HOIVATILAT

HYVÄN HOIVAN TILOJA 10 vuotta

FINANCIAL STATEMENTS 2018

A strong year in all respects

Financial statements bulletin January–December 2018 (unaudited)

Suomen Hoivatilat Oyj stock exchange release 21 February 2019 at 8 a.m.

Summary January–December 2018	1–12/2018	1–12/2017	Change, %
Total revenue (EUR thousand)	17,182	12,373	38.9%
Profit for the period (EUR thousand)	37,003	25,504	45.1%
Operating result (EUR thousand)	7,663	5,436	41.0%
Earnings per share, undiluted (EUR)	1.46	1.05	39.0%
Earnings per share, diluted (EUR)	1.45	1.04	39.4%
Operating result per share (EUR)	0.30	0.22	36.4%
Value of investment properties	348,899	247,066	41.2%
NAV per share (EUR)	7.28	5.67	28.5%
Value of the lease portfolio (without index increases)	426,953	316,046	35.1%
Economic occupancy rate, %	100%	100%	-
Average maturity of the lease portfolio (years)	14.9	14.4	-

Summary July–December 2018	7–12/2018	7–12/2017	Change, %
Total revenue (EUR thousand)	9,121	7,058	29.2%
Profit for the period (EUR thousand)	21,047	10,854	93.9%
Operating result (EUR thousand)	4,510	3,454	30.5%
Earnings per share, undiluted (EUR)	0.82	0.43	90.7%
Earnings per share, diluted (EUR)	0.81	0.43	88.4%
Operating result per share (EUR)	0.18	0.14	28.6%

Significant events

- During the financial year, a total of 36 new properties were completed
- Hoivatilat AB was established, with Maria Frid as the CEO
- The first school project started

Financial guidance for 2019

Hoivatilat expects its total revenue to be around EUR 23 million in 2019. Its operating result is estimated to be around 40% of revenue. The fair value of investment properties at the end of 2019 is estimated to be EUR 440–470 million. The guidance is based on the assumption that, in 2019, the company will not make significant purchases or sales of completed investment properties, and that the market yields used in the valuation of real estate will remain at their current level.

Jussi Karjula, CEO:

For Hoivatilat, 2018 was a year of growth and new business operations. In December, our company celebrated its first 10 years of operations in a very positive atmosphere. In addition to strong development work, all key indicators improved considerably: revenue grew by almost 40%, the value of investment properties increased by 41% and the profit for the period improved by 45%. Other indicators that are exceptionally high for our field include the 100% occupancy rate and the average maturity of 14.9 years. The value of Hoivatilat's lease portfolio (future rental cash flow) is around EUR 427 million. During the year, we implemented 36 projects to build early education and care service facilities in Finnish growth regions. The number of our employees increased, and our cooperation network was further expanded. We served our long-term partners and won new customers.

We started several new business initiatives in 2018. We established a subsidiary in Sweden, introduced prefabricated movable service facilities, started our first school project and introduced the Dream Block concept. We also renewed our nursing home concepts. For example, sheltered housing for senior citizens is increasingly constructed as "hybrid projects", with several housing service and care levels available in the same apartment building. Such projects include Kuopion Portti, a building for 65 people that will be completed in early 2020, and an assisted living facility for 60 people in Kouvola, to name just two examples.

Our business model is based on in-house project development, construction operations, financing and ownership. This model requires significant amounts of capital and careful financial management. In April 2018, Hoivatilat adopted a new financing solution as it agreed on EUR 50 million in long-term financing with the European Investment Bank (EIB). The first loan of EUR 30 million was signed for at the same time. The financing agreed with the EIB, with other bank financing, allows the implementation of an investment portfolio of approximately EUR 100 million.

In recent weeks, there has been a great deal of discussion on the functionality and quality of elderly care and early education services in Finland.

Hoivatilat provides high-quality care and early education facilities. Its property portfolio consists of new facilities that meet current regulations and requirements. Its properties provide a functional setting for good care and education in the private and public sectors and third sector. The proportion of the ageing population is growing rapidly, and there will continue to be a significant need for service facilities.

Hoivatilat's business operations have a significant social effect. Our primary mission is to create a better society with our partners. We want to offer our customers, who occupy our service properties, an environment that enables them to provide their customers with excellent service and a supreme customer experience. As a public company and contractual partner, we value responsible methods of operation and reliability. These principles are based on our values.

Significant events during the financial year

A total of 36 (34) properties were completed during the financial year: four in the Uusimaa region, four in the Turku region, three in the Iisalmi, Jyväskylä, Lahti and Oulu regions, two in Ylivieska and two in Mikkeli. Individual projects were also completed in Tampere, Turku, Hämeenlinna, Eura, Kajaani, Kalajoki, Lappeenranta, Pori, Raahe, Rovaniemi, Sastamala, Sotkamo, Uusikaupunki, Varkaus and Vaasa.

The Board decided to issue stock options to key personnel. These options were used to subscribe for 150,370 new shares in the company at a subscription price of EUR 0.01 per share. The decision to issue the options was based on the authorisation given to the company's Board of Directors at the Annual General Meeting on 18 February 2016, and on the terms and conditions of the company's existing share reward system. The stock options have been issued to encourage and maintain the commitment of the company's personnel and management. The company therefore had a weighty financial reason to issue share options. Shares subscribed for with options may not be released until the end of the vesting period, on 31 December 2019. (Stock exchange release 28 February 2018)

In April 2018, Hoivatilat agreed EUR 50 million in long-term financing with the European Investment Bank (EIB). The first loan of EUR 30 million was signed for at the same time. The financing agreed with the EIB, with other bank financing, enables a project portfolio of approximately EUR 100 million to be implemented. (Stock exchange release 23 April 2018)

The company's Board of Directors decided to establish a subsidiary in Sweden. Maria Frid started as the CEO of Hoivatilat AB at the beginning of September 2018. (Stock exchange release 5 June 2018)

The company launched a new product category: prefabricated day-care centres. The first prefabricated day-care centre was completed in Raahe at the end of 2018. (Stock exchange release 13 June 2018)

In June, the company announced that it would implement the Kuopio Portti project in the city centre of Kuopio. A total of 65 residential care and assisted living apartments will be built and owned by Suomen Hoivatilat Oyj in the form of real estate company. (Stock exchange release 13 June 2018)

The company's Board of Directors decided to continue the share reward programme approved by the 2018 Annual General Meeting. The system will be established as part of the incentive and loyalty system for the personnel of the company and its subsidiaries. The purpose is to unify the goals of the owners and the employees to raise the value of the company over the long term, as well as keeping the employees engaged with the company and offering them a competitive reward system based on the earning and accumulation of company shares. (Stock exchange release 13 June 2018)

Hoivatilat sold a portfolio of six properties in August 2018. The debt-free purchase price was EUR 16.4 million, with a sales gain of around EUR 1.0 million. (Stock exchange release 30 August 2018)

The first school project started in Siilinjärvi. The school is expected to be completed in August 2019, with the municipality of Siilinjärvi as the tenant. (Stock exchange release 17 September 2018)

Sales Director Antti Kurkela announced that he would leave the company on 1 February 2019. The company immediately started the recruitment of a new sales director, with CEO Jussi Karjula as the temporary head of the customer relationship team. (Stock exchange release 4 December 2018)

The company set its financial targets for 2019–2021: an average annual increase of 30% in revenue, an average operating result of 40% of revenue and an average equity ratio of at least 30%. In line with its dividend distribution policy, the company seeks to distribute at least 50 per cent of the operating profit as dividends every year. (Stock exchange release 14 December 2018)

Operating environment – focus on ageing and the health and social services reform

Urbanisation is increasing and the population is ageing in both Europe and Finland. Over the past two decades, the population of the Helsinki-Uusimaa region has increased by almost 500,000 people. Approximately 70 per cent of the country's population is already living in and around the 14 largest towns and cities. Finland has the most rapidly ageing population in Europe. The number of people aged over 75 will nearly double over the next two decades. At the end of 2017, the number of people aged over 75 in Finland was 502,000, and this is predicted to increase to 925,000 by the end of 2040 (stat.fi). The trend is very similar in Sweden: the number of people aged over 75 will increase by 50 per cent by 2030.

In recent years, the health and social services reform has been one of the most debated issues in Finland. Its key goal is to ensure good services to everyone in the ageing and urbanising Finland. In addition, the reform is expected to bring cost savings of around EUR 3 billion in the future. The laws related to the combined regional government reform and health and social services reform are currently being processed by the Finnish parliament. The statement of The Constitutional Law Committee of the Parliament of Finland is currently being awaited.

During the combined regional government reform and health and social services reform, new regions will be established, new tasks will be assigned to the regions, and the structure and funding of health and social services will be reformed. The reform is intended to come into effect on 1 January 2021. With the reform, responsibility for health and social services, rescue operations and growth services will transfer to the regions.

The Freedom of Choice Act is a part of the health and social services reform. The purpose of the act is to enable social welfare and healthcare customers to choose their service provider and to improve the availability and quality of services. With the population ageing, the need for housing and nursing services will increase strongly, and both private and third sector service providers play, and will continue to play, a key role. This trend is likely to gain momentum, regardless of whether or not the health and social services reform is implemented in its intended form.

The state and municipal portfolio of education, culture, social services and healthcare properties includes a large number of old buildings nearing the end of their life cycle, as well as properties with indoor air problems and a maintenance backlog that require renovation.

Hoivatilat estimates that the following market trends identified by the company will support its growth:

- Ageing population and the weakening dependency ratio
- Urbanisation and centralisation of the population
- Increased debt in the public sector
- Service structure reform in social welfare and healthcare services
- The state of day-care and school properties in the culture and education market
- Increased use of service vouchers in early education services

Financial operating environment

The Ministry of Finance forecasts that GDP growth in Finland will slow to 1.5 per cent in 2019. With trade obstacles increasing, global trade will also slow, which will be reflected in exports and investment expectations. Investment growth is expected to slow markedly in 2019, due to a decline in construction investments in particular. Economic growth will continue to slow to 1.3 per cent in 2020 and to less than 1 per cent over the medium term thereafter. (vm.fi, Economic Survey 17 December 2018)

According to the RAKSU group, which studies business cycles in the construction sector, the number of new projects in construction subsectors other than residential construction will begin to decrease in 2019, despite industrial investment. The cubic volume of building permits for commercial properties decreased particularly strongly in 2018. However, many major projects are still in progress, and their construction continues in 2019.

The cubic volume of building permits for properties other than residential buildings decreased by 10 per cent in January–November 2018 year-on-year. However, the cubic volume of building permits for public service buildings and industrial buildings increased compared with the previous year. Public service construction – including hospitals and schools, for example – continues to grow, with an increase of 6 per cent in the cubic volume of building permits in January–November 2018 compared with the previous year. Schools and hospitals have higher unit prices, with a long-lasting effect on construction volumes.

Interest rates are expected to remain low in the near future. The Bank of Finland predicts that interest rates will increase slightly over the next few years. According to its forecast, short-term interest rates will remain negative or at zero level for 2019–2020, and ten-year bond interest rates will remain at around 1%. In its report issued in December, the Bank of Finland states that the most rapid period of growth is over in Finland, although growth will continue for the next three years. (www.eurojatalous.fi)

Research and development

During the 2018 financial year, Hoivatilat invested particularly strongly in new concept development. The first modular, movable day-care facilities were developed and implemented in Raahe, and a school project in line with the same concept is in progress in Mikkeli.

The service community concept was further developed during the year. Customers, designers, operators and municipal representatives were included in the development work. The Dream Block concept, which was developed at various workshops, was launched at the Kuntamarkkinat municipal fair in September 2018. This concept will be used to implement a service community for the Housing Fair Finland event in Tuusula in the summer of 2020, to name just one example.

Development work to reduce the lifetime energy costs of properties continued during the year. In addition to the earlier adoption of intelligent heating and lighting systems, day-care facilities with intelligent ventilation systems were completed in 2018. In need-based, facility-specific ventilation, sensors measure the carbon dioxide content and temperature of a space, and controllers make it possible to maintain good air quality throughout the day.

During the year, significant development work was also carried out to improve the efficiency of the company’s internal processes. The Salesforce system was introduced for coordinating construction projects and managing them by information.

Financial review

Financial development

The Group’s revenue was EUR 17.2 (12.4) million, representing an increase of 38.9% year-on-year. The revenue consisted entirely of rental income. The increase in revenue was mostly due to considerable growth over the past 12 months in the number of properties that the company has leased. The income from measuring properties at fair value was EUR 35.6 (25.1) million in the review period, and gains from divestments of investment properties totalled EUR 1.0 (0.0) million. The fair values of completed investment properties increased, mainly due to a decrease in the required rate of return and an increase in net rental income. The fair values of investment properties that were completed or under construction during the review period increased due to a decrease in the required rate of return, increased project completion rates and development margins recognised according to the level of completion. Due to the decrease in the required rate of return in the market, the company’s net return in proportion to the fair value of its properties decreased by 0.31 percentage points during the financial year (from 6.46% to 6.15%). In the comparison period, the company’s net return in proportion to its properties decreased by 0.46 percentage points (from 6.92% to 6.46%).

The net rental income for the review period was EUR 15.9 (11.4) million, representing an increase of 39.7%. At the end of the review period, the company had 120 (90) completed properties generating rental cash flow. Their net income rate was 6.15% (6.46%). The decrease in the net rental income rate was mostly due to a decrease in the required rates of return used in measuring the value of investment properties.

Property maintenance expenses totalled EUR -1.3 (-1.0) million. Property maintenance expenses increased by 29.2% year-on-year. The increase is mostly explained by an increase in the property portfolio compared with the corresponding period of the previous year.

Expenses arising from employment benefits were EUR -2.5 (-1.9) million, representing an increase of 30.0%. The average number of employees was 17 (13) during the review period. Administrative expenses were EUR -1.9 (-1.2) million, representing an increase of 51.4% compared with the previous year. The increase was due to investments in future growth in Finland and Sweden and in project development in particular.

The operating profit was EUR 48.5 (33.3) million, with an increase of 45.5%.

Net financial income and expenses were EUR -2.1 (-1.4) million. Taxes based on the taxable income for the review period were EUR -0.0 (-0.3) million, and deferred taxes mainly due to the changes in the fair values of properties amounted to EUR -9.4 (-6.1) million.

The net profit for the period was EUR 37.0 (25.5) million, showing an increase of 45.1% from the previous year. Undiluted earnings per share were EUR 1.46 (1.05), and diluted earnings per share were EUR 1.45 (1.04).

The operating result for the financial year was EUR 7.7 (5.4) million, representing an increase of 41.0%. The operating result was 44.6% (43.9%) of revenue.

Hoivatilat AB, a Swedish subsidiary, started its operations in the autumn of 2018. The company's operations in Sweden did not generate any income in the 2018 financial year. The expenses for the financial year, EUR 0.1 million, mainly consisted of salary and other expenses included in the consolidated income statement.

Investments

The consolidated balance sheet total at the end of the financial year was EUR 364.0 (258.1) million, showing an increase of 41.0% compared with the previous financial statements. During the review period, investments with a total acquisition cost of EUR 81.5 (67.2) million were made in the properties. Investments increased by 21.2% year-on-year and mainly consisted of the construction of new projects.

On 30 August 2018, the company sold six properties, with the debt-free purchase price being EUR 16.4 million. The sales gain from the transaction was around EUR 1.0 million.

Funding

The company's interest-bearing liabilities stood at EUR 170.4 (110.1) million at the end of the review period. The net amount of interest-bearing liabilities increased by EUR 60.4 (38.1) million during the financial year. The company's financial assets on 31 December 2018 stood at EUR 41.5 million, consisting of cash assets (EUR 11.4 million), undrawn credit facilities (EUR 6.1 million), undrawn investment loans based on loan agreements (EUR 14.0 million) and the undrawn portion (EUR 10.0 million) of the loan based on the financing agreement with the European Investment Bank. In addition, the company has an option for EUR 20 million in additional funding from the EIP on the terms and conditions of an earlier agreement.

According to the company's interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate maturity is two years, plus or minus six months. The hedging coverage ratio of the company's loan portfolio was 35.8% (37.3%) on 31 December 2018, and the average interest rate maturity of its loan portfolio was 1.93 (1.97) years.

Properties and agreements

On 31 December 2018, the company had 120 (90) completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 39 (39). During the financial year, a total of 36 (34) new projects were completed, one of which the company acquired as completed. Six properties were divested during the financial year.

Properties	**Completed**		**In progress and not started***		**Total**	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Number of properties	120	90	39	39	159	129.0
Leasable area, thousand floor m²	105.2	78.5	45.8	34.4	151.0	112.8
Annual rents, EUR million	21.5	15.9	8.4	6.6	29.9	22.5
Investment (acquisition cost), EUR million	237.8	170.7	122.1	81.8	359.9	252.5

* = Properties in progress and not started also include properties for which binding leases or preliminary agreements have been signed, but construction has not yet begun.

On 31 December 2018, the company had a total of 159 (129) leases (including preliminary agreements), which were divided between 31 (30) customers. The value of the lease portfolio was EUR 427.0 (316.0) million, and the average maturity of the entire lease portfolio was 14.9 (14.4) years. The company's three largest key customers accounted for approximately 54% (55%) of its lease portfolio on 31 December 2018. The largest customer's share of the lease portfolio was 27% (23%). The second-largest customer's share was 17% (22%), and that of the third-largest customer was 9% (10%). Otherwise, the company has a diverse customer 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, in addition to well-known brands.

Of the lease portfolio, 65% (60%) consisted of rental income from properties located in the Greater Helsinki area/Uusimaa region and the Tampere, Lahti, Turku, Oulu, Kuopio and Jyväskylä regions. Of the lease portfolio, 20% (22%) consisted of properties in other municipalities with more than 30,000 residents, and 15% (18%) consisted of properties located in municipalities with fewer than 30,000 residents.

Area	**31 Dec 2018**	**31 Dec 2017**
Greater Helsinki area / Uusimaa region	21%	21%
Lahti region	7%	8%
Tampere region	7%	8%
Turku region	10%	8%
Oulu region	8%	5%
Kuopio region	8%	5%
Jyväskylä region	5%	5%
Other municipalities with more than 30,000 residents	20%	22%
Other locations	15%	18%
Total	**100%**	**100%**

Shares and shareholders

The number of the company's shares on 31 December 2018 was 25,439,229 (25,288,859). The company holds no treasury shares. The closing price of the company's shares on 31 December 2018 was EUR 7.90 (7.30) and the combined market value of the shares was EUR 201.0 (184.6) million. During the review period, the highest closing price was EUR 8.53 (9.12), with the lowest being EUR 7.20 (7.00). A total of 9.3 (6.5) million shares in Suomen Hoivatilat Oyj were traded during the year. On 31 December 2018, the company had a total of 8,913 (8,243) shareholders.

Flagging notifications

On 13 November 2018, Partnera Oy announced that its and its controlled companies' (Nurture Property Holding Oy and Nurture Real Estate Holding Oy) total number of shares and votes in Hoivatilat had fallen below 15%, 10% and 5% on 12 November 2018.

On 13 November 2018, Konstsamfundet r.f. and Kusinkapital Ab announced on behalf of a company to be established (2Care Capital Ab) that the company's total number of shares and votes in Hoivatilat had exceeded 5% and 10% on 12 November 2018.

On 24 December 2018, Clearance Capital Limited announced that its managed mutual funds' total number of shares and votes in Hoivatilat had exceeded 5%.

Group structure

At the end of the financial year on 31 December 2018, the Hoivatilat Group consisted of its parent company, Suomen Hoivatilat Oyj, and its Swedish subsidiary, Hoivatilat AB, which was established during the financial year, as well as 131 (109) mutual real estate companies. The parent company owns 100% of all Group companies. During the financial year, all shares in the following 7 real estate companies were divested: Koy Oulun Ukkoherrantie; Koy Uudenkaupungin Salmenkatu; Koy Paimion Kämmekkä; Koy Ulvilan Peltotie; Koy Nurmijärven Vehnäpellontie; Koy Kouvolan Toukomiehentie B; and Koy Turun Kukolantie.

Assessment of operational risks and uncertainties

Financial and strategic risks

The uncertainty in the global economy and the financial markets may affect the company. If the Finnish economy develops unfavourably in the future and regional differences grow, this may have an adverse effect on the company's operations, result, financial position and/or future outlook.

Strategic risks include the competitive situation in the market and dependence on a limited number of customers. 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 the successful implementation of the company's business strategy.

The property projects owned by Hoivatilat have been designed and developed to be used as nursing homes and day-care centres and for service communities combining these services. However, the company ensures as early as 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. Nevertheless, 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 were no longer a need according to the original purpose. If realised, this risk may have a material adverse effect on the company's business operations, result, financial position and/or future outlook. Considerable changes in legislation and official regulations may also affect 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 customers 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 a material adverse effect on the company's business operations, result, financial position and/or future outlook.

The three largest customers of Hoivatilat represent around 54 per cent of its lease portfolio. There is no guarantee that the company's largest customers will remain solvent. Changes in key customers' operating environments, strategies or behaviour, or the loss of rental income from one or more key customer, may have material adverse effects on the company's business operations, business result, financial position and/or future outlook.

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 wellbeing. Accident investigations carried out in cooperation with the authorities involve 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 laws, for the company and its management and employees. Accidents may also harm the company's reputation. The realisation of any risk related to employees' health and safety may have a material adverse effect on the company's business operations, result, financial position and/or future outlook.

The company's properties are built by reliable and experienced construction companies that are typically responsible for the entire project. Risks related to construction and property maintenance can be considered to include any moisture damage and indoor air impurities, which may cause interruptions in the operations of Hoivatilat and have an adverse effect on its reputation. The company has prepared for such risks through clauses in agreements and by taking into account that the contractor's guarantee for built facilities is two years and their responsibility spans ten years in accordance with the general terms and conditions concerning turnkey projects.

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 its 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 potential uncertain situation prevailing in the financial market, potential general weakening in available funding and increased financial expenses may have an adverse effect on the company's opportunities to obtain additional funding in the future or 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 income. Changes in the interest rate level affect 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 a material adverse effect 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 a material adverse effect 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 equal to 3–6 months of rent, 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 the tenants are monitored by means of regular meetings and financial monitoring.

Responsibility and environmental considerations

The operations of Hoivatilat are guided by the company's values: helping the customer; creating value for customers, shareholders and society; rapid responses and straightforward operations; and boldness. In 2018, the company implemented a project to determine the content of its corporate responsibility and key sustainability focuses. During the process, the company also determined the data that serves as the basis for assessing its sustainability development in the future. The company's operations are divided into four areas, which determine its sustainability themes.

Its most important sustainability focuses include a customer-oriented offering and operating methods, environmental responsibility, people's well-being, and profitable business operations. The company's vision is to create a superior customer experience as a developer of properties for education, culture, social services and healthcare. In terms of its customer-oriented offering and operating methods, the company focuses on a superior customer experience and the continuous development of the user experience. Hoivatilat works to create functional, safe and flexible facilities for care and education.

Themes related to environmental responsibility include energy efficiency, renewable materials and forms of energy and a minimal carbon footprint. The company favours ecological heating methods in its properties. Customers are increasingly interested in ecological solutions and hybrid heating methods. In terms of lighting, LED lighting is highly suitable for day-care centres, nursing homes and schools, where lighting is often needed around the clock. All the company's properties are under remote monitoring. This enables the centralised management of heating and ventilation of the properties from one location, as well as making it possible to affect property life cycles, adjust heating according to the conditions and ensure optimal ventilation.

Concerning people's well-being, Hoivatilat works to provide its employees with interesting and meaningful jobs while also being an inspiring and continuously developing working environment. Our primary mission is to create a better society and better service environments with our partners. In implementing its mission, the company works to be a reliable, uncomplicated and responsible partner.

Hoivatilat engages in responsible and profitable business operations. The company works to be a profitable investment for its shareholders through shareholder value and dividend development. As well as being profitable, its operations must be continuous. Efficient operations and a high occupancy rate (100%) are important principles of profitable business operations.

Personnel

Hoivatilat provides solutions for growth. Our company grows with its customers and partner network. All our operations focus on our customers, and our employees seek to offer a superior customer experience in providing properties for culture, education, social services and healthcare.

Our operating method is based on networks. A small, highly efficient team is responsible for the coordination and development of networks. This team focuses on key project tasks, such as customer relationship management, administration, project development, construction and property management. With the help of an extensive and competent partner network, Hoivatilat can carry out a large number of new property projects each year, as well as managing its current property portfolio.

At the end of 2018, Hoivatilat had a CEO and 18 employees. The company had 11 employees in Oulu, 7 in Espoo and 1 in Stockholm. Four new employees were recruited during the year to strengthen competence in construction, administration, marketing, new business concept development and international operations. The company is headquartered in Oulu, with offices in Espoo and Stockholm.

On 12 June 2018, the company's Board of Directors decided to continue the long-term personnel share reward programme approved by the 2018 Annual General Meeting. The system will be established as part of the incentive and loyalty system for the personnel of the company and its subsidiaries. The purpose is to unify the goals of the owners and the employees to raise the value of the company over the long term, as well as to keep the employees engaged with the company and offer them a competitive reward system based on the earning and accumulation of company shares. The system has two earning periods, 1 June 2018 to 30 November 2019, and 1 June 2018 to 31 May 2021. The earning criterion to be applied to the share reward programme is total shareholder return (TSR) during the earning period. Under this programme, a maximum of 250,000 shares will be paid out to employees, as well as a cash portion to cover the taxes incurred by the participants on the rewards.

Board of Directors and company's management

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairman), Satu Ahlman, Harri Aho, Kari Nenonen, Timo Pekkarinen and Reijo Tauriainen. Mammu Kaario served as a member of the Board until 27 March 2018.

The members of the Audit Committee are Reijo Tauriainen (chairman), Harri Aho and Kari Nenonen.

The members of the Remuneration Committee are Pertti Huuskonen (chairman), Satu Ahlman and Timo Pekkarinen.

The Shareholders' Nomination Board consists of Stefan Björkman, Kalle Saariaho and Johannes Winborg. Pertti Huuskonen, Chairman of the Board of Directors of Suomen Hoivatilat Oyj, serves as an expert member on the Nomination Board.

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

The Group's management team consists of CEO Jussi Karjula, deputy CEO Riku Patokoski, CFO Tommi Aarnio, property director Juhana Saarni and communications manager Riikka Säkkinen. Antti Kurkela served as a member of the management team until 4 December 2018.

Decisions of the Annual General Meeting

The Annual General Meeting of Hoivatilat was held on 27 March 2018 in Oulu. The Annual General Meeting confirmed the financial statements and discharged the members of the Board of Directors and the CEO from liability for the 2017 financial year. KPMG Oy Ab, Authorised Public Accountants, was selected as the company's auditor, with APA Antti Kääriäinen as the principal auditor. A dividend of EUR 0.13 per share was paid on 9 April 2018 in accordance with the Annual General Meeting's decision. In addition, the Annual General Meeting authorised the Board to decide on the acquisition of treasury shares and the issuance of new shares and special rights, as proposed by the Board. The Annual General Meeting also approved an amendment to the Articles of Association with regard to the venue of the Annual General Meeting, as well as the Nomination Board's proposal for the composition of the Board and Board members' fees. Its decisions were announced on 27 March 2018. They are also available on the company's website.

Events after the review period

No significant events after the review period.

Financial targets for 2019–2021

Suomen Hoivatilat Oyj has set the following financial targets for 2019–2021:

- Average annual increase of 30% in revenue
- Average operating profit at 40 per cent of revenue
- Average equity ratio of at least 30 per cent. The equity ratio includes the effect of the IFRS 16 standard as of 1 January 2019.

According to Hoivatilat's dividend distribution policy, the goal is to distribute at least 50 per cent of the operating profit as dividends every year.

Board of Directors' proposal for the distribution of profit

The parent company's distributable funds stood at EUR 163,393,199 million at the end of the financial year. The Board of Directors proposes to the Annual General Meeting of 26 March 2019 that the company's distributable funds be used to distribute a dividend of EUR 0.17 per share, or EUR 4,324,668.93 in total, using the number of shares on the balance sheet date. The proposed dividend is approximately 56.4% of the operating result for the financial year.

In line with its dividend distribution policy, Hoivatilat seeks to distribute at least 50% of its operating result as dividends. If dividend is distributed, all the company's shares entitle shareholders to receive the same dividend. The operating 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 dividends is based on the operating result.

There have been no material changes in the financial position of Hoivatilat since 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 in the view of the Board of Directors.

General Meeting

The 2019 Annual General Meeting will be held in Oulu on 26 March 2019 at 3 p.m.

Financial calendar for 2019

Suomen Hoivatilat Oyj will issue its financial statements bulletin for 2018 on 21 February 2018. The company will hold a press conference in Helsinki.

The interim report for January–March 2019 will be published on 8 May 2019. Hoivatilat's half-year financial report for January–June will be published on 22 August 2019, and an interim report for January–September will be published on 6 November 2019.

Oulu 21 February 2019

Suomen Hoivatilat Oyj
Board of Directors

Further information:

Jussi Karjula, CEO, tel. +358 40 773 4054

Tables

This financial statements bulletin has been prepared in accordance with the IAS 34 standard. The company has prepared the financial statements bulletin in line with the same accounting principles as its financial statements for 2017, with the exception of amendments to standards and interpretations of standards that came into effect in 2018.

Hoivatilat Group
Income statement

EUR	7–12/2018	7–12/2017	1–12/2018	1–12/2017
TOTAL REVENUE	**9,120,834**	**7,057,569**	**17,182,305**	**12,372,792**
Transfers of investment properties and changes in fair value	20,671,349	9,249,789	36,675,896	25,085,586
Other operating income	227,335	0	282,735	
Expenses of employee benefits	-1,395,255	-1,031,288	-2,450,190	-1,884,728
Depreciation	-25,266	-5,712	-33,795	-10,070
Other operating expenses	-1,168,226	-947,336	-3,176,505	-2,246,523
OPERATING PROFIT (LOSS)	**27,203,437**	**14,323,021**	**48,480,446**	**33,317,058**
Financial income	578	417	867	585
Financial expenses	-1,035,669	-785,298	-2,057,609	-1,399,723
PROFIT BEFORE TAXES	**26,168,345**	**13,538,140**	**46,423,703**	**31,917,921**
Taxes for the review period and previous periods	-5,348,882	-2,683,873	-9,420,361	-6,413,774
PROFIT FOR THE FINANCIAL YEAR	**20,819,463**	**10,854,268**	**37,003,342**	**25,504,147**

Consolidated statement of comprehensive income IFRS

EUR	7–12/2018	7–12/2017	1–12/2018	1–12/2017
PROFIT FOR THE FINANCIAL YEAR	20,819,463	10,854,268	37,003,342	25,504,147
Other comprehensive income items				
Items that may be reclassified to profit or loss later:				
Translation differences	-1,747	0	-1,747	
Cash flow hedging	-427,177	-45,424	-992,077	113,095
Taxes associated with other comprehensive income items	85,435	9,085	198,415	-22,619
Other comprehensive income items for the review period after taxes	**-341,741**	**-36,339**	**-795,409**	**90,476**
COMPREHENSIVE INCOME FOR THE REVIEW PERIOD	**20,477,722**	**10,817,929**	**36,207,933**	**25,594,623**
Distribution of profit for the review period				
To shareholders of the parent company	20,819,463	10,854,268	37,003,342	25,504,147
To shareholders with non-controlling interests	0	0	0	0
Distribution of comprehensive income for the review period				
To shareholders of the parent company	20,477,722	10,817,929	36,207,933	25,594,623
To shareholders with non-controlling interests	0	0	0	0
Earnings per share calculated on the profit belonging to the parent company's shareholders				
Undiluted earnings per share	0.82	0.43	1.46	1.05
Earnings per share adjusted by the dilution effect	0.81	0.43	1.45	1.04

Suomen Hoivatilat Group
Balance sheet

EUR	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets	150,285	14,016
Investment properties	348,899,080	247,066,462
Machinery and equipment	36,216	32,971
Deferred tax assets	363,778	377,783
Total non-current assets	**349,449,360**	**247,491,232**
Current assets		
Trade receivables and other receivables	3,455,775	734,766
Cash and cash equivalents	11,382,638	9,844,945
Total current assets	**14,838,412**	**10,579,711**
ASSETS TOTAL	**364,287,772**	**258,070,943**
EQUITY AND LIABILITIES		
Equity belonging to the parent company's shareholders		
Share capital	80,000	80,000
Invested non-restricted equity reserve	69,722,015	69,720,511
Fair value reserve	-950,940	-157,278
Translation difference	-1,747	
Retained earnings/losses	56,084,397	33,988,430
Profit/loss for the financial year	37,003,342	25,504,147
Equity belonging to the parent company's shareholders, total	**161,937,067**	**129,135,811**
Non-current liabilities		
Financial liabilities	158,809,420	101,156,352
Deferred tax liabilities	23,618,863	14,429,667
Total non-current liabilities	**182,428,283**	**115,586,019**
Current liabilities		
Financial liabilities	11,640,147	8,901,139
Trade payables and other liabilities	8,282,274	4,447,974
Total current liabilities	**19,922,422**	**13,349,113**
Total liabilities	**202,350,705**	**128,935,131**
EQUITY AND LIABILITIES TOTAL	**364,287,772**	**258,070,943**

Suomen Hoivatilat Group
Cash flow statement

EUR	7–12/2018	7–12/2017	1–12/2018	1–12/2017
Cash flow from operations				
Profit for the financial year	21,046,798	10,854,268	37,003,342	25,504,147
Adjustments				
Non-cash transactions and other adjustments	-21,018,166	-9,158,783	-37,435,762	-24,907,234
Interest and other financial expenses	1,035,669	785,298	2,057,609	1,399,723
Interest income	-578	-417	-867	-585
Taxes	5,616,782	2,653,958	9,420,361	6,413,774
Changes in working capital				
Change in trade receivables and other receivables	-1,624,046	206,017	-2,726,708	-296,473
Change in trade payables and other liabilities	5,733,543	544,793	4,086,318	-384,811
Interest paid	-1,048,502	-730,947	-2,062,160	-1,351,279
Interest received	578	417	867	585
Taxes paid	-1,534,806	-88,214	-1,611,666	-203,562
Net cash flow from operations (A)	**8,207,272**	**5,066,390**	**8,731,335**	**6,174,284**
Cash flow from investment activities				
Divestment of investment properties	10,911,237	0	10,911,237	0
Acquisition of investment properties	0	0	-2,126,892	-2,421,607
Investments in property, plant and equipment	-44,532,450	-32,104,676	-77,193,637	-65,802,386
Investments in intangible assets	-92,178	-7,455	-136,269	-5,005
Net cash flow from investment activities (B)	**-33,713,391**	**-32,112,131**	**-68,545,562**	**-68,228,998**
Cash flow from financing activities				
Payments from the share issue	0	0	1,504	31,500,000
Loan withdrawals	36,823,088	27,468,436	73,413,983	44,955,476
Loan repayments	-4,450,492	-2,845,706	-8,756,467	-6,806,260
Dividends paid	0	0	-3,307,100	-2,078,886
Cash flow from financing activities (C)	**32,372,596**	**24,622,730**	**61,351,920**	**67,570,331**
Change in cash and cash equivalents (A + B + C)	**6,866,477**	**-2,423,011**	**1,537,693**	**5,515,617**
Cash and cash equivalents at the beginning of the financial year	4,516,160	12,267,956	9,844,945	4,329,328
Cash and cash equivalents at the end of the review period*	11,382,638	9,844,945	11,382,638	9,844,945

Suomen Hoivatilat Group
Calculation of changes in equity

	Equity belonging to the parent company's shareholders					
EUR	Share capital	Invested non-restricted equity reserve	Fair value reserve	Translation difference	Retained earnings	Equity, total
Equity on 1 Jan 2017	80,000	39,109,917	-247,754	0	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 review period			**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 for the impact of deferred taxes		-889,406				-889,406
Incentive scheme					168,282	168,282
Transactions with shareholders, total	**0**	**30,610,594**			**-1,910,604**	**28,699,990**
Equity on 31 Dec 2017	**80,000**	**69,720,511**	**-157,278**	**0**	**59,492,577**	**129,135,811**
Equity on 31 Dec 2017	**80,000**	**69,720,511**	**-157,278**	**0**	**59,492,577**	**129,135,811**
Amendments to IFRS 2					454,085	
Equity on 1 Jan 2018	80,000	69,720,511	-157,278	0	59,946,662	129,589,896
Comprehensive income						
Profit for the financial year					37,003,342	37,003,342
Other comprehensive income items*						
Translation difference				-1,747		-1,747
Cash flow hedging			-793,662			-793,662
Total comprehensive income for the review period			**-793,662**	**-1,747**	**37,003,342**	**36,207,933**
Transactions with shareholders						
Distribution of dividends					-3,307,100	-3,307,100
Share issue		1,504				1,504
Incentive scheme					-555,165	-555,165
Transactions with shareholders, total	**0**	**1,504**			**-3,862,265**	**-3,860,761**
Equity on 31 Dec 2018	**80,000**	**69,722,015**	**-950,940**	**-1,747**	**93,087,739**	**161,937,067**

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

Suomen Hoivatilat Group
Key figures

EUR thousand	Group 31 Dec 2018	Group 31 Dec 2017
Total revenue	17,182	12,373
Operating profit	48,480	33,317
Profit for the financial year	37,003	25,504
Operating result	7,663	5,436
Balance sheet total	364,288	258,071
NAV, EUR thousand	185,304	143,346
NNAV, EUR thousand	161,937	129,136
Equity ratio, %	44.5%	50.1%
Loan-to-value, %	45.6%	40.6%
Net gearing, %	98.2%	77.6%
Return on equity, %	25.4%	25.0%
Earnings per share (undiluted), EUR	1.46	1.05
Earnings per share (diluted), EUR	1.45	1.04
Dividend per share, EUR	0.17*	0.13
Operating result per share, EUR	0.30	0.22
NAV per share, EUR	7.28	5.67
NNAV per share, EUR	6.37	5.11
Net return (imputed), %	6.15%	6.46%
Value of the lease portfolio**	426,953	316,046
Average maturity of the lease portfolio (years)	14.9	14.4
Economic occupancy rate, %	100%	100%
Number of shares adjusted for share issues at the end of the period	25,439,229	25,288,859
Average number of shares adjusted for share issues during the period	25,414,511	24,228,585
Average number of shares adjusted for share issues during the period, diluted	25,491,042	24,408,357
Number of employees at the end of the period	19	15
Average number of personnel during the period	17	13

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

Investment properties

The investment properties owned by the company are measured at fair value after their initial recognition. Properties with low completion rates are measured at acquisition cost. The fair value of properties has been determined by a third-party expert, Realia Management Oy, an authorised provider of valuation services. The statement issued by Realia Management on the estimated fair value of the investment properties on 31/12/2018 is available on the Hoivatilat website. At the end of the review period, the value of the investment properties stood at EUR 348.9 (247.1) million, of which completed properties represented EUR 329.0 (231.4) million, properties under construction represented EUR 18.4 (15.0) million, and properties measured at fair value due to their low level of completion represented EUR 1.5 (0.7) million.

	1–12/2018	1–12/2017
Fair value of investment properties at the beginning of the period	**247,066,462**	**154,751,290**
Investments in properties under construction and in the start-up phase	79,783,106	64,509,168
Other investment property investments	289,099	266,279
Increase due to acquired properties	1,379,446	2,454,138
Decrease due to divested properties	-15,245,660	0
Profits and losses from changes in fair value	35,626,628	25,085,586
Fair value of investment properties at the end of the period	**348,899,080**	**247,066,462**

	31 Dec 2018	31 Dec 2017
Completed investment properties	329,000,000	231,400,000
Investment properties under construction	18,360,223	15,007,431
Investment properties in the start-up phase (measured at acquisition cost)	1,538,857	659,030
Total	**348,899,080**	**247,066,462**

On 31/12/2018, the company had a contractual obligation to complete the investment properties that are under construction or in the start-up phase. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of around EUR 105.1 million in the properties.

Contingent liabilities	31 Dec 2018	31 Dec 2017
Property mortgages		
Loans from financial institutions	170,449,567	110,057,490
Mortgages provided	228,364,213	170,837,163
Mortgages total	**228,364,213**	**170,837,163**
Pledged property shares		
Pledged investment properties	244,584,100	90,104,821
Pledges total	**244,584,100**	**90,104,821**
Leasing liabilities		
Within one year	55,616	44,494
In one to five years	45,779	25,413
In more than five years	0	0
Leasing liabilities, total	**101,395**	**69,907**
Land lease liabilities		
Within one year	826,655	677,738
In one to five years	3,306,619	2,710,951
In more than five years	29,631,841	24,955,817
Land lease liabilities, total	**33,765,114**	**28,344,505**
Refund obligation related to value added tax on property investments		
VAT refund obligation	2,636,750	941,205
Interest rate swaps		
Nominal value	61,000,000	41,000,000
Fair value	-1,188,674	-196,597

Business transactions with external related party companies	7–12/2018	7–12/2017	1–12/2018	1–12/2017
Construction contracts invoiced by Rakennusliike Lapti Oy	5,605,143	8,709,829	6,243,318	26,029,036
Construction contracts invoiced by Rakennusliike Lehto Oy	0	187,239	0	1,003,962
The Group's trade payables to Rakennusliike Lapti Oy at the end of the period	948,842	634,360	948,842	634,360
The Group's trade payables to Rakennusliike Lehto Oy at the end of the period	0	0	0	0

* Pertti Huuskonen, chairman of the company's Board of Directors, served as chairman of the Board of Lehto Group Oyj, the parent company of Rakennusliike Lehto Oy, until 11 April 2018. As of 11 April 2018, Rakennusliike Lehto Oy is no longer regarded as a related party of Suomen Hoivatilat Oyj.

New and amended standards and other changes in accounting principles applied during the financial year

The IFRS 15 standard came into effect on 1 January 2018, replacing two earlier standards: IAS 18 *Revenues* and IAS 11 *Construction Contracts*. The Hoivatilat Group's sales revenues consist entirely of rental income based on leases, meaning that the IFRS 15 standard does not have significant effects on the Group's financial reporting.

IFRS 9 *Financial Instruments* replaced the IAS 39 standard as of 1 January 2018. With regard to the new standard, the most significant changes are related to the classification of financial instruments, liabilities and investments, as well as to the accounting treatment of credit losses and the rules of hedge accounting. The effects of the IFRS 9 standard on financial reporting are minimal.

The amendments to IFRS 2 *Share-based Payment* took effect on 1 January 2018. The amendments further clarify the accounting treatment of certain types of arrangements. They concern three areas: the measurement of cash-settled payments; share-based payments from which withholding tax has been deducted; and the conversion of share-based payments from cash-settled into equity-settled. Due to the implementation of the amendments, share reward arrangements that are paid in shares in accordance with the net amount after withholding tax are recognised as share-settled arrangements, regardless of the fact that the company pays the related taxes in cash on behalf of the recipients of the rewards. The implementation of the amendments to IFRS 2 increased the company's opening balance sheet total for 2018 by EUR 0.5 million.

The accounting principle concerning the treatment of real estate tax has changed. Real estate tax for the full year is now recognised as an expense at the beginning of the year. The earlier principle was in line with IFRIC 21: real estate tax was recognised a liability on the balance sheet at the time it was incurred, and real estate tax was allocated as an expense over time. The figures for the comparison period 1 July to 31 December 2017 have been adjusted to reflect the amended accounting principle.

Effect of the change in the accounting principle concerning real estate tax on the key figures for the comparison period 1 July to 31 December 2017:

Key figure	Adjusted 7–12/2017	Previously reported 7–12/2017
Operating profit	14,323,021	14,173,448
Result for the period	10,854,268	10,734,609
Operating result for the period	3,454,437	3,334,778
Earnings per share, undiluted	0.43	0.42

New and amended standards and interpretations to be implemented during future periods

IFRS 16 *Leases* will take effect on 1 January 2019. According to the company's estimate, the standard will affect the accounting treatment and presentation of land lease agreements in which the Group is the lessee. With the implementation of the standard, plot leases that have previously been treated as other leases in accordance with IAS 17 will be included in the Group's balance sheet. This will increase the value of the Group's investment properties and non-current liabilities by around EUR 34 million. The estimate is based on the lease plot reserve on 31/12/2018 and current terms and conditions.

Other new or amended standards or interpretations did not have a significant effect on the consolidated financial statements.

Calculation formulas for key figures (IFRS)

Earnings per share (EPS), undiluted, EUR = $\dfrac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares in the review period}}$

Earnings per share (EPS), diluted, EUR = $\dfrac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares in the review period, adjusted for the dilution effect}}$

Dividend per share, EUR = $\dfrac{\text{Dividend paid for the financial year}}{\text{Number of shares entitled to dividend}}$

Calculation formulas for key figures (alternative key figures)

Equity ratio, % = $\dfrac{\text{Equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$

Net gearing, % = $\dfrac{\text{Interest-bearing liabilities} - \text{cash in hand and at banks}}{\text{Equity}} \times 100$

Return on equity, % = $\dfrac{\text{Profit/loss for the financial year}}{\text{Average equity during the financial year}} \times 100$

Economic occupancy rate, % = $\dfrac{\text{Gross rents for the review period / number of months}}{\text{Potential gross rents / number of months}} \times 100$

Operating result, EUR thousand =	Profit for the financial year - /+ net gains or losses from measuring investment properties at fair value -/+ net gains or 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
Operating result per share, EUR =	$\frac{\text{Operating result}}{\text{Weighted average of the number of shares in the review period}}$
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 =	$\frac{\text{NAV}}{\text{Number of shares adjusted for share issues at the end of the period}}$
NNAV, EUR thousand =	NAV – deferred tax liability generated by measuring investment properties at fair value
NNAV per share, EUR =	$\frac{\text{NNAV}}{\text{Number of shares adjusted for share issues at the end of the period}}$
Net return (imputed), % =	$\frac{\text{Annualised rental income for the month of the financial statements – the forecast 12-month expenses of the properties in question}}{\text{Value of the investment properties generating rental cash flow for the month of the financial statements}} \times 100$
Loan-to-value (LTV), % =	$\frac{\text{Financial liabilities – cash and cash equivalents}}{\text{Fair value of investment properties}} \times 100$

Reconciliation calculations for certain key figures

Net return (imputed), %

EUR thousand	**31 Dec 2018**	**31 Dec 2017**
Annualised rental income for the month of the financial statements	21,467	15,157
Predicted expenses for 12 months for properties generating rental income	-1,237	-864
Net rental income	20,230	14,293
Value of the investment properties generating rental cash flow for the month of the financial statements	329,000	221,270
Net return (imputed), %	**6.15%**	**6.46%**

NAV, EUR thousand

EUR thousand	**31 Dec 2018**	**31 Dec 2017**
Equity belonging to the parent company's shareholders	161,206	129,136
Deferred tax liability arising from measuring investment properties at fair value	23,367	14,210
	184,573	**143,346**

NAV (EUR thousand)

Operating result

EUR thousand	**31 Dec 2018**	**31 Dec 2017**
Profit for the financial year	36,273	25,504
-/+ net profit or loss from measuring investment properties at fair value	-34,713	-25,086
-/+ net profit or loss from the divestment of investment properties	-1,049	0
+/- taxes based on the result for the period arising the aforementioned items	210	0
+/- deferred taxes arising from the aforementioned items	6,943	5,017
Operating result	**7,663**	**5,436**

SUOMEN HOIVATILAT OYJ

Oulu Lentokatu 2, 90460 OULUNSALO **Espoo** Bertel Jungin Aukio 3, 02600 ESPOO

asiakaspalvelu@hoivatilat.fi • www.hoivatilat.fi • Service number: 0207 349 100