
Adjustments			
Depreciation according to plan		217,090.19	5,602.89
Financial income and expenses		-1,537,302.07	-796,392.30
Other adjustments		4,689.96	-880,127.40
Cash flow before change in working capital		-595,034.87	-471,990.61
Change in working capital			
Current non-interest bearing operating receivables increase (-) / decrease (+)		-916,233.85	-535,801.74
Increase (+) / decrease (-) in current non-interest-bearing liabilities		677,279.35	-103,375.49
Cash flow from operations before financial items and taxes		**-833,989.37**	**-1,111,167.84**
Paid interest and payments from other financial expenses of operations		-73,524.70	-19,194.23
Interest received from operations		2,817.84	12,224.05
Direct taxes paid		-99,197.45	-238,671.94
Cash flow from operations (A)		**-1,003,893.68**	**-1,356,809.96**
Cash flow from investment activities			
Investments in tangible and intangible assets		-849,416.56	-26,975.30
Investments in other investments		-82,987.60	-42,500.00
Loans granted	10	-19,649,083.76	-10,503,674.96
Capital gain from other investments		0.00	1,745,446.43
Cash flow from investment activities (B)		**-20,581,487.92**	**-8,827,703.83**
Cash flow from financing activities			
Equity increase through share issue	12	16,804,089.16	7,137,000.00
Withdrawals of long-term loans	16	1,660,018.48	0.00
Dividends paid	12	-1,033,670.60	-529,093.89
Cash flow from financing activities (C)		**17,430,437.04**	**6,607,906.11**
Change in cash and cash equivalents (A + B + C), increase (+) / decrease (-)		**-4,154,944.56**	**-3,576,607.68**
Cash and cash equivalents at the beginning of the financial year		4,385,204.94	7,961,812.62
Cash and cash equivalents at the end of the financial year		230,260.38	4,385,204.94

PARENT COMPANY'S NOTES TO THE FINANCIAL STATEMENTS

Valuation and amortisation principles

The company's non-current assets have been measured at acquisition cost less depreciation according to plan.

The depreciation periods are:

Intangible rights	5 years, straight-line depreciation
Other expenses with long-term effects	3 years, straight-line depreciation
Machinery and equipment	10 years, straight-line depreciation

Valuation of financial instruments

Financial assets are measured at acquisition cost or the probable transfer price, whichever is lower. The company hedges against changes in the interest rate level in accordance with the hedging policy defined by the company's Board of Directors. 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 is two (2) years +/- six (6) months. On 31 December 2016, the parent company had four (4) interest rate swaps, with the total equity of EUR 26,000,000. The fair value of the interest rate swaps was EUR -309,692 on 31 December 2016. The interest rate swaps have not been recognised in the balance sheet, since the Group applies hedge accounting to interest rate swaps and the hedging is effective.

Amortisation of income

For the most part, the company's revenue consists of rental income from investment properties. Rental income and other items included in revenue are recognised on an accrual basis.

1. TOTAL REVENUE		
EUR	**2016**	**2015**
Rental income from properties	7,409,462.35	3,813,823.24
Sales to Group companies	204,750.00	115,000.00
Other sales	3,874.00	9,408.40
Total	**7,618,086.35**	**3,938,231.64**

Rental income from investment properties consisted of the rental income of day care centres and nursing homes located in Finland. The rest of revenue consisted of other sales to Finland.

2. OTHER OPERATING INCOME		
EUR	**2016**	**2015**
Profits from transfers of properties	0.00	880,127.40
Other operating income	106,679.16	0.00
Total	**106,679.16**	**880,127.40**

3. INFORMATION CONCERNING PERSONNEL AND RELATED PARTIES		
EUR	**2016**	**2015**
Average number of personnel	10	7
Salaries and other remuneration of the CEO	-461,863.89	-229,447.78
Salaries and other remuneration of the Board of Directors	-121,900.00	-85,265.00
Other salaries and remuneration	-574,185.40	-387,874.29
Pension insurance payments	-190,146.10	-119,739.42
Other personnel expenses	-48,610.31	-27,980.38
Total	**-1,396,705.70**	**-850,306.87**

4. OTHER OPERATING EXPENSES		
	2016	**2015**
Maintenance charges and financing contributions paid to Group companies	-6,081,607.46	-3,084,940.12
Other operating expenses	-841,487.22	-474,975.26
Total	-6,923,094.68	-3,559,915.38

Auditor's fees	**2016**	**2015**
Audit	-18,622	-13,840
Certificates and statements	-1,100	-3,550
Other services	-54,985	0
Total	**-74,707**	**-17,390**

5. DEPRECIATION AND IMPAIRMENT LOSSES		
EUR	**2016**	**2015**
Depreciation according to plan	-217,090.19	-5,602.89
Total	**-217,090.19**	**-5,602.89**

6. FINANCIAL INCOME AND EXPENSES		
EUR	**2016**	**2015**
Dividend and interest income from Group companies	1,608,008.93	803,362.48
Other interest income	2,817.84	12,224.05
Other interest expenses	-73,524.70	-19,194.23
Total	**1,537,302.07**	**796,392.30**

7. INCOME TAXES		
EUR	**2016**	**2015**
Income tax for ordinary operations	-141,301.37	-240,030.29
Total	**-141,301.37**	**-240,030.29**

8. INTANGIBLE ASSETS AND MACHINERY AND EQUIPMENT

EUR	Intangible rights	Other expenses with long-term effects	Machinery and equipment	Total
Acquisition cost 1 Jan 2015	6,000.00	0.00	7,454.41	13,454.41
Increases	6,000.00	1,950.00	19,025.30	26,975.30
Decreases	0.00	0.00	0.00	0.00
Acquisition cost 31 Dec 2015	12,000.00	1,950.00	26,479.71	40,429.71
Accumulated depreciation, amortisation and impairments 1 Jan 2015	-1,200.00	0.00	-2,076.70	-3,276.70
Depreciation and amortisation during the financial year	-2,400.00	-650.00	-2,552.89	-5,602.89
Accumulated depreciation and amortisation 31 Dec 2015	-3,600.00	-650.00	-4,629.59	-8,879.59
Book value 31 Dec 2015	**8,400.00**	**1,300.00**	**21,850.12**	**31,550.12**

EUR	Intangible rights	Other expenses with long-term effects	Machinery and equipment	Total
Acquisition cost 1 Jan 2016	12,000.00	1,950.00	26,479.71	40,429.71
Increases	9,250.00	837,470.91	2,695.65	849,416.56
Decreases	0.00	0.00	0.00	0.00
Acquisition cost 31 Dec 2016	21,250.00	839,420.91	29,175.36	889,846.27
Accumulated depreciation. amortisation and impairments 1 Jan 2016	-3,600.00	-650.00	-4,629.59	-8,879.59
Depreciation and amortisation during the financial year	-4,250.03	-210,017.76	-2,822.40	-217,090.19
Accumulated depreciation and amortisation 31 Dec 2016	-7,850.03	-210,667.76	-7,451.99	-225,969.78
Book value 31 Dec 2016	**13,399.97**	**628,753.15**	**21,723.37**	**663,876.49**

The expenses incurred by the listing in the First North market in spring 2016, EUR 837,470.91, were recognised in the expenses with long-term effects in the balance sheet. The expenses related to the listing will be depreciated on a straight-line basis in three years starting from 1 April 2016.

9. HOLDINGS IN OTHER COMPANIES

Company	Address	Parent holding 2016	Parent holding 2015
Kiinteistö Oy Espoon Hirvisuontie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Espoon Opettajantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Espoon Vuoripirtintie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Heinolan Lähteentie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Hollolan Sarkatie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Kokkolan Vanha Ouluntie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Kotkan Loitsutie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Kouvolan Pappilantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Kuopion Rantaraitti	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Lohjan Ansatie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Mäntyharjun Lääkärinkuja	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Mäntyharjun Taavetintie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Nokian Näsiäkatu	Lentokatu 2, 90460 Oulunsalo	100 %	0 %

Company	Address	Parent holding 2016	Parent holding 2015
Kiinteistö Oy Orimattilan Suppulanpolku	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Oulun Ukkoherrantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Oulun Ukkoherrantie B	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Porin Palokärjentie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Porvoon Fredrika Runeberginkatu	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Porvoon Vanha Kuninkaantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Rovaniemen Ritarinne	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Ruskon Päällistönmäentie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Sipoon Satotalmantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Ulvilan Peltotie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku A	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku B	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Uudenkaupungin Merimetsopolku C	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Uudenkaupungin Puusepänkatu	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Vantaan Mesikukantie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Varkauden Kaura-ahontie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Vihdin Koivissillankuja	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Jyväskylän Haperontie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Kajaanin Erätie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Keravan Männiköntie	Lentokatu 2, 90460 Oulunsalo	100 %	0 %
Kiinteistö Oy Espoon Fallåkerinrinne	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Espoon Meriviitantie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Espoon Tikasmäentie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Jyväskylän Väliharjuntie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kajaanin Menninkäisentie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kangasalan Mäntyveräjäntie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kirkkonummen Kotitontunkuja	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kouvolan Kaartokuja	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kouvolan Toukomiehentie B	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kouvolan Vinttikaivontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Kuopion Sipulikatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Lahden Vallesmanninkatu A	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Lahden Vallesmanninkatu B	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Laukaan Hytösenkuja	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Limingan Kauppakaari	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Loviisan Mannerheiminkatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Maskun Ruskontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Mäntsälän Liedontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Nokian Vikkulankatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Nurmijärven Laidunalue	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Nurmijärven Vehnäpellontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Oulun Kehätie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %

Company	Address	Parent holding 2016	Parent holding 2015
Kiinteistö Oy Oulun Paulareitti	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Oulun Rakkakiventie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Paimion Kämmekkä	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Pirkkalan Lehtimäentie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Porin Ojantie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Porvoon Peippolankuja	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Raision Tenavakatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Siilinjärven Sinisiipi	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Tampereen Lentävänniemenkatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Turun Kukolantie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Turun Teollisuuskatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Turun Vakiniituntie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Turun Vähäheikkiläntie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Uudenkaupungin Salmenkatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Vantaan Koetilankatu	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Vantaan Punakiventie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Vantaan Tuovintie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Vantaan Vuohirinne	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Vihdin Vanhan-Sepän tie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Ylöjärven Mustarastaantie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %
Kiinteistö Oy Ylöjärven Työväentalontie	Lentokatu 2, 90460 Oulunsalo	100 %	100 %

10. RECEIVABLES FROM GROUP COMPANIES

EUR	2016	2015
Non-current Group loan receivables	39,282,143.98	19,633,060.22
Prepayments and accrued income	2,679,381.67	1,106,517.19
Other Group receivables	1,879,017.40	1,042,319.84
Total	**43,840,543.05**	**21,781,897.25**

11. ESSENTIAL ITEMS RELATED TO PREPAYMENTS AND ACCRUED INCOME AND OTHER PREPAID EXPENSES

EUR	2016	2015
Verosaaminen	11,722.19	24,712.52
Other accrued income	123,629.45	154,041.89
Total	**135,351.64**	**178,754.41**

12. EQUITY		
EUR	**2016**	**2015**
Share capital 1 Jan	50,000.00	50,000.00
Change in the financial year	30,000.00	0.00
Share capital 31 Dec	80,000.00	50,000.00
Invested non-restricted equity reserve 1 Jan	23,005,805.03	15,868,805.03
Amount entered in share capital	-30,000.00	0.00
Share issue	16,804,089.16	7,137,000.00
Invested non-restricted equity reserve 31 Dec	39,779,894.19	23,005,805.03
Profit from previous periods 1 Jan	3,146,847.77	2,717,045.80
Distribution of dividends	-1,033,670.60	-529,093.94
Profit from previous periods 31 Dec	2,113,177.17	2,187,951.86
Profit for the financial year	579,185.68	958,895.91
Total shareholders' equity 31 Dec	**42,552,257.04**	**26,202,652.80**

13. DISTRIBUTABLE FUNDS		
EUR	**2016**	**2015**
Invested non-restricted equity reserve	39,779,894.19	23,005,805.03
Profit from previous financial years	2,113,177.17	2,187,951.86
Profit/loss for the financial year	579,185.68	958,895.91
Total	**42,472,257.04**	**26,152,652.80**

14. LIABILITIES TO GROUP COMPANIES		
EUR	**2016**	**2015**
Short-term Group liabilities	551,859.65	36,405.64
Total	**551,859.65**	**36,405.64**

15. ESSENTIAL ITEMS IN ACCRUALS AND DEFERRED INCOME		
EUR	**2016**	**2015**
Personnel expense amortisations	111,647.16	70,416.49
Income taxes	0.00	5,901.36
Other	66,455.28	9,196.89
Total	**178,102.44**	**85,514.74**

16. COLLATERAL AND CONTINGENT LIABILITIES				
EUR	Loan capital	Property mortgages	Pledges given	Collateral total
Loans from financial institutions	1,660,018.48	0.00	10,808,650.22	10,808,650.22
Other liabilities with collateral	0.00	0.00	0.00	0.00
Total	**1,660,018.48**	**0.00**	**10,808,650.22**	**10,808,650.22**

* The parent company had a total limits of EUR 4,000,000 available, of which EUR 1,660,018.48 were in use on the balance sheet date.

Collateral given by the parent company on behalf of subsidiaries		
EUR	**2016**	**2015**
Financial guarantees given by the parent company on behalf of subsidiaries	70,248,255.14	45,819,573.32
Share pledges given by the parent company on behalf of subsidiaries	57,500.00	57,500.00
Other pledges given by the parent company on behalf of subsidiaries / pledging of Group receivables	10,751,150.22	9,931,736.88
Total	**81,056,905.36**	**55,808,810.20**

Off-balance sheet leasing liabilities		
EUR	**2016**	**2015**
Payable in one year	49,584.42	26,784.17
In one to five years	45,144.24	15,177.84
In more than five years	0.00	0.00
Leasing liabilities, total	**94,728.67**	**41 962.01**

SHARE INFORMATION

Largest registered shareholders 31 Dec 2016		
Shareholder	**Shares**	**%**
Nurture Property Holding Oy	3,078,381	14.8 %
Nurture Real Estate Holding Oy	1,688,631	8.1 %
Hintsala Eino	941,439	4.5 %
Pekkarinen Timo Jaakko	896,489	4.3 %
Milerosa Oy	654,776	3.1 %
Ahola Tuomas Veli	626,908	3.0 %
Mevita Invest Oy	579,318	2.8 %
OP-Suomi Arvo -sijoitusrahasto	525,757	2.5 %
Kusinkapital Ab	444,758	2.1 %
Hyväri Harri Tapani	432,348	2.1 %
Lunacon Oy	397,986	1.9 %
Väisänen Ahti Pekka Olavi	390,000	1.9 %
OP-Suomi Pienyhtiöt -sijoitusrahasto	359,863	1.7 %
Sr Arvo Finland Value	314,500	1.5 %
Eläkevakuutusosakeyhtiö Veritas	300,000	1.4 %
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	298,616	1.4 %
Karjula Jussi Pekka	292,515	1.4 %
Misaelma Holding Oy	253,581	1.2 %
Lydman Toni Petteri	234,723	1.1 %
Pitkänen Joni Henrik	231,121	1.1 %
20 largest shareholders total	12,941,710	62.3 %
Other shareholders	7,847,149	37.7 %
All shares total	20,788,859	100.0 %

Shareholdings 31 December 2016				
	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–100	955	23.9 %	55,255	0.3 %
101–500	1776	44.5 %	494,366	2.4 %
501–1,000	578	14.5 %	473,158	2.3 %
1,001–5,000	527	13.2 %	959,242	4.6 %
5,001–10,000	50	1.3 %	386,961	1.9 %
10,001–50,000	52	1.3 %	1,286,910	6.2 %
50,001–100,000	15	0.4 %	968,286	4.7 %
100,001–500,000	32	0.8 %	7,172,982	34.5 %
500,001–	8	0.2 %	8,991,699	43.3 %
Total	**3993**	**100.0 %**	**20,788,859**	**100 %**

Shareholders by sector 31 December 2016		
	Number of shares	Shares, %
Households	9,331,281	44.9 %
Public sector entities	300,000	1.4 %
Financial and insurance institutions	2,043,278	9.8 %
Companies	8,868,683	42.7 %
Non-profit entities	63,365	0.3 %
Foreign ownership	182,252	0.9 %
Combined total	**20,788,859**	**100.0 %**
Of which nominee registered	405,252	

The company's shares are listed on the First North Finland market of Nasdaq Helsinki Oy on 31 March 2016.

Reserved trading code	HOIVA
ISIN code	FI4000148648
Highest price of the share during the financial year (EUR)	8.49
Lowest price of the share during the financial year (EUR)	3.50
Closing price of the share at the end of the financial year (EUR)	8.32
Market value 31 December 2016 (EUR)	172,963,307
Trading volume 31 March–31 December 2016 (pcs)	5,137,731
Number of shares 31 December 2016 (pcs)	20,788,859

SIGNATURES TO THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

Helsinki, 1 February 2017

Pertti Huuskonen, chairman of the Board of Directors

Reijo Tauriainen, member of the Board of Directors

Kristiina Hautakangas, member of the Board of Directors

Timo Pekkarinen, member of the Board of Directors

Mammu Kaario, member of the Board of Directors

Jussi Karjula, CEO

AUDITOR'S NOTE

Our auditor's report was issued today.

Helsinki, 1 February 2017

KPMG Oy Ab
Authorised Public Accountants
Tapio Raappana, APA

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF SUOMEN HOIVATILAT OYJ

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Suomen Hoivatilat Oyj (business identity code 2241238-0) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion
• The consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
• The financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 1 February 2017
KPMG Oy Ab

Tapio Raappana
Authorised Public Accountant, KHT

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