HOIVATILAT

FINANCIAL STATEMENTS 2017

Suomen Hoivatilat Oyj
Financial Statements Bulletin for 2017

Revenue grew by almost 70%, strong operational result

Financial Statements Bulletin for 2017

Suomen Hoivatilat Oyj stock exchange release, 13/02/2018, 8:00 a.m.

January–December 2017 in brief (January–December 2016 in brackets for comparison)

- Revenue: EUR 12.4 (7.4) million, growth 66.9%
- Profit for the financial year: EUR 25.5 (14.7) million, growth 73.5%
- Operational result: EUR 5.4 (2.9) million, growth 90.7%
- Earnings per share, undiluted: EUR 1.05 (0.75), growth 40.0%
- Earnings per share, diluted: EUR 1.04 (0.75), growth 38.7%
- Operational result per share: EUR 0.22 (0.15), growth 46.7%
- Value of investment properties: EUR 247.1 (154.8) million, growth 59.7%
- Economic occupancy rate: 100% (100%)
- Net asset value (NAV) per share: EUR 5.67 (4.00), growth 41.8%
- Value of the agreement portfolio (no index increases): EUR 316.0 (214.2) million, growth 47.5%
- Average maturity of the agreement portfolio: 14.4 (14.2) years.

July–December 2017 in brief (July–December 2016 in brackets for comparison)

- Revenue: EUR 7.1 (4.0) million, growth 74.3%
- Profit for the period: EUR 10.7 (8.1) million, growth 33.0%
- Operational result: EUR 3.3 (1.6) million, growth 113.0%
- Earnings per share, undiluted: EUR 0.42 (0.39), growth 7.7%
- Earnings per share, diluted: EUR 0.42 (0.39), growth 7.7%
- Operational result per share: EUR 0.13 (0.07), growth 85.7%

Financial guidance for 2018

The company expects its total revenue to reach at least EUR 17.5 million in 2018. The operating profit is expected to amount to approximately 40 per cent of the revenue. The fair value of investment properties is expected to be at least EUR 340 million at the end of 2018.

The guidance is based on the assumption that the company will not have any significant purchases or sales of ready investment properties in 2018 and that the return requirements used for valuation remain at their present level.

Jussi Karjula, CEO:

For Hoivatilat, 2017 was a year with significant quantum leaps of growth. During the year, all key indicators improved considerably: revenue grew by almost 70%, the value of investment properties increased by approximately 60% and operating profit by more than 70%. The return on equity – an indicator important to shareholders – was also excellent at 25%. During the year, we implemented 34 projects regarding facilities for early education and care services. The number of our employees increased, and our cooperation network expanded further. We succeeded well in serving our long-term partners and in winning new customers.

For many years now, Hoivatilat has been a strong actor in kindergarten, nursing home and service block projects. We have implemented or started approximately 80 kindergarten projects and approximately 50 nursing home projects for different target groups in more than 50 municipalities. As a new opening, we published the "Investment-free school" concept in September 2017. The new curriculum will speed up the renewal of learning environments. Studying will increasingly focus on learning by doing, problem-solving and the students' own deliverables. Our school concept provides one solution to this need for change.

Aged properties with their inherent problems will also speed up the process of reforming the facilities. In addition to technically flexible facility solutions, the models of ownership and real estate management are also undergoing a change. The facilities can be rented and the responsibility for their life span can be borne by a private operator so that rather than concentrating on walls, the municipality can concentrate on its core mission, the production of good services. Hoivatilat is actively participating in this change process. Last autumn, we initiated the first life span project of Hoivatilat, implemented for the Municipality of Siilinjärvi with a 20-year lease and maintenance agreement.

Material events during the review period

During the financial period, a total of 34 (18) new real estate properties were completed, seven in Uusimaa, four in the Kouvola region, three in the Turku region and two in each of the regions of Tampere, Oulu, Kuopio and Lahti. Individual properties were implemented in several locations including Jyväskylä, Kajaani, Mikkeli, Kokkola and Tornio. Furthermore, a service block consisting of three real estate properties was completed in Uusikaupunki.

On 1 March 2017, the company was moved from the market place of First North to the list of Nasdaq Helsinki. The move was driven by the aim to increase the company's auspiciousness, to improve the liquidity of its shares and to involve new owner groups. At the end of March, the company carried out a shares issue directed at institutional investors where 4,500,000 new shares were subscribed and

EUR 31.5 million of new capital was collected before expenses. In addition, the issue significantly improved the company's possibilities to increase its real estate portfolio. The issue introduced notable investors into the company's owner base from Sweden, Norway and the UK, in addition to Finland. The investors' interest in Hoivatilat remained strong throughout the year, and at the end of the financial period, the company already had over 8,200 shareholders.

Economic operating environment and market outlook

The ministry of Finance expects the gross domestic product to grow by 2.4% in 2018 and by 1.9% in 2019. During the third quarter of 2017, the GDP increased by 3.0% year-on-year. Private consumption will continue to grow supported by better employment figures, there are no signs of the housing construction cycle slowing down, and plenty of production-related investments have been made. The rapid recovery of exports was above all brought about by the increase in world trade and positive developments in the economy of most of Finland's important export countries. Exports grow, driven by demand, and Finland is no longer losing its market shares. Employment will also grow faster in 2018.

The salaries and wages are expected to increase faster in 2018 and 2019. The units costs will increase, but more moderately than in our competitor countries, and the competitiveness of Finnish production will keep improving. The public debt-to-GDP ratio took a downward turn in 2016. The rapid growth of the gross domestic product reduces the public debt ratio which seems to decrease below 60 per cent in 2019. When economic growth slows down and the age-related expenses keep increasing, there is a risk that the debt ratio starts rising again in the next decade.

Finland and the eurozone is an environment of low interest rates. Low interest rates and the high investor demand have reduced the levels of required return and increased the values of real estate properties.

A reform of social and health services of historical proportions is in progress in Finland. It will transfer the responsibility for arranging social and health services to 18 autonomous regions from 1 January 2020. Increasing and enabling the citizens' freedom of choice is an essential element of the reform, and that is expected to open new opportunities in service production to enterprises and third-sector operators. The aim of the social and health services reform is to reduce the differences in health and well-being and to control costs. In order to attain these goals, the social and health services will be combined at all levels in line with the Government's decision. The legislation governing freedom of choice is a key element of the social and health services reform. It will allow users to choose a private service more often, which in the opinion of Hoivatilat would lead to an increase in the provision of private services and further to an increase in the need for private-sector funded care facilities.

The time for commenting the draft of the act governing freedom of choice ended on 15 December 2017. Most of the parties commenting the draft took a positive attitude towards the principle of extending the freedom of choice. The proposed model for freedom of choice is also expected to promote a change in models of operation and create new service innovations. However, most of the parties commenting the draft are critical of the notion that the proposed model for freedom of choice could reduce the differences in health and well-being of Finnish people. Most of the parties commenting the draft are also sceptical about the possibilities for curbing the increase of social and health service costs by three billion euros. The act governing freedom of choice will be finalised by civil servants. The government bill regarding freedom of choice will be presented to Parliament in March 2018. The entire package of region reform and social and health services reform is to be passed by Parliament by the end of the spring schedule of plenary sessions.

Basically, the education and culture services as well as early childhood education services will be part of the municipalities' basic duties, just as now.

Hoivatilat expects the following market trends it has identified to support the company's growth:

- Ageing of the population and weakening of the dependency ratio
- Urbanisation and concentration of population
- Increasing public debt
- Increased use of private health and social services
- Structural reform of social and healthcare sector services
- Growth of the market for social and health services and housing services
- Status of the building stock of kindergartens in the market for early childhood education services and increasing popularity of service vouchers

Sources: Economic review 19 December 2017 vm.fi and alueuudistus.fi 19 January 2017.

Research and development

During the 2017 financial period, Hoivatilat invested resources particularly in the development of new concepts, such as service blocks and schools. A project for reducing the life span costs of the properties was initiated last year, further developing models for the energy-efficient heating and lighting of properties. Geothermal heating and LED lights, for example, have been found to be energy-efficient and functional solutions.

During the year, a life span model of Hoivatilat was developed, where the company assumes a bigger role in the servicing and maintenance of real estate properties. The first life span project was started in the autumn in cooperation with the municipality of Siilinjärvi. At the end of the year, a kindergarten was completed in Jyväskylä, where particular attention was paid to the possibility of monitoring indoor air quality in real time. A smart heating system is also being tested at the same site. It predicts changes in outdoor temperature, allowing savings to be made in energy consumption.

Financial review

Financial development

The revenue of Hoivatilat amounted to EUR 12.4 (7.4) million, a growth of 66.9% from 2016. The revenue consisted almost entirely of lease income. The increase of revenue results from the considerable increase in the number of the company's leased properties during the past 12 months. Income from measuring investment properties at fair value was EUR 25.1 (14.8) million. The property maintenance costs amounted to EUR -1.0 (-0.6) million, an increase of 55.7% compared to the previous year. The net lease income for the review period amounted to EUR 11.4 (6.8) million, an increase of 68.0%. At the end of the financial period, the company had 90 (56) real estate properties producing a cash flow from rents. Their net rental income was 6.5% (6.9%).

The staff costs amounted to EUR -1.9 (-1.5) million, an increase of 28.5%. The average number of employees during the financial period was 13 (10). The administrative expenses amounted to EUR -1.2 (-0.8) million, an increase of 55.5% from the previous year.

The operating profit was EUR 33.3 (19.3) million, an increase of 72.6%.

The net result of financial income and costs amounted to EUR -1.4 (-0.9) million, an increase of 61.7%. The increase of financial costs was due to an increase in interest-bearing liabilities. At the end of the financial period, the average rate of interest of the Group's liabilities was 1.53% (1.69%). Taxes based on the taxable income of the financial period were EUR -0.3 (-0.1) million and deferred taxes due to changes in the fair values of properties were EUR -6.1 (-3.6) million.

The net result for the financial period amounted to EUR 25.5 (14.7) million, an increase of 73.5% from the comparison period. The undiluted earnings per share were EUR 1.05 (0.75), and diluted earnings per share were EUR 1.04 (0.75). Operational result was EUR 5.4 (2.9) million, an increase of 90.7% from the previous year

At the end of the financial period, the consolidated balance sheet total stood at EUR 258.1 (159.8) million, an increase of 61.5% from the previous financial period.

Investments

During the financial period of 2017, real estate investments with a total acquisition value of EUR 67.2 (49.5) million were implemented. In all, 34 (18) new properties were completed during the financial period.

Financing

During the financial period of 2017, cash flow from operations amounted to EUR 6.2 million, having been EUR 2.9 million in the previous year. Cash flow from investments was EUR -68.2 (-46.9) million, mainly consisting of investments in new real estate properties. Cash flow from financing was EUR 67.6 (41.9) million, of which the share issue implemented in spring 2017 represented EUR 31.5

million. At the end of the financial period, the Group's liquid assets stood at EUR 9.8 (4.3) million and financial liabilities at EUR 110.1 (71.9) million. On the balance sheet date, the Group had at its disposal cheque account overdraft facilities of EUR 4.0 million, of which EUR 0.0 million was in use.

Properties and agreements

On 31 December 2017, the company had 90 (56) completed properties generating rental cash flow. There were a total of 39 (30) properties in progress and at the starting phase. The fair value of investment properties totalled EUR 247.1 (154.8) million, and net return of the portfolio was 6.5% (6.9%). The fair value of investment properties is based on property valuations carried out by Realia Management Oy as at 31 December 2017. The valuation statement of Realia Management Oy is available on Suomen Hoivatilat Oyj's website at www.hoivatilat.fi.

Properties 31/12/2017	Completed	Under construction and not started*	Total
Properties, total	90	39	129
For rent, floor ^{2}	78,452	34,384	112,835
Investment (acquisition cost), EUR thousand	170,710	81,806	252,516
Annual rents, EUR thousand	15,893	6,647	22,541

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

On 31 December 2017, the company had a total of 129 (86) leases (including letters of intent), which were divided between 30 (20) clients. The value of the agreement portfolio was EUR 316.0 (214.2) million, and the average maturity of the entire agreement portfolio was 14.4 (14.2) years. The company's three largest key clients accounted for approximately 55 (67) per cent of the agreement portfolio on 31 December 2017. The share of the largest client in the agreement portfolio was 23 (29) per cent, that of the second largest client was 22 (27) per cent and that of the third largest client was 10 (11) per cent. Otherwise, the company has a diverse client base in both day care centres and nursing homes. The company's most important tenants are Finland's largest chains in the nursing and day care sector and well-known brands.

Sixty 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. Of the agreement portfolio, 22 per cent was made up of properties in other municipalities with more than 30,000 inhabitants and 18 of properties in municipalities with less than 30,000 inhabitants for which it has been assessed that the demographic structure of population also provides a readily predictable need for services in the future.

Area	Share of the agreement base
Greater Helsinki area / Uusimaa	21%
Lahti Region	8%
Tampere Region	8%
Turku Region	8%
Oulu Region	5%
Kuopio Region	5%
Jyväskylä Region	5%
Other municipalities with more than 30 000 inhabitants	22%
Other localities	18%
Total	100%

Shares and shareholders

The number of the company's shares was 25,288,859 on 31 December 2017. The company holds no own shares. The closing price of the company's share on 29 December 2017 was EUR 7.30 and the combined market value of the shares was EUR 184.6 million. During the period under review, the company's highest closing price was EUR 9.12 and the lowest EUR 7.00. During the year, the turnover of Suomen Hoivatilat Oyj's shares was 64.9 million shares.

On 1 March 2017, the company was moved from the market place of First North to the list of Nasdaq Helsinki. At the end of March, the company carried out a shares issue directed at institutional investors where 4,500,000 new shares were subscribed and EUR 31.5 million of new capital was collected before expenses. The issue allowed the real estate portfolio to be significantly increased. The issue introduced notable investors into the company's owner base from Sweden, Norway and the UK, in addition to Finland. The number of the company's shareholders more than doubled during the year and was 8,243 on 31 December 2017.

Disclosure notifications

On 3 March 2017, OP Rahastoyhtiö Oy announced that the shareholding and voting rights held by OP-Suomi Arvo and OP-Suomi Pienyhtiöt investment funds managed by it in Hoivatilat have exceeded the five per cent limit.

On 28 March 2017, Timo Pekkarinen announced that the total shareholding and voting rights held by Tirinom Oy, a company controlled by him, in Hoivatilat have decreased below the five per cent limit.

On 28 March 2017, Partnera Oy announced that the total shareholding and voting rights held by Nurture Property Holding Oy and Nurture Real Estate Holding Oy, the companies controlled by it, in Hoivatilat have decreased below the 20 per cent limit.

On 11 May 2017, Länsförsäkningar Fondförvaltning AB announced that its shareholding and voting rights in Hoivatilat have exceeded the five per cent limit.

On 16 October 2017, OP Rahastoyhtiö Oy announced that the shareholding and voting rights held by OP-Suomi investment fund managed by it in Hoivatilat have exceeded the five per cent limit.

Group structure

At the end of the financial period on 31 December 2017, the Hoivatilat Group consisted of 109 subsidiary companies in addition to Suomen Hoivatilat Oyj. The Group's operational activities are concentrated in the parent company. The subsidiaries are mutual real estate companies, all wholly owned by the parent company.

Assessment of risks and uncertainties regarding the operations

Financial and strategic risks

The uncertainty of global economy and financial markets may affect the company. If the Finnish economy develops unfavourably in the future and regional differences increase, it may have an adverse effect on the company's business, results from operations, financial position and/or future prospects.

The strategic risks include those related to the competitive situation in the market and dependency on a limited number of customers. The sector has become increasingly attractive as an investment subject, which is why new actors have entered the market. The future growth of the company will depend on the successful implementation of its business strategy.

The real estate projects owned by Hoivatilat are designed and built for use as nursing homes and kindergartens as well as service blocks combining these. However, the company already prepares during the design phase of real estate projects for the possibility that the premises in the properties could be modified and thus utilised for purposes other than nursing homes and kindergartens. However, there is no certainty that the properties could be used for other purposes, such as housing or office use, if the need for which they were originally planned would disappear. If this risk materialises, it could have a materially harmful effect on the company's business, results from operations, financial position and/or future prospects. Significant changes in legislation or orders by the authorities may also impact the operations of the company's customers and, subsequently, the demand for properties.

The company's strategic goal is to grow at a faster rate than the market. The management of Hoivatilat assesses that the company can mainly seek to increase its profits by implementing new real estate projects and by increasing its revenues. The company's management assesses that implementing new real estate projects and increasing the revenues in accordance with the goal will require finding new real estate projects, developing and expanding current customer relationships, winning new customers and expanding the operations geographically. There are no guarantees that the company will be successful in finding new real estate projects or new customers.

Operative risks

Among other things, dependency on the competence of key personnel and possible fluctuations in the demand for the real estate properties are included in operative risks. If any risk related to the growth company nature of Hoivatilat materialises, it could have a materially harmful effect on the company's business, results from operations, financial position and/or future prospects.

Having committed key personnel is important for the company. The company's success essentially depends on the professional competence of the management and personnel of Hoivatilat and for the company's ability to commit the current management and other key personnel and to recruit new, competent personnel also in the future. Well-being at work and work satisfaction are assessed in connection with appraisal discussions conducted quarterly with the personnel. In addition, a satisfaction survey among the personnel is commissioned once a year. A share incentive programme has also been created for key personnel.

Risks of damage

The construction business has a higher accident frequency than many other sectors. By their very nature, construction sites are dangerous working environments where serious or even lethal accidents may occur. All accidents have an adverse effect on the company's business and the well-being of its personnel. Accident investigations performed in cooperation with public authorities cause costs and delay the construction work. The company's insurance premiums increase if the accident frequency increases. Furthermore, the accidents may result in the company's management and employees being liable under civil and criminal law. The accidents can also harm the company's reputation. If any risk related to the health and safety of personnel materialises, it could have a materially harmful effect on the company's business, results from operations, financial position and/or future prospects.

The company has its real estate properties constructed by reliable and experienced construction companies, typically as design-build projects. Possible damp damage and impurities in indoor air can be considered risks associated with construction work and maintenance of properties. They may interrupt operations and harm the reputation of Hoivatilat. The risks have been prepared for with stipulations in agreements and by taking into account the fact that the contractor's warranty period for the constructed premises is two years and the liability period compliant with the General Terms and Conditions of design-build contracts is ten years.

The company assesses that it has insurance cover typical for the sector, sufficient for ordinary accidents. The real estate properties are insured for their full values. The company's management and Board of Directors have valid liability insurance.

Financial risks

Expansion of the scale or geographical scope of operations requires sufficient working capital as well as the availability of own and borrowed capital. Possible instability of the financial markets, general deterioration of the availability of financing and an increase of financing costs may have an adverse effect on the company's possibilities to obtain additional funding or reduce the liquidity of real estate properties, thus making them more difficult to sell.

Changes in the interest level have a significant impact on the real estate business. Changes in the market rates of interest and interest margins can affect the company's financing costs and financial income. Changes in the interest level affect the interest expenses of the company's variable rate loans which increase with the market rates of interest. The company is closely watching the developments regarding interest rates and actively hedges against any changes in them. The company mainly uses interest rate swaps for managing the interest rate risk. The fair value of interest rate swaps as well as the negative and positive cash flows produced by them depend on changes in the interest rates. The profit or loss made by the company for the swaps has not been limited, which is why a considerable decrease of interest rates, for example, may lead to a situation where the interest rate swaps have a materially adverse effect on the company's cash flow, financial position and/or future prospects. Although the company believes that it is in control of its overall risks, there can be no certainty that the company's hedging measures are efficient or that the fluctuations in interest rates do not have a materially harmful effect on the company's business, results from operations, financial position and/or future prospects.

The company's rental receivables are associated with a risk of the customers not being able to service their debts when they mature. As a rule, the company's lease agreements include a deposit equal to 3–6 months' rent, which from the company's perspective reduces the risks and loss of income caused by the customers' possible payment difficulties. The property occupancy rate and the financial status of the tenants are monitored by means of regular meetings and financial monitoring.

Responsibility and environmental matters

The main focal areas of the company's corporate responsibility are engaging in a profitable business, looking after the well-being and development of personnel and environmental responsibility. From the environmental perspective, essential measures are the reduction of energy consumption and the use of ecological heating systems in the real estate properties, as far as possible. In addition, the company wants to utilise the means enabled by digitalisation to lengthen the life span of real estate properties and to ensure responsible ownership.

The company favours ecological forms of heating in its real estate properties. The customers are increasingly interested in ecological solutions and hybrid forms of heating combining several heating methods.

Solar panels were installed in the first property in 2016. Data on the solar panels was collected during 2017, and it was found that the system is particularly suitable for nursing homes operating throughout the year and around the clock, as they consume more electricity than kindergartens, for example.

Geothermal heating is used in more and more of Hoivatilat's properties. The customers consider it to be a safe and ecological heating solution with a long service life. There is also interest in LED lighting. LED lighting is well suited for kindergartens and particularly for nursing homes where the lights are required around the clock. LED lighting has been introduced to several sites, and their impact on the electricity consumption of the property is being monitored.

During 2017, attention was paid to indoor air quality measurements, and the first pilot project was implemented in Jyväskylä in December 2017. Indoor air quality measurements are carried out using modern and advanced sensor technology, and the users can monitor the condition of indoor air on a daily basis. A smart heating system is also tested in the same pilot project. It predicts changes in outdoor temperature, thus allowing savings to be made in energy consumption.

All properties of Hoivatilat are covered by remote monitoring. That allows the heating and ventilation of properties to be centrally controlled. This allows affecting e.g. the life span of properties, adjusting the heating to suit the time concerned and ensuring that the correct number of air changes per hour is achieved in the indoor premises.

Personnel

At the end of the financial period, Hoivatilat had a CEO and 14 employees. The average number of employees during the financial period was 13. The organisation of Hoivatilat has two geographical units. The company's head office is in Oulu, and its other office is in Espoo.

Board of Directors and management of the company

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairperson), Mammu Kaario, Timo Pekkarinen, Reijo Tauriainen and Satu Ahlman.

Three members of the Board are also members of the Audit Committee. The Audit Committee is responsible for the preparation of matters concerning the monitoring and reporting of the company's financial position. The members of the Audit Committee are Mammu Kaario, Timo Pekkarinen and Reijo Tauriainen. Reijo Tauriainen chairs the committee.

Three members of the Board are also members of the Compensation Committee. The Compensation Committee is responsible for preparing the compensation matters of the CEO, other management and other personnel. The members of the Compensation Committee are Pertti Huuskonen, Mammu Kaario and Satu Ahlman. Pertti Huuskonen chairs the committee.

The members of the Shareholders' Nomination Committee are Minna Åman-Toivio, Kalle Saariaho and Johannes Winborg. Pertti Huuskonen, Chairman of the Board of Suomen Hoivatilat Oyj, acts as an expert member of the Nomination Committee.

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

The Group's executive team includes CEO Jussi Karjula, CFO Tommi Aarnio, Sales Director Antti Kurkela, Property Director Juhana Saarni, Communications Manager Riikka Säkkinen and from 1 January 2018 Deputy CEO, Regional Director of Southern Finland Riku Patokoski.

Ordinary General Meeting of 2017

The Ordinary General Meeting of Hoivatilat was held on 23 February 2017 in Oulu. The Ordinary General Meeting adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for 2016.

Decisions by the Ordinary General Meeting

In line with the proposal by the Board of Directors, the GM decided to distribute EUR 0.10 per share as dividend for the financial period ended on 31 December 2016. The dividends were paid to shareholders who on the dividend record date 27 February 2017 were entered in the company's list of shareholders maintained by Euroclear Finland Oy. The dividends were paid on 7 March 2017.

The GM approved five as the number of Board members and elected Pertti Huuskonen, Timo Pekkarinen, Reijo Tauriainen and Mammu Kaario as Board members and Satu Ahlman as a new member. Pertti Huuskonen was elected chairperson of the Board. The term of office of the Board members ends at the close of the next Ordinary General Meeting of shareholders following the election.

The GM decided that the Board members will be paid a monthly compensation of EUR 1,250 and the Chairperson of the Board a monthly compensation of EUR 2,000. In addition, the Board members will be paid a meeting fee of EUR 600 and the Chairperson of the Board a meeting fee of EUR 1,200 for each meeting. If a Board member or chairperson uses more than three hours travelling in order to attend the meeting, they will receive 1.5 times the ordinary meeting fee.

The auditor elected for a term ending at the end of the next Ordinary General Meeting was KPMG Oy Ab, Authorised Public Accountants, with APA Tapio Raappana as the principal auditor. The auditor is compensated on the basis of a reasonable invoice.

The Ordinary General Meeting authorised the Board of Directors to decide on the issue of a maximum of 10,000,000 new shares or shares held by the company in one or more share issues with consideration, which can be directed share issues or share issues in accordance with shareholders' preemptive subscription right.

The share issue authorisation will remain valid until the end of the next Ordinary General Meeting, however no later than 30 April 2018. The proposed authorisation supersedes all earlier share issue authorisations but not the earlier authorisations to issue special rights entitling to shares.

The General Meeting approved the amendment of the Shareholders' Nomination Board's rules of procedure in line with the Nomination Board's proposal.

Events after the review period

No material events after the review period.

Financial goals for 2018–2020

Hoivatilat expects an annual revenue growth of at least 40% in 2018 and at least 30% in 2019–2020. The operational result is expected to be on average 40% of revenue and the equity ratio to be on average 35% in 2018–2020.

The Board of Directors' proposal regarding distribution of profits

At the end of the financial period, the parent company's distributable funds stood at EUR 42,472,257. The Board proposes to the GM convening on 27 March 2018 that the company's distributable funds are used so that a dividend of EUR 0.13 per share is paid, i.e. a total of EUR 3,287,551.67 on the basis of the number of shares on the balance sheet date. The proposed dividend corresponds to approximately 60.5% of the operational result for the financial period.

According to Hoivatilat's dividend distribution policy, the goal is to distribute at least 50% of the operational result as dividends every year. If dividends are paid, all the company's shares entitle to equal dividends. The operational result describes the profitability of the company's business operations without the effect of changes in the fair values of real estate properties. In keeping with the dividends, policy, the company's distribution of dividends is based on the operational result.

There have not been any material changes in the financial position of Hoivatilat after the end of the financial period. The liquidity of Hoivatilat is good, and the company's Board of Directors is of the opinion that the proposed distribution of dividends will not compromise the company's liquidity.

General Meeting of 2018

The Ordinary General Meeting of 2018 will be held in Oulu on 27 March 2017 starting at 3:00 p.m.

Financial communications in 2018

Hoivatilat will publish the Financial Statements Bulletin for 2017 on 13 February 2018. The company will organise a results announcement event in Helsinki on 13 February 2018.

The Business Review for January–March 2018 will be published on 3 May 2018. The Six-month Review of Hoivatilat for January–June will be published on 16 August and the Business Review for January–September on 1 November 2018.

Oulu 13 February 2018

Suomen Hoivatilat Plc
Board of Directors

Tables

This Financial Statements Bulletin was prepared in compliance with IAS 34. The same principles as were used for preparing the financial statements for 2016 have also been applied for preparing this Financial Statements Bulletin.

Hoivatilat Group

Income statement

EUR	**7–12/2017**	**7-12/2016**	**1-12/2017**	**1-12/2016**
REVENUE	**7,057,569**	**4,049,585**	**12,372,792**	**7,414,028**
Transfers of investment properties and changes in fair value	9,249,789	8,135,125 0	25,085,586	14,809,103
Expenses of employee benefits	-1,031,288	-813,879	-1,884,728	-1,467,141
Depreciation	-5,712	-4,572	-10,070	-8,210
Other operating expenses	-1,096,910	-827,458	-2,246,523	-1,444,093
OPERATING PROFIT (LOSS)	**14,173,448**	**10,538,800**	**33,317,058**	**19,303,688**
Financial income	417	709	585	3,522
Financial expenses	-785,298	-395,736	-1,399,723	-868,713
PROFIT BEFORE TAXES	**13,388,567**	**10,143,773**	**31,917,921**	**18,438,498**
Taxes for the financial year and previous periods	-2,653,958	-2,069,691	-6,413,774	-3,741,105
PROFIT FOR THE FINANCIAL YEAR	**10,734,609**	**8,074,082**	**25,504,147**	**14,697,393**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IFRS

EUR	**7–12/2017**	**7-12/2016**	**1-12/2017**	**1-12/2016**
PROFIT FOR THE FINANCIAL YEAR	10,734,609	8,074,082	25,504,147	14,697,393
Other comprehensive income items				
Items that may be reclassified to profit or loss later:				
Cash flow hedging	-45,424	-39,927	113,095	-309,692
Taxes associated with other comprehensive income items	9,085	7,985	-22,619	61,938
Other comprehensive income items for the financial year after taxes	**-36,339**	**-31,942**	**90,476**	**-247,754**
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**10,698,270**	**8,042,140**	**25,594,623**	**14,449,639**
Distribution of profit for the financial year				
To parent company shareholders	10,734,609	8,074,082	25,504,147	14,697,393
To shareholders with non-controlling interest	0	0	0	0
Distribution of comprehensive income for the financial year				
To parent company shareholders	10,698,270	8,042,140	25,594,623	14,449,639
To shareholders with non-controlling interest	0	0	0	0

Earnings per share calculated on the profit belonging to the parent company's shareholders				
Undiluted earnings per share	0.42	0.39	1.05	0.75
Earnings per share adjusted with the dilution effect	0.42	0.39	1.04	0.75

Suomen Hoivatilat Group

Balance sheet

EUR	31/12/2017	31/12/2016
ASSETS		
Non-current assets		
Intangible assets	14,016	14,050
Investment properties	247,066,462	154,751,290
Machinery and equipment	32,971	21,723
Deferred tax assets	377,783	214,758
Total non-current assets	**247,491,232**	**155,001,821**
Current assets		
Trade receivables and other receivables	734,766	436,748
Cash and cash equivalents	9,844,945	4,329,328
Total current assets	**10,579,711**	**4,766,076**
ASSETS TOTAL	**258,070,943**	**159,767,897**
EQUITY AND LIABILITIES		
Equity belonging to the parent company's shareholders		
Share capital	80,000	80,000
Invested non-restricted equity reserve	69,720,511.48	39,109,917
Fair value reserve	-157,277.60	-247,754
Retained earnings/losses	33,988,430.20	21,201,642
Profit/loss for the financial year	25,504,146.95	14,697,393
Equity belonging to the parent company's shareholders, total	**129,135,811.03**	**74,841,198**
Non-current liabilities		
Financial liabilities	101,156,352	66,863,991
Deferred tax liabilities	14,429,667	8,318,775
Total non-current liabilities	**115,586,019**	**75,182,766**
Current liabilities		
Financial liabilities	8,901,139	5,044,282
Trade payables and other liabilities	4,447,974	4,699,650
Total current receivables	**13,349,113**	**9,743,932**
Total liabilities	**128,935,131**	**84,926,698**
EQUITY AND LIABILITIES TOTAL	**258,070,943**	**159,767,897**

Suomen Hoivatilat Group

Consolidated cash flow statement

EUR	**7–12/2017**	**7-12/2016**	**1-12/2017**	**1-12/2016**
Cash flow from operations				
Profit for the financial year	10,734,609	8,074,082	25,504,147	14,697,393
Adjustments				
Non-cash transactions and other adjustments	-9,158,783	-8,045,720	-24,907,234	-14,677,203
Interest and other financial expenses	785,298	395,736	1,399,723	868,713
Interest income	-417	-709	-585	-3,522
Taxes	2,653,958	2,069,691	6,413,774	3,741,105
Changes in working capital				
Change in trade receivables and other receivables	206,017	-71,913	-296,473	-368,313
Change in trade payables and other liabilities	664,452	284,171	-384,811	-160,782
Interest paid	-730,947	-446,296	-1,351,279	-1,033,470
Interest received	417	6,512	585	2,146
Taxes paid	-88,214	199,733	-203,562	-184,209
Net cash flow from operations (A)	**5,066,390**	**2,465,286**	**6,174,284**	**2,881,858**
Cash flow from investment activities				
Divestment of subsidiaries less their cash and cash equivalent on the date of divestment	0	0	-2,421,607	0
Investments in property, plant, and equipment	-32,104,676	-30,368,461	-65,802,386	-46,920,160
Investments in intangible assets	-7,455	3,111	-5,005	-4,350
Net cash flow from investment activities (B)	**-32,112,131**	**-30,365,350**	**-68,228,998**	**-46,924,510**
Cash flow from financing activities				
Payments from the share issue	0	0	31,500,000	16,804,089
Loan withdrawals	27,468,436	27,469,308	44,955,476	29,427,203
Loan repayments	-2,845,706	-1,773,259	-6,806,260	-3,338,503
Dividends paid	0	0	-2,078,886	-1,033,671
Cash flow from financing activities (C)	**24,622,730**	**25,696,049**	**67,570,331**	**41,859,119**
Change in cash and cash equivalents (A + B + C)	**-2,423,011**	**-2,204,015**	**5,515,617**	**-2,183,533**
Cash and cash equivalents at the beginning of the financial year	12,267,956	6,533,343	4,329,328	6,512,861
Cash and cash equivalents at the end of the financial year	9,844,945	4,329,328	9,844,945	4,329,328

Suomen Hoivatilat Group

Calculation of changes in the Group's equity

	Equity belonging to the parent company's shareholders				
	Share capital	**Invested non-restricted equity reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
EUR					
Total equity 1 January 2016	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 *					
Cash flow hedging			-247,754		-247,754
Total comprehensive income for the financial year			**-247,754**	**14,697,393**	**14,449,639**
Transactions with shareholders					
Distribution of dividends				-1,033,671	-1,033,671
Share issue	30,000	16,774,089			16,804,089
Transaction costs of the share issue adjusted with the 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**
Shareholder's equity 31/12/2016	**80,000**	**39,109,917**	**-247,754**	**35,899,035**	**74,841,198**
Shareholder's equity 1 January 2017	80,000	39,109,917	-247,754	35,899,035	74,841,198
Comprehensive income					
Profit for the financial year				25,504,147	25,504,147
Other comprehensive income items *					
Cash flow hedging			90,476		90,476
Total comprehensive income for the financial year			**90,476**	**25,504,147**	**25,594,623**
Transactions with shareholders					
Distribution of dividends				-2,078,886	-2,078,886
Share issue		31,500,000			31,500,000
Transaction costs of the share issue adjusted with the impact of deferred taxes		-889,406			-889,406
Incentive system				168,282	168,282
Transactions with shareholders, total	**0**	**30,610,594**		**-1,910,604**	**28,699,990**
Shareholder's equity 31/12/2017	**80,000**	**69,720,511**	**-157,278**	**59,492,577**	**129,135,811**

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

Suomen Hoivatilat Group

Key figures

EUR thousand	Group 31/12/2017	Group 31/12/2016
Revenue	12,373	7,414
Operating profit	33,317	19,304
Profit for the financial year	25,504	14,697
Operational result	5,436	2,850
Sum total on the balance sheet	258,071	159,768
NAV, EUR thousand	143,346	83,055
NNAV, EUR thousand	129,136	74,841
Equity ratio, %	50.1%	46.8%
Net gearing, %	77.6%	90.3%
Return on equity, %	25.0%	24.5%
Earnings per share (undiluted), EUR	1.05	0.75
Earnings per share (diluted), EUR	1.04	0.75
Dividend per share, EUR	0.13	0.10
Operational result per share, EUR	0.22	0.15
Loan-to-value (LTV), %	40.6%	43.7%
NAV/share, EUR	5.67	4.00
NNAV/share, EUR	5.11	3.60
Net return, %	6.5%	6.9%
Value of the agreement portfolio*	316,046	214,219
Average maturity of the agreement portfolio (years)	14.4	14.2
Economic occupancy rate, %	100%	100%
Number of shares adjusted for the share issue at the end of the period	25,288,859	20,788,859
Average number of shares adjusted for the share issue during the period	24,228,585	19,495,409
Average number of shares adjusted for the share issue during the period, diluted	24,408,357	19,618,457
Number of employees at the end of the period	15	11
Average number of personnel during the period	13	10

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

Investment properties

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

	1-12/2017	1-12/2016
Fair value of investment properties, closing balance	**154,751,290**	**90,447,794**
Investments in properties under construction and in the starting phase	64,509,168	49,329,642
Other investments in investment properties	266,279	164,751
Additions due to purchased properties	2,454,138	0
Profits and losses from changes in fair value	25,085,586	14,809,103
Fair value of investment properties, closing balance	**247,066,462**	**154,751,290**

	31/12/2017	31/12/2016
Completed investment properties	231,400,000	130,110,000
Investment properties under construction	15,007,431	24,226,731
Investment properties in the starting phase (valued at acquisition cost)	659,030	414,558
Total	**247,066,462**	**154,751,290**

On 31 December 2017, the Group was under contractual obligation to complete the investment properties which are under construction or in the starting phase. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of approximately EUR 68.9 million in the properties.

The Board of Directors of Hoivatilat Oyj has decided to change its method of producing financial statements so that investment properties (whose ownership is arranged in the company form) are measured at fair value. The change of accounting method is based on section 5.2b of the Accounting Act and on statement 2016/1949 of the Accounting Board. According to the earlier practice, investment properties, i.e. the shares of real estate companies, were measured at acquisition cost. Following the change of accounting methods, the measurement principles of investments properties are the same in the financial statements of the parent company and in the consolidated financial statements. The effect of the change of accounting principles on the earlier reported retained earnings of the parent company on 31 December 2016 was EUR 33.2 million.

Liabilities	31/12/2017	31/12/2016
Property mortgages		
Loans from financial institutions	110,057,490	71,908,274
Mortgages provided	170,837,163	115,369,500
Mortgages total	**170,837,163**	**115,369,500**
Pledged property shares		
Pledged investment properties	90,104,821	54,060,000
Pledges total	**90,104,821**	**54,060,000**
Leasing liabilities		
Within one year	44,494	49,584
In one to five years	25,413	45,144
In more than five years		0
Leasing liabilities, total	**69,907**	**94,729**
Land lease liabilities		
Within one year	677,738	496,882
In one to five years	2,710,951	1,987,528
In more than five years	24,955,817	19,136,475
Land lease liabilities, total	**28,344,505**	**21,620,885**
Return liability on the value added tax on investment proper-ties		
Value added tax return liability	941,205	84,620
Interest rate swaps		
Nominal value	41,000,000	26,000,000
Fair value	-196,597	-309,692

Business transactions with external related party companies	7–12/2017	7–12/2016	1–12/2017	1–12/2016
Construction contracts invoiced by Rakennusliike Lapti Oy	8,709,829	17,319,207	26,029,036	23,275,588
Construction contracts invoiced by Rakennusliike Lehto Oy	187,240	816,723	1,003,962	1,387,802
Group’s trade payables to Rakennusliike Lapti Oy 31 Dec	634,360	1,744,000	634,360	1,744,000
Group’s trade payables to Rakennusliike Lehto Oy 31 Dec	0	1,387,802	0	1,387,802

IFRS 15 Revenue from Contracts with Customers will replace the current IAS 18 and IAS 11 standards and their interpretations as of 1 January 2018. Hoivatilat Group's revenue from contracts consists completely of lease income based on lease agreements; the IFRS 15 standard is not expected to have a material effect on the financial statements. IFRS 9 Financial Instruments will replace the current IAS 39 standard as of 1 January 2018. The most significant changes in the new standard are related to the classification of financial instruments, debts and investments, accounting procedures of credit losses as well as hedge accounting regulations. According to the company's estomate, the impact of the IFRS

9 standard on financial reporting are minimal. The IFRS 16 Leases standard will become effective as of 1 January 2019. According to the company's estimate, the standard will affect the accounting processing and presentation method 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.

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

Key figure formulas (IFRS key figures)

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

Key figure formulas (alternative key figures)

Equity ratio, % =	Equity / Balance sheet total - advances received	*100
Net gearing, % =	Interest-bearing liabilities - cash in hand and at banks / Equity	*100
Return on equity, % =	Profit/loss for the financial year / Average equity during the financial year	*100
Economic occupancy rate, % =	Gross rents for the review period / number of months / Potential gross rents / number of months	*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	Operational result / 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	NAV / 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 =	NNAV /	

	Number of shares adjusted for the share issue at the end of the period	
Net return, % =	Annualised rental income for the month of the financial statements - the forecast 12-month expenses of the properties in question / Value of the investment properties generating rental cash flow for the month of the financial statements	*100
Loan-to-value (LTV), % =	Financial liabilities - Cash and cash equivalents / Fair value of investment properties	*100

Reconciliation calculations concerning certain key figures

Net return, %

EUR thousand	**31/12/2017**	**31/12/2016**
Annualised rental income for the month of the financial statements	15,157	8,847
The forecast 12-month expenses of the properties generating rental income	-864	-669
Net rental income	14,293	8,178
Value of the investment properties generating rental cash flow for the month of the financial statements	221,270	118,210
Net return, %	**6.5%**	**6.9%**

NAV, EUR thousand

EUR thousand	**31/12/2017**	**31/12/2016**
Equity belonging to the parent company's shareholders	129,136	74,841
Deferred tax liability generated by measuring investment properties at fair value	14,210	8,214
NAV, EUR thousand	**143,346**	**83,055**

Operational result

EUR thousand	**31/12/2017**	**31/12/2016**
Profit for the financial year	25,504	14,697
-/+ Net gains/losses from measuring investment properties at fair value	-25,086	-14,809
-/+ Net gains/losses from divestments of investment properties	0	0
+/- Taxes based on the profit for the financial year generated by the aforementioned items	0	0
+/- Deferred taxes generated by the aforementioned items	5,017	2,962
Operational result	**5,436**	**2,850**

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