HOIVATILAT

HALF-YEAR REVIEW

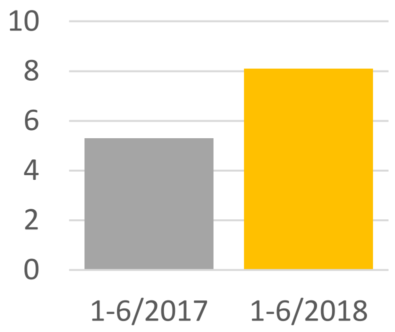
JANUARY-JUNE 2018

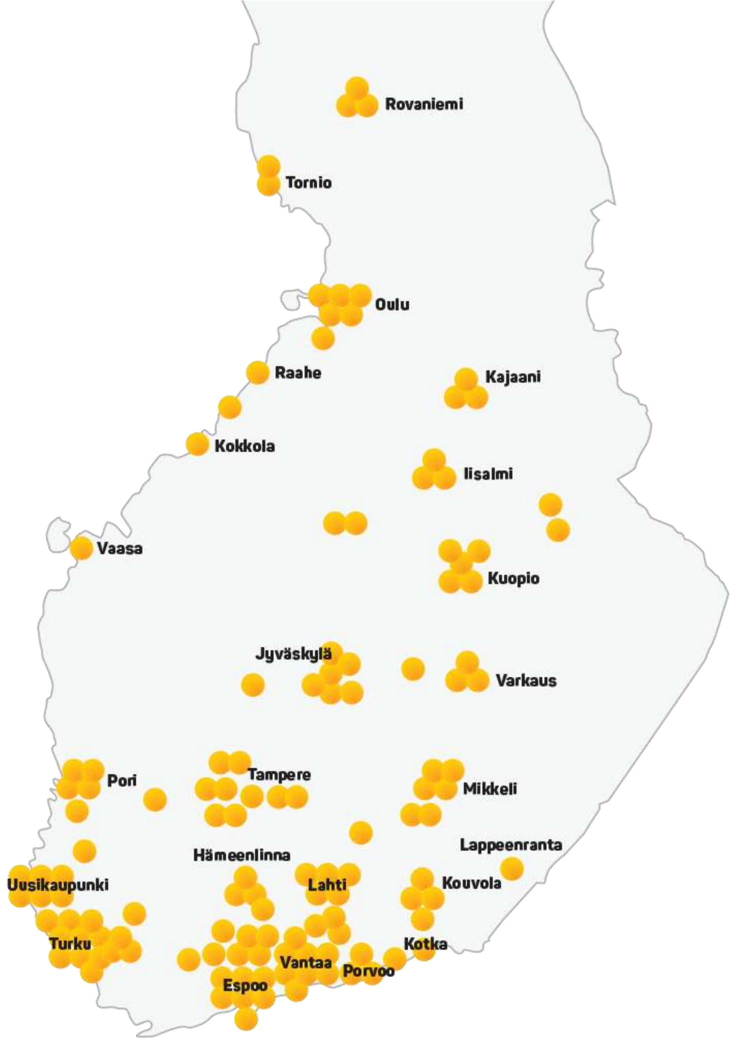
1-6/2018 (1-6/**2017**)

Total revenue

8,1 M€

(5,3 M€)





Value of investment properties

301,6 M€

(205,1 M€)

Occupancy rate

100 %

Value of portfolio agreement

383,1 M€

(280,5 M€)

Average maturity of the agreement portfolio

14,7 v

Strong growth in the agreement portfolio and operating result

Half-year report January–June 2018 (unaudited)

	1-6/2018	1–6/2017	Change-%	2017
Total revenue	8,061	5,315	51.7%	12,373
Profit for the period	15,957	14,650	8.9%	25,504
Operating result	3,153	1,981	59.1%	5,436
Earnings per share, undiluted (EUR)	0.63	0.63	0.0%	1.05
Earnings per share, diluted (EUR)	0.63	0.63	0.0%	1.04
Operating result per share (EUR)	0.12	0.09	33.3%	0.22
Value of investment properties	301,579	205,079	47.1%	247,066
NAV per share (EUR)	6.22	5.13	21.1%	5.67
Value of the agreement portfolio (without index increases)	383,075	280,529	36.6%	316,046
Economic occupancy rate, %	100%	100%	-	100%
Average maturity of the agreement portfolio (years)	14.7	14.3	-	14.4

Main events

- The European Investment Bank and Hoivatilat signed an agreement on a long-term financing package of EUR 50 million (stock exchange release, 23 April 2018)
- The company decided to establish a subsidiary in Sweden (stock exchange release, 5 June 2018)
- The company introduced a new product group: prefabricated day-care centres (stock exchange release, 13 June 2018)

Financial guidance for 2018

The company expects its total revenue to be at least EUR 17.5 million in 2018. The operating result is estimated to be about 40% of revenue. The fair value of investment properties at the end of 2018 is estimated to be at least EUR 340 million. The guidance is based on the assumption that, in 2018, the company will not make significant purchases or sales of finished investment properties, and that the market yields used in the valuation of real estate will remain as they are.

Financial targets for 2018 – 2020

The Board of Directors of Suomen Hoivatilat has set following targets for strategic period 2018-2020:

- Revenue growth of at least 40 per cent in 2018 and at least 30 per cent in 2019-2020
- Operating result at 40 per cent of revenue, on average
- Equity ratio at least 35 per cent on average

Jussi Karjula, CEO:

Hoivatilat continues to grow. Its revenue increased by 52% and its operating result grew by 59% from the comparison period. In addition, its agreement portfolio grew strongly, to EUR 383 million – an increase of EUR 103 million from the comparison period. The agreement portfolio consists of future rental cash flow from leases and preliminary agreements. Several 20-year leases were signed during the first half of the year. As a result of this, the average maturity of the agreement portfolio increased to 14.7 years (14.3). The rental occupancy rate continues to be 100%. The value of investment properties reached a record level during the review period: EUR 302 (205) million.

During the review period, we implemented a significant financing arrangement: we signed an agreement with the European Investment Bank on EUR 50 million in long-term financing in April. In June, we established a subsidiary in Sweden. Maria Frid will start as the CEO of the company and the country manager for Sweden at the beginning of September 2018. She has extensive experience in property management and business operations related to care premises.

In June, we announced a new product group: prefabricated day-care centres. The first prefabricated day-care centre is currently in production, and excavation work has begun on the plot in Raahe. In June, Hoivatilat also signed a commercial agreement on nursing home facilities and serviced apartments to be built as part of the Kuopion Portti project in the centre of Kuopio. A total of 65 serviced and assisted living apartments will be built and owned by Suomen Hoivatilat Oyj in the form of a joint-stock property company.

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 our population is already living in and around the 14 largest 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 number is predicted to increase to 925,000 by the end of 2040 (stat.fi).

In recent years, the health and social services reform has been one of the most debated themes in society. Its key goal is to ensure good services to everyone in the aging 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 health and social services reform and the regional government reform are currently being processed by the Finnish parliament.

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 an essential 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 private 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.

Financial operating environment

According to an economic forecast published by the Ministry of Finance, private investments, as well as investments in machinery, equipment and housing, will grow rapidly in 2018. This is due to an underlying shortage of capacity, which is reflected in surveys concerning industry and construction. The growth of private consumption is supported by higher income levels and an improved employment rate.

The Ministry of Finance predicts that Finland's GDP will grow by 2.9% in 2018 and by 1.8% in 2019. The increase in investments is expected to slow in 2019. This is mainly due to a decrease in the number of new construction projects.

According to Statistics Finland, the number of construction permits granted in March–May 2018 was 17.7% lower than in the corresponding period in the previous year. In terms of cubic metres, the largest decrease (29.0%) was recorded for commercial and office buildings. Significant decreases were also recorded for residential construction, and industrial and warehouse construction in this respect. However, an increase of 11.4% was recorded for public service buildings.

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 for 2018–2019, and ten-year bond interest rates will remain below 1%.

Financial development

The company's revenue was EUR 8.1 (5.3) million, an increase of 51.7% 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 16.0 (15.8) million in the review period. The fair values of completed investment properties increased mainly as a result of a decrease in the required rate of return in the market. 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 project 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 around 0.2 percentage points during the review period (from 6.5% to 6.3%). In the comparison period, the company's net return in proportion to its properties decreased by around 0.3 percentage points (from 6.9% to 6.6%).

The comparable property maintenance expenses were EUR 1.1 (0.7) million. Property maintenance expenses increased by 62.7% year-on-year. The increase is mostly explained by a significant increase in the property portfolio in comparison with the corresponding period of the previous year. The accounting principle concerning 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 as a liability on the balance sheet when it was incurred, and real estate tax was allocated as an expense over time. If the real estate tax for the review period had been allocated over time in line with the previous practice, the property maintenance expenses would have been around EUR 240,000 smaller than the expenses reported here. The new recognition practice for real estate tax is applied for the first time to figures reported for the period 1 January – 30 June 2018. The changes to the previously reported key figures for the comparison period are presented at the end of this report.

The net rental income for the review period was EUR 7.0 (4.7) million, an increase of 50.1%. At the end of the review period, the company had 98 (67) completed properties generating rental cash flow. Their net rental income rate was 6.3% (6.5% at the end of 2017; 6.6% at the end of June 2017). 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.

Expenses arising from employment benefits were EUR 1.1 (0.9) million, an increase of 23.6%. The average number of employees was 17 (12) during the review period. Administrative expenses were EUR 1.0 (0.6) million, an increase of 46.5% compared to the previous year. The increase was due to investments in future growth and project development in particular.

The operating profit was EUR 21.0 (19.0) million, with an increase of 10.8%.

Net financial income and expenses were EUR -1.0 (-0.6) million. Taxes based on the taxable income for the review period were EUR 0.9 (0.6) million, and deferred taxes due to the changes in the fair values of properties amounted to EUR 3.1 (3.1) million.

The net profit for the review period was EUR 16.0 (14.6) million, an increase of 8.9% from the comparison period. Diluted and undiluted earnings per share were both EUR 0.63 (0.63).

The operating result for the review period was EUR 3.2 (2.0) million, an increase of 59.1%. The operating result was 39.1% (37.3%) of revenue.

The consolidated balance sheet total at the end of the review period was EUR 308.5 (218.6) million, an increase of 41.1% from the comparison period and an increase of 19.5% from the previous financial statements. During the review period, investments with a total acquisition cost of EUR 38.5 (34.5) million were made in the property portfolio. These investments mostly consisted of the construction of new 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 30 June 2018 is available on the Hoivatilat website. At the end of the review period, the value of the investment properties stood at EUR 301.6 (205.1) million, of which completed properties represented EUR 261.5 (173.3) million, properties under construction represented EUR 39.4 (31.6) million, and properties measured at fair value due to their low level of completion represented EUR 0.7 (0.2) million.

The company's interest-bearing liabilities stood at EUR 143.7 (85.4) million at the end of the review period. The net amount of interest-bearing liabilities increased by EUR 33.6 million during the first half of 2018. On 30 June 2018, the company had a total of EUR 7.0 million in credit facilities at its disposal. Of this total, EUR 2.2 million was in use. Of the loan based on the financing agreement with the European Investment Bank, EUR 20 million is available for immediate use (EUR 10 million is in use).

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 42.5% (30.4%) on 30 June 2018, and the average interest rate maturity of its loan portfolio was 2.2 (1.6) years.

Properties and agreements

On 30 June 2018, the company had 89 (67) completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 49 (44). During the review period, a total of 9 (7) new properties were completed, and the company also acquired one completed property. After the end of the review period, a total of 11 (11) properties have been completed, and these properties will generate rental cash flow as of August 2018.

Properties 30 June	Completed		In progress and not started*		Total	
	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017
Number of properties	98	67	49	44	147	111
Leasable area, thousand floor m^2	86.2	59.1	49.7	41.0	135.8	100.0
Annual rents, EUR million	17.4	12.2	9.5	7.8	27.0	19.9
Investment (acquisition cost), EUR million	188.5	126.1	126.0	92.8	314.5	218.9

* = 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 30 June 2018, the company had a total of 147 (111) leases (including preliminary agreements), which were divided between 35 (25) clients. The value of the agreement portfolio was EUR 383.1 (280.5) million, and the average maturity of the entire agreement portfolio was 14.7 (14.3) years. The company's three largest key clients accounted for approximately 51% (60%) of its agreement portfolio on 30 June 2018. The largest client's share of the agreement portfolio was 25% (25%). The second-largest client's share was 18% (22%), and that of the third-largest client was 8% (13%). Otherwise, the company has a diverse client base in both day-care centres and nursing homes. The company's most important tenants are Finland's largest chains in the nursing and day- care sector, in addition to well-known brands.

Of the agreement portfolio, 63% (66%) consisted of rental income from properties located in the Greater Helsinki area / Uusimaa region and the Tampere, Lahti, Turku, Oulu, Kuopio and Jyväskylä regions. Furthermore, 22% (19%) consisted of properties located in other municipalities with more than 30,000 residents, and 15% (15%) consisted of properties in locations with fewer than 30,000 residents, where the demographic structure of the population is estimated to generate a predictable need for services in the future as well.

Distribution of the agreement portfolio by region	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Greater Helsinki area / Uusimaa region	22%	26%	21%
Lahti region	7%	8%	8%
Tampere region	7%	9%	8%
Turku region	10%	7%	8%
Oulu region	5%	6%	5%
Kuopio region	7%	6%	5%
Jyväskylä region	5%	4%	5%
Other municipalities with more than 30,000 residents	22%	19%	22%
Other locations	15%	15%	18%
Total	**100%**	**100%**	**100%**

Shares and shareholders

The number of the company's shares on 30 June 2018 was 25,439,229 (25,288,859). The company holds no treasury shares. The closing price of the company's shares on 30 June 2018 was EUR 7.62 (7.75) and the combined market value of the shares was EUR 193.8 (196.0) million. During the review period, the highest closing price was EUR 8.45 (8.96), with the lowest being EUR 7.20 (7.10). On 30 June 2018, the company had a total of 9,034 (6,304) shareholders.

Assessment of operational risks and uncertainties

Hoivatilat assesses that its risks during the current financial year and in the near future are mainly related to the financial environment and the success of its property projects, as well as to its clients. In addition, the evaluation of properties entails a fluctuation risk related to fair values. In the financial environment, the main risk factors are the possible changes in the interest rate level and the availability of funding.

A more detailed description of the risks is included in the company's annual report for 2017. In the view of the Board of Directors, no material changes have taken place with regard to the short-term risks presented in the annual report for 2017

Personnel, management and governance

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 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, sales director Antti Kurkela, property director Juhana Saarni and communications manager Riikka Säkkinen.

At the end of the review period, Hoivatilat had 19 (13) employees. During the review period, 4 (2) new employees were hired.

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 – 30 November 2019, and 1 June 2018 – 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.

Decisions of the Annual General Meeting

The Annual General Meeting of Hoivatilat was held on 27 March 2018 in Oulu. Its decisions were announced on 27 March 2018. They are also available on the company's website.

Flagging notifications

The company did not receive any flagging notifications in accordance with chapter 9, section 10 of the Securities Market Act in January–June 2018.

Events after the financial year

After the end of the review period, a total of 11 (11) properties have been completed, and these properties will generate rental cash flow as of August 2018.

Financial calendar for 2018

Suomen Hoivatilat Oy will publish a business review (January–September 2018) on 1 November 2018.

Oulu, 16 August 2018

Suomen Hoivatilat Oyj

Board of Directors

Further information:

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

Tables

This half-year report has been prepared in accordance with the IAS 34 standard. The company has prepared the half-year report 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 have come into effect in 2018.

Hoivatilat Group
Income statement

EUR	1–6/2018	1–6/2017	1–12/2017
TOTAL REVENUE	**8,061,470**	**5,315,223**	**12,372,792**
Transfers of investment properties and changes in fair value	16,004,547	15,835,798	25,085,586
Other operating income	55,400		
Expenses of employee benefits	-1,054,935	-853,440	-1,884,728
Depreciation	-8,530	-4,358	-10,070
Other operating expenses	-2,008,279	-1,299,186	-2,246,523
OPERATING PROFIT (LOSS)	**21,049,674**	**18,994,037**	**33,317,058**
Financial income	289	168	585
Financial expenses	-1,021,940	-614,425	-1,399,723
PROFIT BEFORE TAXES	**20,028,023**	**18,379,780**	**31,917,921**
Taxes for the review period and previous periods	-4,071,479	-3,729,901	-6,413,774
PROFIT FOR THE FINANCIAL YEAR	**15,956,544**	**14,649,879**	**25,504,147**

Consolidated statement of comprehensive income IFRS

EUR	1–6/2018	1–6/2017	1–12/2017
PROFIT FOR THE FINANCIAL YEAR	15,956,544	14,649,879	25,504,147
Other comprehensive income items			
Items that may be reclassified to profit or loss later:			
Cash flow hedging	-564,901	158,519	113,095
Taxes associated with other comprehensive income items	112,980	-31,704	-22,619
Other comprehensive income items for the review period after taxes	**-451,921**	**126,815**	**90,476**
COMPREHENSIVE INCOME FOR THE REVIEW PERIOD	**15,504,623**	**14,776,694**	**25,594,623**
Distribution of profit for the review period			
To parent company shareholders	15,956,544	14,649,879	25,504,147
To shareholders with non-controlling interests	0	0	0
Distribution of comprehensive income for the review period			
To shareholders of the parent company	15,504,623	14,776,694	25,594,623
To shareholders with non-controlling interests	0	0	0
Earnings per share calculated on the profit belonging to the parent company’s shareholders			
Undiluted earnings per share	0.63	0.63	1.05
Earnings per share adjusted by the dilution effect	0.63	0.63	1.04

Suomen Hoivatilat Group

Balance sheet

EUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	52,020	11,600	14,016
Investment properties	301,579,223	205,079,229	247,066,462
Machinery and equipment	36,862	23,325	32,971
Deferred tax assets	453,705	456,541	377,783
Total non-current assets	**302,121,810**	**205,570,694**	**247,491,232**
Current assets			
Trade receivables and other receivables	1,837,428	791,210	734,766
Cash and cash equivalents	4,516,160	12,267,956	9,844,945
Total current assets	**6,353,588**	**13,059,166**	**10,579,711**
ASSETS TOTAL	**308,475,399**	**218,629,861**	**258,070,943**
EQUITY AND LIABILITIES			
Equity belonging to the parent company's shareholders			
Share capital	80,000	80,000	80,000
Invested non-restricted equity reserve	69,722,015	69,720,511	69,720,511
Fair value reserve	-609,198	-120,938	-157,278
Retained earnings/losses	55,763,898	33,903,137	33,988,430
Profit/loss for the financial year	15,956,544	14,649,879	25,504,147
Equity belonging to the parent company's shareholders, total	**140,913,259**	**118,232,589**	**129,135,811**
Non-current liabilities			
Financial liabilities	135,191,704	80,390,478	101,156,352
Deferred tax liabilities	17,534,287	11,509,935	14,429,667
Total non-current liabilities	**152,725,990**	**91,900,413**	**115,586,019**
Current liabilities			
Financial liabilities	8,497,952	5,044,282	8,901,139
Trade payables and other liabilities	6,338,197	3,452,576	4,447,974
Total current liabilities	**14,836,150**	**8,496,859**	**13,349,113**
Total liabilities	**167,562,140**	**100,397,272**	**128,935,131**
EQUITY AND LIABILITIES TOTAL	**308,475,399**	**218,629,861**	**258,070,943**

Suomen Hoivatilat Group
Cash flow statement

EUR	**1–6/2018**	**1–6/2017**	**1–12/2017**
Cash flow from operations			
Profit for the financial year	15,956,544	14,649,879	25,504,147
Adjustments			
Non-cash transactions and other adjustments	-16,417,596	-15,748,451	-24,907,234
Interest and other financial expenses	1,021,940	614,425	1,399,723
Interest income	-289	-168	-585
Taxes	3,803,579	3,759,816	6,413,774
Changes in working capital			
Change in trade receivables and other receivables	-1,102,662	-502,491	-296,473
Change in trade payables and other liabilities	-1,647,225	-929,604	-384,811
Interest paid	-1,013,658	-620,332	-1,351,279
Interest received	289	168	585
Taxes paid	-76,860	-115,348	-203,562
Net cash flow from operations (A)	**524,062**	**1,107,894**	**6,174,284**
Cash flow from investment activities			
Acquisition of subsidiaries less their cash and cash equivalents at the time of acquisition	-2,126,892	-2,421,607	-2,421,607
Investments in property, plant and equipment	-32,661,187	-33,697,710	-65,802,386
Investments in intangible assets	-44,091	2,450	-5,005
Net cash flow from investment activities (B)	**-34,832,171**	**-36,116,867**	**-68,228,998**
Cash flow from financing activities			
Payments from the share issue	1,504	31,500,000	31,500,000
Loan withdrawals	36,590,895	17,487,040	44,955,476
Loan repayments	-4,305,975	-3,960,553	-6,806,260
Dividends paid	-3,307,100	-2,078,886	-2,078,886
Cash flow from financing activities (C)	**28,979,324**	**42,947,601**	**67,570,331**
Change in cash and cash equivalents (A + B + C)	**-5,328,784**	**7,938,628**	**5,515,617**
Cash and cash equivalents at the beginning of the financial year	9,844,945	4,329,328	4,329,328
Cash and cash equivalents at the end of the review period*	4,516,160	12,267,956	9,844,945

Suomen Hoivatilat Group
Calculation of changes in equity

EUR	Equity belonging to the parent company's shareholders Share capital	Invested non-restricted equity reserve	Fair value reserve	Retained earnings	Equity, total
Equity on 1 Jan 2017	80,000	39,109,917	-247,754	35,899,035	74,841,198
Comprehensive income					
Profit for the financial year				14,649,879	14,649,879
Other comprehensive income items*					
Cash flow hedging			126,815		126,815
Total comprehensive income for the review period			**126,815**	**14,649,879**	**14,776,694**
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				82,988	82,988
Transactions with shareholders, total	**0**	**30,610,594**		**-1,995,898**	**28,614,696**
Equity on 30 Jun 2017	**80,000**	**69,720,511**	**-120,938**	**48,553,016**	**118,232,589**
Equity on 31 Dec 2017	**80,000**	**69,720,511**	**-157,278**	**59,492,577**	**129,135,811**
Amendments to IFRS 2				454,085	
Equity on 1 Jan 2018	80,000	69,720,511	-157,278	59,946,662	129,589,896
Comprehensive income					
Profit for the financial year				15,956,544	15,956,544
Other comprehensive income items*					
Cash flow hedging			-451,921		-451,921
Total comprehensive income for the review period			**-451,921**	**15,956,544**	**15,504,623**
Transactions with shareholders					
Distribution of dividends				-3,307,100	-3,307,100
Share issue		1,504			1,504
Incentive system				-875,664	-875,664
Transactions with shareholders, total	**0**	**1,504**		**-4,182,764**	**-4,181,260**
Equity on 30 Jun 2018	**80,000**	**69,722,015**	**-609,198**	**71,720,442**	**140,913,259**

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

Suomen Hoivatilat Group
Key figures

EUR thousand	Group 30 Jun 2018	Group 30 Jun 2017	Group 31 Dec 2017
Total revenue	8,061	5,315	12,373
Operating profit	21,050	18,994	33,317
Profit for the financial year	15,957	14,650	25,504
Operating result	3,153	1,981	5,436
Balance sheet total	308,475	218,630	258,071
NAV, EUR thousand	158,110	129,743	143,346
NNAV, EUR thousand	140,913	118,233	129,136
Equity ratio, %	45.7%	54.1%	50.1%
Net gearing, %	98.8%	61.9%	77.6%
Return on equity, %	23.6%	30.4%	25.0%
Earnings per share (undiluted), EUR	0.63	0.63	1.05
Earnings per share (diluted), EUR	0.63	0.63	1.04
Dividend per share, EUR	-	-	0.13
Operating result per share, EUR	0.12	0.09	0.22
Loan-to-value, %	46.1%	35.7%	40.6%
NAV per share, EUR	6.22	5.13	5.67
NNAV per share, EUR	5.54	4.68	5.11
Net return (imputed), %	6.3%	6.6%	6.5%
Value of the agreement portfolio*	383,075	280,529	316,046
Average maturity of the agreement portfolio (years)	14.7	14.3	14.4
Economic occupancy rate, %	100%	100%	100%
Number of shares adjusted for share issues at the end of the period	25,439,229	25,288,859	25,288,859
Average number of shares adjusted for share issues during the period	25,389,383	23,150,737	24,228,585
Average number of shares adjusted for share issues during the period, diluted	25,415,592	23,330,508	24,408,357
Number of employees at the end of the period	19	13	15
Average number of personnel during the period	17	12	13

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

Investment properties

The company's investment properties are measured at fair value. More information about the determination of fair value and the related accounting principles is provided in the company's financial statements for 2017. The financial statements are available on the company's website.

	1–6/2018	1–6/2017	1–12/2017
Fair value of investment properties at the beginning of the period	**247,066,462**	**154,751,290**	**154,751,290**
Investments in properties under construction and in the start-up phase	37,064,789	31,953,496	64,509,168
Other investment property investments	140,415	84,507	266,279
Increase due to acquired properties	1,303,010	2,454,138	2,454,138
Profits and losses from changes in fair value	16,004,547	15,835,798	25,085,586
Fair value of investment properties at the end of the period	**301,579,223**	**205,079,229**	**247,066,462**

	30 Jun 2018	30 Jun 2017	31 Dec 2017
Completed investment properties	261,490,000	173,250,000	231,400,000
Investment properties under construction	39,417,545	31,613,500	15,007,431
Investment properties in the start-up phase (measured at acquisition cost)	671,678	215,729	659,030
Total	**301,579,223**	**205,079,229**	**247,066,462**

On 30 June 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 94.5 million in the properties.

Contingent liabilities	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Property mortgages			
Loans from financial institutions	143,689,656	85,434,761	110,057,490
Mortgages provided	209,797,463	137,139,500	170,837,163
Mortgages total	**209,797,463**	**137,139,500**	**170,837,163**
Pledged property shares			
Pledged investment properties	174,118,190	57,590,000	90,104,821
Pledges total	**174,118,190**	**57,590,000**	**90,104,821**
Leasing liabilities			
Within one year	61,054	42,256	44,494
In one to five years	67,943	29,584	25,413
In more than five years	0	0	0
Leasing liabilities, total	**128,997**	**71,839**	**69,907**
Land lease liabilities			
Within one year	758,573	620,250	677,738
In one to five years	3,034,292	2,481,001	2,710,951
In more than five years	28,420,826	23,136,752	24,955,817
Land lease liabilities, total	**32,213,691**	**26,238,003**	**28,344,505**
Refund obligation related to value added tax on property investments			
VAT refund obligation	884,215	782,478	941,205
Interest rate swaps			
Nominal value	61,000,000	26,000,000	41,000,000
Fair value	-761,498	-120,938	-196,597

Business transactions with external related party companies	**1–6/2018**	**1–6/2017**	**1–12/2017**
Construction contracts invoiced by Rakennusliike Lapti Oy	638,175	17,319,207	26,029,036
Construction contracts invoiced by Rakennusliike Lehto Oy	0	816,723	1,003,962
The Group's trade payables to Rakennusliike Lapti Oy at the end of the period	0	861,437	634,360
The Group's trade payables to Rakennusliike Lehto Oy at the end of the period	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 review period

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 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 January – 30 June 2017):

	Adjusted	Previously reported
Key figure	**30 Jun 2017**	**30 Jun 2017**
Operating profit	18,994,037	19,143,610
Profit for the period	14,649,879	14,769,538
Operating result for the period	1,981,241	2,100,900
Earnings	48,553,016	48,672,675
Return on equity	30.4%	30.6%
NAV per share	5.13	5.14
Earnings per share, undiluted	0.63	0.64

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 32 million. The estimate is based on the lease plot reserve on 30 June 2018 and current terms and conditions.

Calculation formulas for key figures (IFRS)

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

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

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

Calculation formulas for key figures (alternative key figures)

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

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

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

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

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

$$\text{Operating result per share, EUR} = \frac{\text{Operating result}}{\text{Weighted average of the number of shares in the review period}}$$

$$\text{NAV, EUR thousand} = \text{Equity belonging to parent company's shareholders + deferred tax liability generated by measuring investment properties at fair value}$$

$$\text{NAV per share, EUR} = \frac{\text{NAV}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

$$\text{NNAV, EUR thousand} = \text{NAV} - \text{deferred tax liability generated by measuring investment properties at fair value}$$

$$\text{NNAV per share, EUR} = \frac{\text{NNAV}}{\text{Number of shares adjusted for share issues at the end of the period}}$$

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

$$\text{Loan-to-value (LTV), \%} = \frac{\text{Financial liabilities} - \text{cash and cash equivalents}}{\text{Fair value of investment properties}} \times 100$$

Reconciliation calculations for certain key figures

Net return (imputed), %

EUR thousand	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Annualised rental income for the month of the financial statements	16,640	12,162	15,157
Predicted expenses for 12 months for properties generating rental income	-922	-778	-864
Net rental income	15,719	11,384	14,293
Value of the investment properties generating rental cash flow for the month of the financial statements	249,480	173,250	221,270
Net return (imputed), %	**6.3%**	**6.6%**	**6.5%**

NAV, EUR thousand

EUR thousand	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Equity belonging to the parent company's shareholders	140,913	118,233	129,136
Deferred tax liability arising from measuring investment properties at fair value	17,197	11,510	14,210
NAV (EUR thousand)	**158,110**	**129,743**	**143,346**

Operating result

EUR thousand	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Profit for the financial year	15,957	14,650	25,504
-/+ net profit or loss from measuring investment properties at fair value	-16,005	-15,836	-25,086
-/+ net profit or loss from the divestment of investment properties	0	0	0
+/- taxes based on the result for the period arising the aforementioned items	0	0	0
+/- deferred taxes arising from the aforementioned items	3,201	3,167	5,017
Operating result	**3,153**	**1,981**	**5,436**