HOIVATILAT

Annual Report 2019

Contents

CEO's Review

Creating a better society

Hoivatilat's business operations have a significant positive social impact. Our primary mission is to create a better society and better service environments together with our partners. In recent years, there has been a significant change in municipal procurement procedures: in real estate procurement, competitive tendering has become increasingly based on leasing models both in education and social and health services. More and more often, school properties, daycare centres and nursing homes are owned by private operators, while the services themselves are provided either by a public or private service provider. This change highlights the importance of responsible conduct by all parties. Hoivatilat values responsible methods of operation and reliability as a contractual partner. These principles reflect our values.

GROWTH IN FINANCIAL INDICATORS

Hoivatilat is a growth company. Our operations began in 2009 and have since grown strongly. Today we are a major company in Finland, and we are also making great progress on the real estate market for education and social and health services in Sweden. During the past financial year, the business was developed strongly and all key indicators improved considerably: revenue grew by 35 per cent and the value of investment properties increased by 40 per cent, amounting to almost EUR 500 million. Other indicators that are exceptionally high for our field include the 100 per cent occupancy rate and the average maturity of 15.8 years. During the last decade, we have carried out approximately 200 property projects in 60 municipalities.

During the review period, a total of 27 new properties were completed, and the company acquired 3 completed properties. Our Swedish subsidiary, Hoivatilat AB, has also gotten off to a great start. The first building sites for daycare centres and nursing homes were established in Sweden last year. The number of our employees increased, and our cooperation network expanded further. We served our long-term partners and won new customers. I believe the increase in the number of our direct public sector customers, i.e. municipalities, is especially important. Last year we won seven municipal projects through public tendering and two public competitive tendering processes by the third sector.

Our business model is based on strong project development, construction operations, financing and ownership. Over the years, we have developed the company's operations towards becoming a service company. 'Facilities as a Service' thinking and responsible ownership distinguish our company from the other operators in the market.

GROWTH IN BUSINESS

The year 2019 saw us make significant strides in our business: The Swedish business is making good progress with the first school projects being completed and many new school sites being launched. Hoivatilat Dream Service Community concept is advancing, and a magnificent block will be completed for the Housing Fair 2020 event in Tuusula. We also renewed our nursing home concepts. More and more often, sheltered housing for senior citizens is provided in an apartment building where many services, housing and care are available in the same building.

The 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. Last autumn the Finnish Prime Minister's Office published *Indoor Air and Health*, a report examining current indoor air quality and the extent of indoor air problems in the private and public sectors. Based on the responses provided by municipalities, significant indoor air problems affect 5–18 per cent of the total square footage of various types of buildings. The most significant problems are related to comprehensive school and upper secondary school facilities, 60–70 per cent of which were built before 1980.

Ageing properties with their inherent problems also call for speeding up the process of replacing old facilities. In addition to technically flexible facility solutions, the models of ownership and real estate management are also changing. Hoivatilat is an active renovator contributing to this work.

NEW STRUCTURE OF OWNERSHIP

In November, the Belgian company Aedifica, through its subsidiary Aureit Holding Oy, made a voluntary recommended public cash tender offer for all issued and outstanding shares in Hoivatilat. Both the Board of Directors and the management of Hoivatilat took a

“The new decade is filled with new opportunities”.

positive approach to the offer. By the end of January 2020, Aedifica owned more than 98 per cent of Hoivatilat’s shares. This means that Hoivatilat will exit the stock exchange list of Nasdaq Helsinki during 2020. I want to thank all our 10,000 owners who have trusted us and enabled our positive development in recent years.

Founded in 2005, Aedifica is a Belgian real estate investment trust operating under Belgian legislation and specialising in real estate for social and healthcare services and education in Europe. The real estate portfolio built by Aedifica consists of more than 270 properties in Belgium, Germany, the Netherlands and the United Kingdom and is worth about EUR 2.6 billion in total.

Owned and supported by Aedifica, Hoivatilat continues its operations as before, employing the current personnel and a strategy of responsible ownership. The change in ownership will not have any effect on existing contracts and partnerships. I believe that our shared values, that is, a wish to create a better society and new service models for the ageing and urbanising population of Europe forms a solid foundation for building the future.

I want to thank our dedicated staff and our Board of Directors, our customers, and our extensive network of partners and owners for the past year and decade. The new decade is full of new opportunities. Together we are building a better society.

Jussi Karjula
Chief Executive Officer
@KarjulaJussi

Key Figures
31.Dec, 2019

Company founded

2008

Listed on Nasdaq Helsinki main market on

1 March 2017

EPRA Earnings

8.9 M€

Total revenue

23.3 M€

Value of lease portfolio

584 M€

Occupancy rate

100%

Average maturity of leases (years)

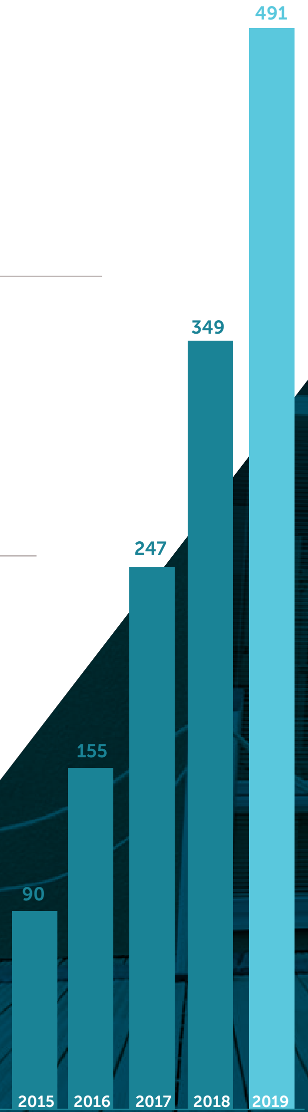
15.8

Age of completed properties (years)

2.6

Value of properties

491 M€



200
projects

60
municipalities

We build, finance, own and lease

DAY-CARE CENTRES

CARE FACILITIES

SERVICE COMMUNITIES

SCHOOLS

OTHER SPECIAL PROPERTIES

Operating Environment and Trends

Hoivatilat believes that the following trends in its operating environment – and effective responses to these trends – contribute to its growth:

- // Ageing population
- // Urbanisation and the centralisation of the population
- // Public sector indebtedness and economic challenges
- // Structural reform in healthcare and social services
- // The condition of properties in education, social services and healthcare sectors
- // Increasing use of service vouchers in early education and care services
- // Changes in municipal procurement practices by lease models
- // Eco-friendliness
- // Artificial intelligence and digitalisation

ECONOMY

The Ministry of Finance forecasts that economic growth will be slow in Finland, driven by domestic demand. In its economic forecast of 18 December 2019, the Ministry of Finance estimated that Finland's GDP would grow by 1.6 per cent in 2019. Economic growth will slow and will be around 1 per cent in the near future: GDP growth is expected to be 1.0 per cent in 2020 and 1.1 per cent in 2021. Private investments, and investments in residential construction in particular, are expected to decrease in 2020, while investments in public service buildings are expected to increase. Building permit development is favourable in the care sector, for example. The growth rate of production investments will decrease, but exports will increase as a result of service exports and ship deliveries.

With employment and income levels increasing, private consumption will continue to grow steadily. The number of employed people will increase by 0.5 per cent in 2020. Slower economic growth and higher nominal wages will weaken the growth of employment. The nominal income level is expected to increase by 3 per cent.

AGEING AND THE HEALTH AND SOCIAL SERVICES REFORM

Finland has the most rapidly ageing population in Europe. At the end of 2017, the number of people aged over 75 in Finland was around 500,000, and this number is predicted to increase to 925,000 by the end of 2040 (Statistics Finland, stat.fi). The number of people aged over 75 will increase by 50 per cent by 2030 and will nearly double over the next two decades. The trend is similar in Sweden. With the population ageing, the need for assisted living and care services will increase strongly, and private service providers will play a key role. This trend is likely to gain momentum, regardless of the final form and schedule of the health and social services reform that is being prepared.

URBANISATION AND THE CONCENTRATION OF THE POPULATION

Over the past two decades, the population of the Helsinki-Uusimaa region has increased by almost 500,000 people. Approximately 70 per cent of Finland's population is already living in and around the 14 largest towns and cities. The migration of families with children to growth centres also requires municipalities with decreasing populations to adjust their service networks. This means that the market for flexible rental properties may grow.

STATE OF THE PROPERTIES

The 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 maintenance backlogs that require renovation.

According to the results of the *Indoor Air and Health* study published by the Prime Minister's Office, significant indoor air problems affect between 5 per cent and 18 per cent of the total square footage of various types of municipal buildings. The most significant problems are related to comprehensive school and upper secondary school facilities, 60 per cent to 70 per cent of which were built before 1980.

More information about economical, global and society trends in the Board of Directors' Report, on page 53.

Strategy

Hoivatilat is a service company that specialises in developing, leasing out and owning care and education premises. Our operating model is unique. Our goal is to provide solutions for growth for our customers while operating as a reliable long-term property owner and lessor.

We offer five types of property:

// Day-care centres
// Nursing homes for the elderly, the disabled and recovering substance abusers and mental health patients
// Service communities (Dream Service Community concept)
// Schools
// Other special properties (shelters, children's homes)

Hoivatilat's business operations consist of both customer-specific service and more extensive development in society. We create new ways and opportunities to provide high-quality early education, education, care and safety. We enable our customers to focus on their core operations. We provide facilities for new business concepts, expertise for regional development and structures for a good quality of daily life for the benefit of society as a whole.

CUSTOMER EXPERIENCE

We provide our customers with favourable conditions for good service operations in our properties. For municipalities, we are a comprehensive service provider. For businesses, we are a partner who manages the entire property project, from acquiring the land to managing special properties. The user of the property is provided with turnkey facilities that meet their requirements, while Hoivatilat remains the active owner of the facilities. By investing in the customer experience and digitalisation, we provide a better service experience to the end users of our premises: children, the elderly, the disabled and other groups with special needs, and to the employees working in the facilities.

We are continuously developing our current and new service concepts. Our most important business development dimensions include customer-oriented and inclusive design, regional development, high-quality property development, user experience development, life-cycle ownership, eco-friendliness and environmental responsibility.

DEVELOPER

Hoivatilat is a responsible regional developer. We participate in creating the municipalities of the future. As a pioneer and builder of society, we are also seeking new influences and ideas internationally. We work to reform structures and develop new ways to build a good life and future – that is, better service environments – for all people through town planning, service packages, and building technology and automation.

Hoivatilat's business operations have an important social dimension.

STRATEGIC PARTNERSHIPS

Our business operations are based on understanding our customers' business operations and on close customer relationships and good user experiences. To create added value for our customers, we must know the growth prospects and growth areas in key municipalities. Finland had 310 municipalities at the beginning of 2019. Nine of these are cities with more than 100,000 residents. Hoivatilat focuses on areas in major growth centres that have significant needs for services and investments in the education, social welfare and healthcare sectors.

We know municipalities' needs and offer a competitive way to provide modern high-quality service properties without municipal investments. Our business model is based on the company's active role in land acquisition and relationships with municipalities. Our projects often begin with us combining a private service operator with land that we have acquired. Our key expertise includes in-house project development and property development.

MEGATRENDS

- Urbanisation
- Ageing population
- Financial challenges in the public sector
- Customers' reedom of choice
- Ecological considerations
- Technological development, AI and digitalisation
- Health

ABILITY TO CREATE SOMETHING NEW

VISION
We create a superior customer experience as a provider of facilities for education, health and social services.

PARTNERSHIPS

- Customers
- Colleagues
- Construction partners
- Owners
- Other networks

DEVELOPMENT PROGRAMMES

- Properties as a service
- International operations
- New service concepts
- Land aquisitions and regional development
- Responsibility at Hoivatilat

MISSION
We create a better society and improved service environments together with our partners.

BUILDING ELEMENTS FOR SUCCESS

BUILDING ELEMENTS FOR SUCCESS

Customer-oriented approach

Service solutions or growing regions

Ecosystem – skilled staff and networks

Focus on education, health ans social services

Lifecycle ownership and quality property portfolio

ABILITY TO CREATE SOMETHING NEW

OUR VALUES

Responsibility

Activity

Courage

SUSTAINABILITY

The planning and implementation of our property projects are based on life-cycle ownership and responsible contracting. This means safe, healthy and flexible facilities. In property development, we favour eco-friendliness: low-carbon construction, renewable material and energy solutions, and intelligent property control and lighting solutions.

Hoivatilat has paid special attention to making premises healthy and minimising indoor air issues. Digitalisation and IoT enable new methods of monitoring indoor air quality and property structures. In these areas, Hoivatilat is a pioneer in its field.

The world keeps changing more and more rapidly.

That is why we need to build more sustainably.

OPERATIONAL EFFICIENCY

The company has an efficient organisation, and we also rely on our extensive partner network in design, monitoring and construction. Hoivatilat offers long-term lease agreements (typically 15–25 years), builds well-equipped special properties and serves as their long-term owner. We use digital technology in managing our network of almost 200 properties. Through remote access, our property management has an overview of all properties and can monitor them using selected indicators.

Business Review

For Hoivatilat, 2019 was a year of growth and expansion. Our organisation grew and strengthened, we expanded our offerings and formed new customer relationships. At the same time, our key indicators improved considerably.

THE BUSINESS OF HOIVATILAT GREW ON MANY FRONTS DURING THE YEAR

The customer base has expanded in the municipal sector in particular, but also in the third sector and among corporate customers. Last year we won seven municipal projects through public tendering and two public tendering processes by the third sector. Four of these projects were schools.

During the year, the company implemented not only schools, daycare centres and nursing homes, but also shelters and children's homes as well as hybrid and service community buildings that combine various services. Hoivatilat has many diverse projects combining housing and services underway. A service community comprising a daycare centre, a nursing home, housing for senior citizens, a restaurant and a pet hotel will be completed for the Housing Fair Finland event in Tuusula next summer.

INTERNATIONAL GROWTH

In Sweden, the business developed according to plan. In 2019, Hoivatilat AB agreed on the implementation of seven property projects, of which four have started. The first properties will be completed in the spring of 2020. At the beginning of 2020, Hoivatilat AB employs a three-member team of its own, as well as a well-functioning network of local partners.

FINANCIAL INDICATORS

Hoivatilat is growing rapidly as a company. Our operating profit can be divided into two categories. The first category is the income from the renting business, which comprises the company's revenue and operating result. The second category is the income from the changes in the fair value of investment properties, which in turn consist of two areas. First, Hoivatilat has its own property development operations where the company's own organisation is involved in project development and construction contracting, creating additional value for the income statement and balance sheet. Second, there are property valuations carried out according to the IFRS accounting standards. These valuations are based primarily on the yield requirement on the market. In recent years, the yield requirement has decreased, which has increased the value of investment properties. In 2019, the yield requirement decreased from 6.15 per cent to 6.03 mostly due to a decrease in the required market rates of return used in measuring the value of investment properties.

Judged by all key indicators, 2019 was a year of strong growth.

Looking at balance sheet indicators as well as sales figures, Hoivatilat broke all earlier records.

Revenue, the value of the investment properties, as well as the EBIT and the operating result increased significantly. The Group's revenue was EUR 23.3 million. The increase in revenue was mostly due to considerable growth in the number of properties that the company has leased. The net rental income for the review period was EUR 22.4 million, representing an increase of 41.2 per cent.

During the review period, a total of 27 new properties were completed, and the company acquired 3 completed properties. Hoivatilat has almost 50 tenants. 39 per cent of the rent revenue cash flow comes from the three largest customers.

Hoivatilat's operating efficiency is good despite the fact that the operating costs include also the costs of sales and project development. The company's EPRA Earnings were EUR 8.9 million as the revenue was EUR 23.3 million. EPRA Earnings include EUR 1.4 million non-recurring expenses arising from the public tender offer (EUR 1.8 million before tax).

The company has an exceptionally long-term view of its future cash flow. The value of the company's agreement portfolio was EUR 584.1 million, which equals the agreed lease revenue for the forthcoming years, without index increases. The average lease period is 15.8 years. The occupancy rate of the properties has been 100 per cent throughout the company's history.

The consolidated balance sheet total at the end of the review period was EUR 512 million, showing an increase of 40.5 per cent year-on-year. During the review period, investments with a total acquisition cost of EUR 88.5 million were made in properties. On 31 December 2019, the company had 150 completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 44 and the company had a total of 194 leases, including preliminary agreements.

The operating profit was EUR 38.7 million, representing a decrease of 20.1 per cent. The decrease in the operating profit was mainly due to a smaller change in the return requirements for properties year-on-year and the non-recurring expenses arising from the implementation of the public tender offer by Aureit Holding Oy.

Personnel

Skilful personnel with a capacity for renewal is also a requirement for future growth. Building trust is a key factor in building of strong team spirit and corporate culture. Throughout the rapid growth of recent years, we have invested particularly in our good team spirit and in creating an inspiring atmosphere at the workplace.

HUMAN RESOURCES DEVELOPMENT IN 2019

In 2019, the systematic development of professional capability was chosen as one of the key objectives for human resources management. Also, particular investment was made in the development of supervisory work and management. The third annual target was to carry out a Great Place to Work Culture Audit and an employee satisfaction survey using the GPW model.

The development of our personnel's expertise was promoted by adding a section on target setting and a plan for the development of personal professional competence in the framework followed at quarterly sparring discussions. This section is returned to during the year in the discussions between the supervisor and the supervised. Supervisors' skills were improved through coaching customised to meet the company's needs. The themes of the coaching sessions included motivating your team members and promoting responsibility taking, improving collaboration between teams and promoting communication.

A Great Place to Work Trust Index employee survey was carried out in August–September. In connection with it, a Culture Audit focusing on the management practices reflecting corporate culture was also carried out. The survey response rate was 100%, which means that all full-time Hoivatilat employees at the time of the survey responded to it. We achieved an excellent overall Trust Index score, 96%. The results were significantly improved from the previous year, with the Trust Index score increasing from 91% to 96%. Our employees commended our excellent team spirit and a culture of caring. The personnel also appreciate that they are given the opportunity to make independent decisions and take responsibility in their work, and said they find their work meaningful. The types of incentives we offer were also found motivating by employees. Improvements could be made through a clearer division of tasks and an improved flow of information.

- In Finland, Great Place to Work annually surveys about 150 organisations with a total of approximately 45,000 employees. These surveys are based on research of the best workplaces over a period of more than 30 years and the experiences of more than 100 million employees.
- The Trust Index surveys the employee experience at the workplace with the help of 63 claims. These focus on five themes: credibility, respect, pride, fairness and team spirit.
- The Culture Audit is a survey on management practices that develop corporate culture.

Trust Index© result, compared to the best performers	Hoivatilat 2019	*Great Place to Work Finland 2019 – Small company series*
Credibility	**93%**	96%
Respect	**99%**	96%
Fairness	**92%**	95%
Pride	**100%**	96%
Team spirit	**98%**	98%
Trust Index© overall results	**96%**	96%

NUMBER OF EMPLOYEES 2019

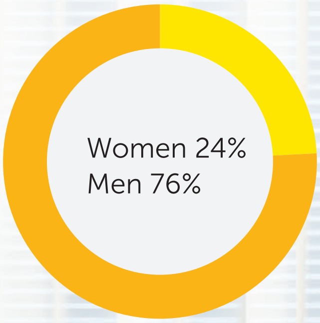
25

hired

7

AVERAGE AGE OF EMPLOYEES

39.4



#hoivatilalainen

In the open comments of the employee satisfaction survey, our employees described their workplace as follows:

"Our workplace has a positive atmosphere of success that is supported by our management's positive feedback on our work".

"Employees are trusted here, which is important to me".

"Brilliant bunch of people".

OUR SPORTS CHALLENGE INSPIRED EMPLOYEES TO EXERCISE

Hoivatilat wants to encourage its employees to have a healthy, physically active lifestyle. In 2019, exercise and leisure activities were encouraged with exercise and culture vouchers. We also continued the traditional Hoivatilat sports challenge, where points are gained through weekly physical activity. The sports and forms of exercise for which points can be gained are announced in advance, and all those who meet the target are given a money bonus at the end of the challenge period.

Points were awarded from several sports and activities: running and walking, cycling and rollerblading, skiing, swimming, gym and aerobics. Ball games and various team sports also earned points.

Around three hours of exercise per week was needed to complete the challenge. In the spring 2019 sport challenge, for example, 71 per cent of participating employees reached the target, and many were very close to it. We have received very positive feedback from our employees about the sports challenge: it really does encourage people to exercise.

Properties as a service

A growing number of actors and service providers in the public, private and tertiary sectors want to organise their activities without the financing or maintenance risks related to property.

Hoivatilat sharpened its operating model and its communication to customers during 2019 as part of its strategy and branding process. The project resulted in the launch of the Hoivatilat as a service concept, covering all types of property offered by Hoivatilat. The model is tailored to the customer's needs, covering all the lifecycle management challenges of the property. At the heart of the service is our familiar customer promise: Hoivatilat takes care not only of all aspects of building construction and the availability of the location, but also of the separately agreed user and maintenance services throughout the lease term of the property.

The Hoivatilat service agreement includes:

- Contracts and permits
- Leasing or purchase of the land
- Planning and construction of premises
- Active ownership of the completed property
- Maintenance services in accordance with the contract

The customer can order a property leasing model or add various lifecycle services of varying scopes to the package, for example:

- Property maintenance
- Maintenance of outdoor areas
- Cleaning
- Waste management
- Security guarding etc.

Hoivatilat engages in continuous dialogue with municipalities and cities on various rental procurement methods. Active dialogue on procurement ensures the desired quality level and functions.

Participatory planning also takes account of the end-user perspective of the facilities.

Benefits of the facilities as a service model for the customer:

- Investment-free
- Outsourcing of property risk
- Construction project remains on budget
- Fast implementation with a ready concept
- Large selection of user-phase services
- Ease: one invitation for bids, one agreement

Client	**Vantaa Shelter Association**
Customer capacity	**14** family rooms
Floor area	**850** m^2
Completed	**9/2019**
Contract value approximately	**4** MEUR
Contract period	**20** years

FIRST OF ITS KIND

Shelter in Koivukylä, Vantaa

Hoivatilat implemented a ground-breaking project in Vantaa: a shelter opened in Koivukylä in September 2019. The property is one of the first facilities in Finland that have been designed and built to be used as a shelter. It is also the first shelter project undertaken by Hoivatilat. Vantaa Shelter Association is responsible for the operations.

Home should be the best place for everyone, but unfortunately this is not always the case. People are referred by social services, child welfare units, the police, parishes and public healthcare centres to live in a shelter or child protection unit.

A shelter offers protection when staying at home is not safe because of violence, threats or fear. It is important that such special properties can provide the necessary support for individual growth and ensure a harmonious home-like living environment.

Safety was the key principle in the design of the Vantaa property. The building has external security cameras, and the property and employees have various security systems. Hoivatilat is also responsible for the technical maintenance of the facilities, as well as the maintenance of outdoor areas, in line with the Facilities as a Service model.

The shelter is around 850 square metres in area, and its facilities are divided into two identical departments. Both departments have seven family rooms with toilet and bathroom facilities, in addition to a shared kitchen and living room and two offices for employees. A sauna, a professional kitchen and staff facilities are located between the departments. The pleasant backyard has a playground with swings and two large patios.

Even during its first months of operation, the shelter attracted a great deal of interest among professionals, as well as attracting visitors from Finland and abroad.

Client	**City of Oulu**
Customer capacity	**6** forms, **150** pupils **3** day-care groups, **56** children
Floor area	**2,800** m^2
Completed	**2021**
Contract value approximately	**15** MEUR
Contract period	**25** years

FLEXIBLE FACILITIES FOR AN ENTIRE VILLAGE THROUGH THE LEASE MODEL

Salonpää School, Oulu

To be completed in late 2021, Pelkka is a school and a day-care centre that becomes a community centre in the evenings. Or, from another perspective, it's the cultural and recreational centre of a village that provides facilities for a school and a day-care centre during the day.

The new Salonpää School will be located in approximately the same place as the old school, which will be demolished, next door to an old school building made from logs. In terms of architecture, the new building will have a peaceful and easily approachable appearance – but clearly one of a public building.

The lease includes the property and a service element, whereby Hoivatilat is responsible for providing the site with maintenance services to a separately agreed extent. The maintenance services include cleaning the school building, property maintenance, energy costs, a long-term building management plan and annual maintenance. In other words, through a single tender process, the City of Oulu will also be provided with a broad range of services during the operation of the school.

Energy maintenance is implemented with the environment in mind by using a pellet plant. The plant will use fully renewable Finnish fuel, and is an environmentally friendly choice even in terms of particulate emissions. The capacity of the new power plant will also cover the heating of the old wooden school, and replacing oil with pellets will reduce the school's carbon footprint by more than 100 tonnes per year.

The long lease and flexible facilities enable energy investments and make it possible to adjust the purpose of use of the facilities to changes in the local population and service needs. The City of Oulu's main goals for the project included flexibility and various operational needs.

Client	**Day-care centre Nappula-aho & Nursing home Huhtihovi**
Customer capacity	**3** day-care groups, **60** children **24** assisted living facilities residents
Floor area	**1,500** m^2
Completed	**9/2019**
Contract value approximately	**6** MEUR
Contract period	**20** years

A SERVICE COMMUNITY COMBINES LIVING WITH SERVICES

Service community Palta, Turku

An exceptional service community offering early education services and nursing services for the elderly was completed in Kärsämäki in Turku at the end of summer 2019. Service communities are increasing, and they represent the town planning of the future by bringing together daily activities to create social benefits and surprising synergies.

Hoivatilat has implemented several service communities in Finland that combine services with facility and housing solutions for the benefit of everyone. The Palta service community is located in a peaceful low-rise area. The service community includes facilities for the three groups of the Nappula-aho day-care centre and the Huhtihovi nursing home, which provides assisted living facilities for the elderly.

Daily life at the day-care centre is off to a good start in its flexible and practical facilities, which are optimal for small-group activities. The children and the elderly share a yard, which encourages low-threshold interaction. Spending time outdoors is important for the elderly, and the large patio offers them an opportunity to watch children play in the yard. Joint activities are also organised, weather permitting.

The children visit the nursing home weekly and spend time with the elderly, reading and doing arts and crafts, for example. Joint special events are also held. In addition, visits by the elderly to the day-care centre are being planned.

Interaction with the children is a high point of the week for the elderly and enriches their lives. The service community also enriches the children's lives, as many of them don't have grandparents nearby. The service community offers opportunities for interaction between generations.

The cooperation is perceived as highly effective and meaningful at both the nursing home and the day-care centre, and it will offer plenty of new opportunities in the future.

Client	**City of Vaasa**
Customer capacity	**210** children
Floor area	**2,500** m^2
Completed	**2020**
Contract value approximately	**7** MEUR
Contract period	**15** years

SOLUTION FOR FACILITY CHALLENGES THROUGH THE LEASE MODEL

Gerby Daghem, Vaasa

A modern and colourful two-storey day-care centre will be completed on a slope in the Gerby residential area in Vaasa in the summer of 2020. The project is being implemented by Hoivatilat. The City of Vaasa will be the service provider for the day-care centre for ten groups.

The sloping location and two-storey structure required special attention during the project planning phase. In the competitive bidding, Hoivatilat received positive feedback for the suitability of its design solution for the environment, and for its project plan. The offer was made based on designs created in cooperation with PAVE Architects.

The goal was to design a playful and laid-back appearance for the group of buildings – a day-care centre that looks as little like a public institution as possible. The shapes of the cosy and distinctive 'forest cottages' combine the small scale of old rustic wooden houses and outbuildings with simple and stylish modern design.

In the design of the yard, special attention was paid to safety, and any challenges arising from the sloping location were tackled from the outset. In terms of engineering, the architectonically impressive day-care centre is somewhat unconventional. As a whole, it is a more massive construction project than typical single-storey day-care centres. The frame of the first floor of the day-care centre has a reinforced concrete structure, but otherwise the building has a wooden structure.

The final result will be a safe and ecological day-care centre. The surrounding forest area will be kept as a consistent and natural adventure area. Wood and other natural materials will be favoured as indoor surface materials. They are proven to have a positive impact on indoor air quality and acoustics.

As the property owner, Hoivatilat will be responsible for maintenance and usability in line with its life-cycle model, from all maintenance costs to cleaning and waste management.

Responsibility at Hoivatilat

Our mission of responsibility

Our primary mission is to create a better society and better service environments with our partners.

Our goal is to provide solutions for growth for our customers, while operating as a reliable long-term property owner and lessor. We want to create a better society together with our partners.

OUR OPERATIONS ARE GUIDED BY OUR VALUES

In 2019, Hoivatilat updated its values. The purpose of the update was to discuss together if the previously defined values guiding our operation were still relevant. Do our methods of operation still reflect our values?

The updating of our values started with a joint workshop where all staff members thought about our values in groups, playing a game of values. The groups summarised their discussions, and the process continued on the basis of these thoughts. Finally, an electronic survey was carried out with the whole staff so that everyone could have a say in the wording of our values. The process showed that our previous values were still relevant and described our methods of operation, but they needed crystallising and the wording needed slight editing. In December 2019, we published our updated values that guide our business.

OUR RESPONSIBILITY PROGRAMME IS PART OF OUR STRATEGY

In 2018, Hoivatilat began defining the focus areas of responsibility efforts. We thought about the most essential needs of our stakeholder groups and defined them. We also listed the themes related to responsibility that are relevant to our strategy and business. An internal materiality analysis was carried out to define the focus areas of responsibility that are the most essential to our business. The focus areas for our responsibility efforts were defined as **customer-oriented supply and operating methods, people's wellbeing, environmental responsibility** and **social responsibility.**

OUR VALUES

Responsibility

We understand, what our customers do and what they need. We are happy to serve.

We are responsible and trustworthy.

With our expertise, we create added value for our customers, owners and society.

Activity

We take action and implement. We are creative and solution oriented.

We work straightforward and systematic, in an efficient and careful manner.

We are driven by the results and impact of our work.

Courage

We look to the future with an open, positive mind and attitude.

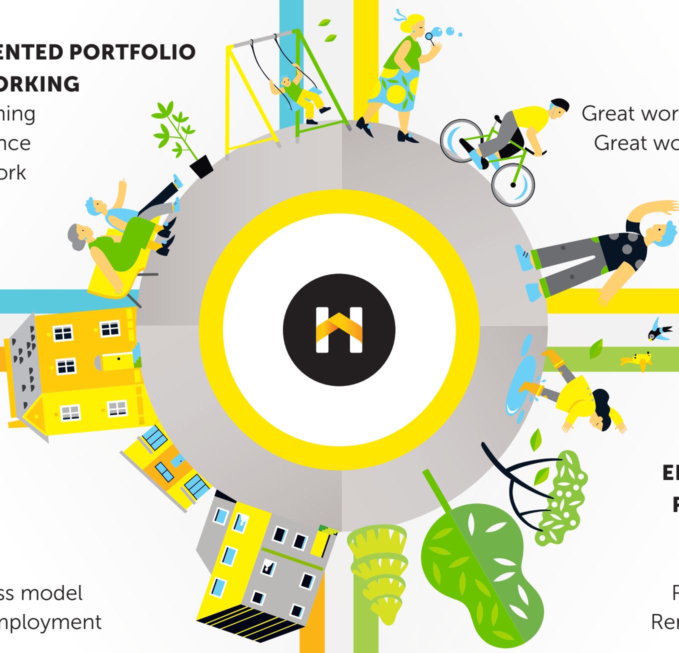
We seek inspiration from around the world and think big.

We challenge the customary thinking patterns and create new possibilities.

Focus areas of responsibility

CUSTOMER-ORIENTED PORTFOLIO AND WAYS OF WORKING
Particapatory planning
Great user experience
Cooperation network
Quality control

PEOPLE'S WELLBEING
Great working environment
Great working community
Professional skills
Meaningful job

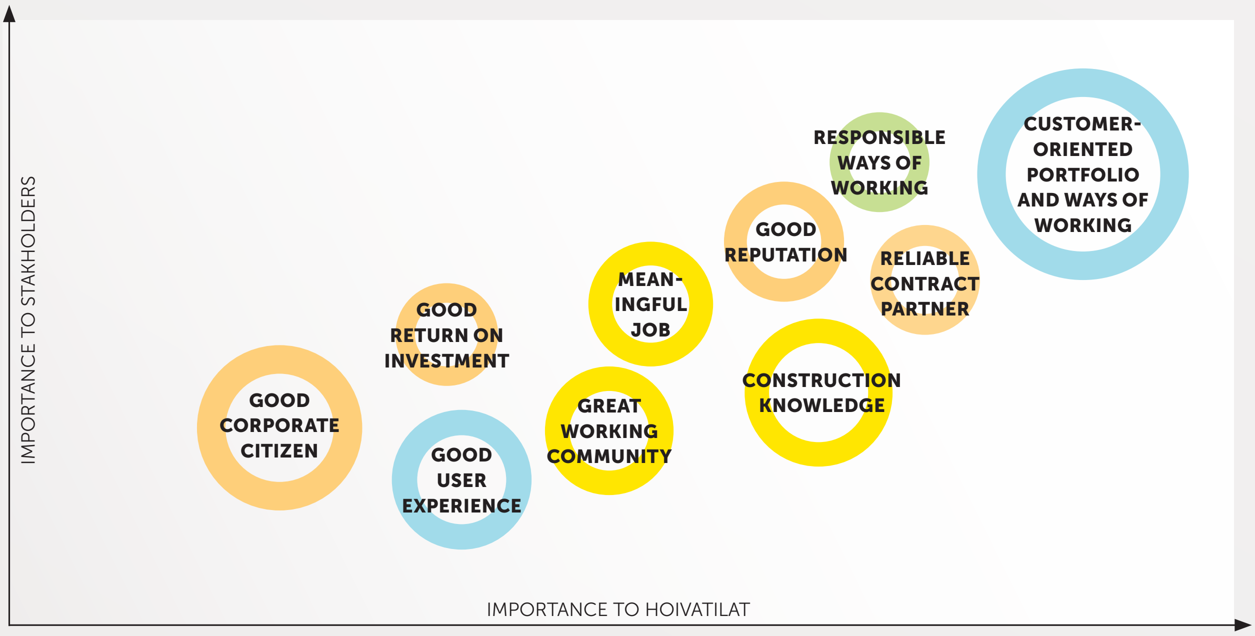


SOCIAL RESPONSIBILITY
Tax footprint
Business continuity
Transparent business model
Investments and employment

ENVIRONMENTAL RESPONSIBILITY
Carbon footprint
Energy efficiency
Renewable energy
Renewable materials

Key priorities of the corporate responsibility of Hoivatilat

Based on an in-house analysis conducted by Hoivatilat in 2018, which identifies the key themes of corporate responsibility.



Nathalie Clément, Pertti Huuskonen, Kari Nenonen

A RESPONSIBILITY COMMITTEE TO DEVELOP RESPONSIBILITY EFFORTS

Acting responsibly is considered to improve competitiveness. We want to be a reliable partner that offers its customers precise information about the impacts of our operations and about the methods we employ to bear our corporate responsibility–and helps its customers to bear their responsibilities.

To advance our responsibility efforts, we founded a Responsibility Committee, which began its work in May 2019. Its members are **Nathalie Clément, Pertti Huuskonen** and **Kari Nenonen**, all members of our Board of Directors. The chair of the Responsibility Committee is Nathalie Clément, who works as director of corporate responsibility at Konecranes.

During the year, the Responsibility Committee met three times to, among other things, discuss the current state of our responsibility efforts, set objectives for our responsibility efforts and to review the work on the basis of the committee members' experiences.

The Responsibility Committee set objectives for the company's responsibility efforts for 2020.

The objective for customer orientation is to offer a superior customer experience to our existing and future customers. Also, we want to further develop participatory design in the implementation of our property projects.

People's wellbeing is another area of development that Hoivatilat focuses on as part of its responsibility efforts. Our aim is to keep our personnel´s satisfaction at an excellent level.

As for social responsibility, our objective is to continue doing responsible business in an ethically sustainable way.

In the area of environmental responsibility, we will focus on the promotion of low-carbon construction and property maintenance and aim to carry out a pilot project under the RTS environmental classification system.

The objective for 2020 is to find quantifiable key performance indicators, KPIs, for all focus areas.

"As the importance of responsible conduct keeps growing in the corporate sector, Hoivatilat clearly benefits from integrating corporate responsibility into all its operations. It is a good premise and contributes to the company's reputation as a reliable partner".

Nathalie Clément, Member of Hoivatilat's Board of Directors and the Chairperson of the Responsibility Committee

Basis in the UN Global Sustainability Goals

UN Sustainable Development Goals came into effect in the beginning of 2016. There are 17 goals and altogether 169 sub-goals.

The aim is to reverse the global development on to a path, in which people's wellbeing, human rights, economic performance and societies' stability will be secured by the manners sustainable for environment. In addition, the ultimate poverty in all its varities will be abolished.

THE GLOBAL GOALS
For Sustainable Development

We have recognised the following UN Global Sustainability Goals relevant to our business

3 GOOD HEALTH AND WELL-BEING

3 – Good health and wellbeing
Priority: Wellbeing at work
Definition: Good working conditions, wellbeing at work.

4 QUALITY EDUCATION

4 – Quality education
Priority: Talent development
Definition: Individual skills development to increase job performance and competence.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9 – Sustainable industry, innovation and infrastructure:
Priority: Innovative building development
Definition: Constant development of sustainable facilities.

11 SUSTAINABLE CITIES AND COMMUNITIES

11 – Sustainable cities and communities
Priority: Contented service providers
Definition: To create long-term customer relations with service providers and to develop sustainable, functional and safe service environments together.

13 CLIMATE ACTION

13 – Climate action
Priority: Energy efficiency
Definition: To manage energy comsumption of facilities and utilise renewable materials and energy sources.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

16 – Peace, justice and strong institutions
Priority: Ethical policies
Definition: To operate according to Code of Conduct in working community, customer service and partner network. Taking response in advancing sustainable development.

FOCUS AREA 1:

Customer orientation

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.

We carry out a customer satisfaction survey annually. The annual targets and bonuses of every Hoivatilat employee are linked to the result of the customer satisfaction survey. We also choose team-specific targets to improve the customer experience on the basis of the survey every year. The results of the customer satisfaction survey for 2019 were particularly delightful in the respect that almost all our customers were prepared to recommend Hoivatilat as a partner. This is something we have been able to improve on every year.

The customer satisfaction survey for 2019 gave us positive feedback for, for example, our construction projects staying on schedule and for our understanding of the special building regulations for the sector.

In addition to the objectives already mentioned, i.e., a superior customer experience and continuous development of the service offering, we want to be a reliable contractual partner that acts responsibly and has a good reputation. Digitalisation has enabled us to further develop our systems that support ERP and life cycle ownership every year.

PARTICIPATORY PROCESS

One of the development measures related to our customer-oriented method of operation is the use of participatory design in property projects. For example, in June 2019 Hoivatilat organised a participatory workshop for a new site that enabled the children attending Pateniemi and Metsämarja day-care centres in Oulu to contribute to the design of the outdoor areas of the day-care centre to be built in the greater Pateniemi area.

Target	Indicator	Achievement
Use of the participatory process model	Number of projects where participatory process model was used	1
Measuring the customer experience	Willingness to recommend Hoivatilat in customer survey (0–5)	4.5


PISARAT

FOCUS AREA 2:

People's wellbeing

Concerning people's wellbeing, Hoivatilat works to provide its employees with interesting and meaningful jobs while also providing an inspiring and continuously developing working environment. We measure the employee work satisfaction annually. In the autumn of 2019, we carried out a Great Place to Work survey among our personnel to survey their satisfaction with their work, as in the previous year.

The results of the 2019 survey reveal excellent team spirit and a culture of caring as particular strengths. The personnel also appreciated their ability to make independent decisions and take responsibility in their work, and said they find their work meaningful.

Wellbeing at work is greatly affected by the employees' ability to develop professionally. In 2019, we continued our sparring discussions, which give all employees the opportunity to improve themselves and give and receive feedback with their supervisor four times a year. In 2019, these discussions focused in particular on the development of each employee´s personal professional competence.

The meaningfulness of work greatly affects work satisfaction. Our primary mission, to create a better society and better service environments with our partners, gives a sense of purpose to our employees. This was highlighted in the personnel satisfaction survey, for example, in an open comment by one of our employees:

"Cooperation between people of different ages and backgrounds brings good results. Our work has meaning even to society as a whole."

Great Place To Work. Sertifioitu SUOMI

Great Place to Work

In 2018 and 2019, Hoivatilat took part in the Great Place to Work survey, with excellent results. In 2019, we achieved an excellent Trust Index score, 96. The Trust Index score indicates the percentage of respondents who consider their workplace to be good or very good. The average Trust Index score for Finnish workplaces is 56.

Target	Indicator	Achievement
A satisfied working community	A podium finish in the Great Place to Work competition	2nd place
Selection of areas for development on the basis of GPW results	Areas selected and added to the list of measures	Yes
Completion of the Code of Conduct	Yes / No	Yes
Implementation of the Code of Conduct	Yes / No	Yes


Great Place To Work.
HOIVATILAT
HOIVATILAT


HOIVATILAT
HOIVATILAT


Lupaan edistää hyvinvointia työyhteisössäni...


Hoivatilat

FOCUS AREA 3:

Environmental responsibility

In the properties Hoivatilat builds and owns, it seeks optimal solutions that benefit the residents and users of the properties, as well as the environment. Our development objectives regarding environmental responsibility are the promotion of low-carbon construction, the improvement of energy efficiency and the use of renewable energy forms.

ENVIRONMENTALLY-FRIENDLIER BUILDINGS THROUGH DIGITALISATION

The energy efficiency of buildings can be monitored and controlled with the help of digitalisation and automation. Almost all our properties are monitored remotely. This enables the centralised management of heating and ventilation at various 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.

We also looked into the certification of property projects in 2019. The RTS environmental classification system was found to be the most suitable option for Hoivatilat. We are planning to pilot its introduction in property projects during 2020 and 2021.

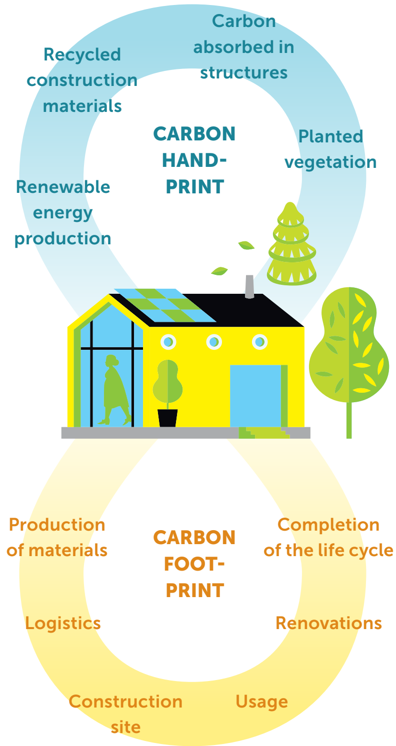
Electronic maintenance records are used in all properties owned by Hoivatilat. The maintenance records serve as an ERP and reporting channel for the properties, the users' maintenance companies and Hoivatilat's maintenance team. Electronic records contain daily reports of maintenance work, a long-term building management plan, property audits, as well as sections for monitoring the use of electricity, heating energy, and water. A general long-term building management plan suitable for all projects was created in 2019. It will be introduced during 2020. As for energy and water monitoring, approximately 25% of the properties are already being monitored. The project will be completed by the end of 2020, when all properties will be monitored. The auditing template created at the beginning of 2019, as well as reporting, were used during all property rounds made after their completion.

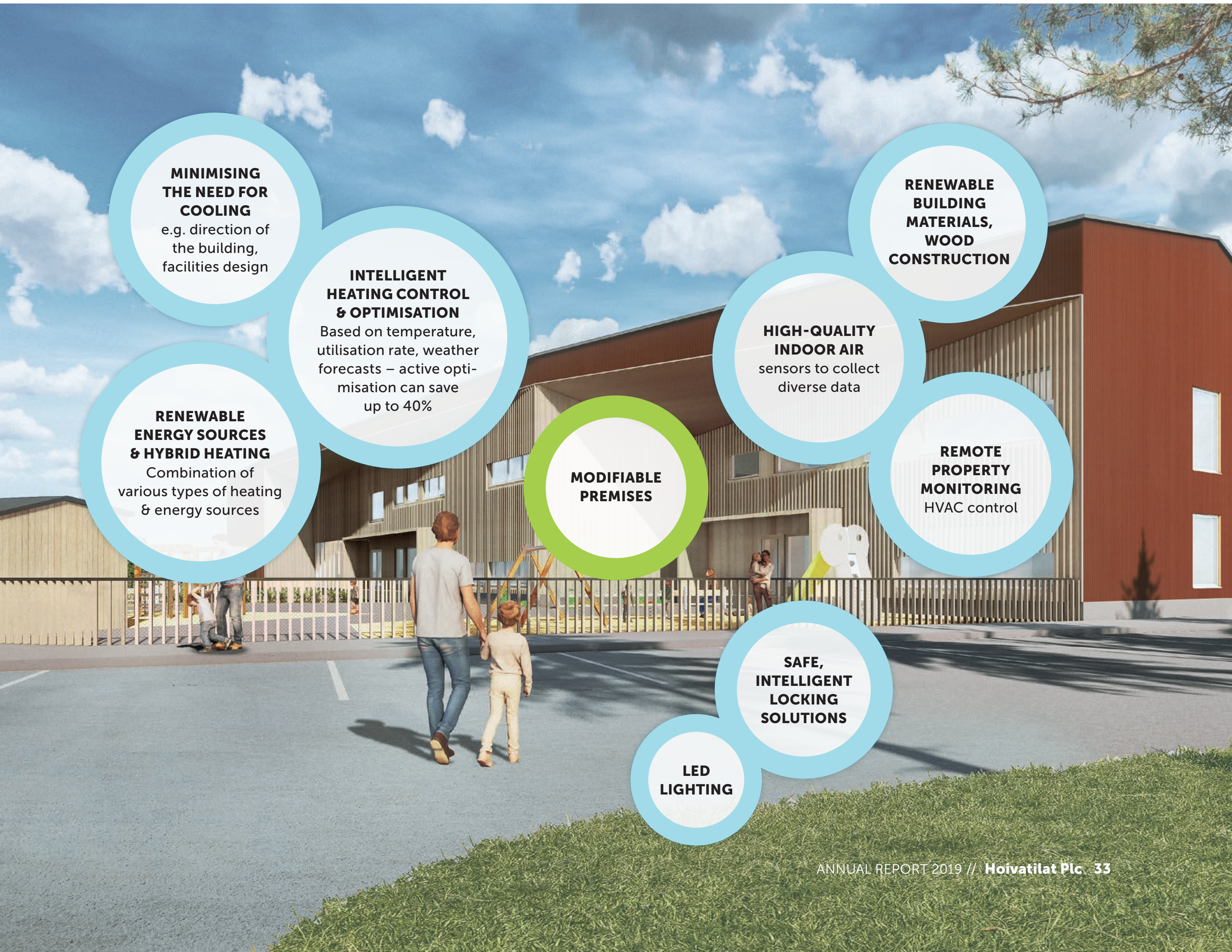
Pilot projects on the monitoring of indoor air quality and the improvement of energy efficiency that started in previous years continued in 2019 and some new experiments began. In total, various experiments to monitor energy efficiency and indoor air conditions took place in five properties in 2019.

Target	Indicator	Achievement
Calculation of the carbon footprint and handprint of all new properties	Completion rate of calculations, %	100
Piloting the RTS certificate	Has it been piloted?	will be piloted in 2020
Remote monitoring of all properties	The percentage of remote monitored properties, %	100

"In 2019, Hoivatilat adopted a policy of calculating the carbon footprints and handprints of all property projects to be launched. Next, an indicator will be developed for the carbon footprint of properties so that a quantifiable target can be set for reducing it."

Juhana Saarni, property director





FOCUS AREA 4:

Social responsibility

Hoivatilat engages in responsible and profitable business operations. The company creates a better society and better service environments. The company is 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 per cent) are important principles of business operations.

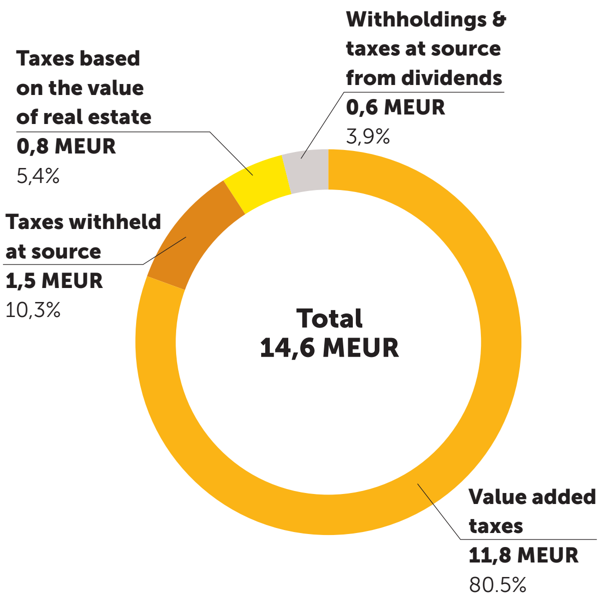
In 2019, we drew up an ethical code of conduct for both our company's internal use and for our partners. The Code of Conduct provides that we create value in a sustainable way, treat our customers and partners with respect, offer a supportive and fair work community, and bear our responsibility for promoting sustainable development. We follow our Code of Conduct in our daily operations.

WELLBEING FOR PEOPLE THROUGH PROPERTIES

We bear our social responsibility also by providing safe, healthy and stimulating care and education facilities for our customers. We aim to constantly develop our properties and create as functional and comfortable environments as possible for the needs of children, the elderly, and various special user groups.

Long-term facilities' ownership and the life cycle responsibility of the building are in the core of our operations.

Tax footprint 2019



Target	Indicator	Achievement
Establishment of responsibility efforts	Establishment of the Responsibility Committee	Yes
Completion of the Code of Conduct	Yes / No	Yes
Implementation of the Code of Conduct	Yes / No	Yes

Corporate Governance Statement 2019

Corporate Governance Statement 2019

1. INTRODUCTION

The corporate governance system of Hoivatilat Plc ("Hoivatilat" or "the Company") is based on the valid legislation and the Company's articles of association. The Company complies with the rules of Nasdaq Helsinki Ltd ("Nasdaq") and the Finnish Corporate Governance Code 2020 recommendation by the Securities Market Association ("the Corporate Governance Code"). The Company adheres to the Corporate Governance Code in its entirety. The Corporate Governance Code is publicly available on the website of the Securities Market Association at **www.cgfinland.fi**.

2. DESCRIPTIONS RELATING TO GOVERNANCE

In accordance with the Finnish Limited Liability Companies Act, governance of the Company is divided between the General Meeting, the Board of Directors and the Chief Executive Officer. The shareholders exercise their rights mainly in the general meeting, which is normally convened by the Company's Board of Directors. In addition, a general meeting must be held if the Company's auditor or shareholders, whose shares represent at least one-tenth (1/10) of all issued shares of the Company, demand in writing that a general meeting be held.

2.1 General Meeting

The general meeting is the highest decision-making body of Hoivatilat. In accordance with the Limited Liability Companies Act, shareholders will exercise their power of decision at the general meeting. The annual general meeting decides on the matters required by the aforementioned Act and the articles of association. The Company's owners participate in the annual general meeting either personally or through a representative. Each share confers one vote in the annual general meeting.

The ordinary general meeting will be held annually on a date set by the board of directors, within six (6) months of the end of the financial year. In accordance with the Limited Liability Companies Act and the articles of association, the annual general meeting must resolve matters belonging to it, such as the approval of the financial statements and consolidated financial statements, the use of profit indicated by the balance sheet, the election of Board members and auditors and their remuneration as well as the number of Board members. The ordinary general meeting will also resolve to discharge the Board members and the CEO from liability. In addition, an extraordinary general meeting must be held when the board deems it necessary, or when the Company's auditor or shareholders whose shares represent at least one tenth (1/10) of all shares issued by the Company request it in writing for the consideration of a specified matter.

According to the Company's articles of association, the notice of the general meeting will be delivered to the shareholders by publishing it on the Company website or in an otherwise verifiable manner no earlier than three (3) months and no later than three (3) weeks before the general meeting, but at least nine (9) days prior to the record date of the general meeting as referred to in the Limited Liability Companies Act.

2.2 Board of Directors

The Company's Board of Directors is responsible for the management of the Company and the appropriate organisation of its activities. The Board of Directors is responsible for ensuring that the supervision of the Company's accounting and financial management has been appropriately organised. The Board of Directors and individual board members must not comply with any decisions made by the general meeting or the Board of Directors that are invalid due to being contrary to the Limited Liability Companies Act or the Company's articles of association. The general meeting elects the members of the Board of Directors.

The Board of Directors is elected annually at the annual general meeting. Shareholders' Nomination Board (see section 2.4) annually prepares proposals for the annual general meeting concerning the election and remuneration of the Board members. In accordance with to the Company's articles of association, the Company has a Board of Directors consisting of 3–7 ordinary members. The term of office of the Board members ends at the conclusion of the annual general meeting following their election. The chair of the Board of Directors, the Chief Executive Officer and any individuals authorised by the Board of Directors to represent the Company will have the right to represent the Company.

The Board of Directors will decide on the granting of the right of representation and the right to sign on behalf of the Company.

2.2.1 The composition and activities of the Board of Directors

The Board of Directors has prepared written rules of procedure for its operations, which include a specification of the Board's tasks and responsibilities.

Among the actions that can be taken by the Board in accordance with the rules of procedure are supervision of the Company's executive management, appointment and dismissal of the CEO, approval of strategic goals and risk management principles for the Company and its business operations, and ensuring the operation of the management system. The Board of Directors also ensures that the principles for internal control of the Company have been specified, and that the effectiveness of these controls is monitored within the Company.

The Board's most important task is to guide the Company's strategy and operations in accordance with the expectations of key stakeholders, so as to produce the greatest possible added value over the long term for the capital that has been invested in the Company. It is the duty of the Board of Directors to promote the interests of the Company and all of its shareholders.

The Board is also responsible for approving the policies and guidelines for internal control, risk management and method of governance, as well as for approving the Company's disclosure policy. Based on the Company's strategy, the Board of Directors approves the action plan and budget and monitors their implementation. The Board of Directors also approves annually the investment priorities in the Company's business operations, and in conjunction with this, decides annually on large and strategically significant investments, acquisitions and divestments. The Board of Directors confirms the Group's corporate structure and the Company's ethical values and operating methods and monitors their implementation. The Board also monitors the working atmosphere at the Company and the work performance of the staff. In addition, the Board determines the Company's dividend policy, and based on this, submits the dividend proposal to the annual general meeting for approval.

The proposal for the composition of the Board of Directors is prepared by the Shareholders' Nomination Board. In drafting this proposal, the Nomination Board takes into account the Corporate Governance Code's provisions on the independence and competence of the Board members and the Board's principles concerning the diversity of the Board.

A majority of the members of the Board of Directors must be independent of the Company, and at least two members of this majority must be independent of any such shareholders. The Board of Directors assesses the independence of its members in each case.

It is important for the effective functioning of the Board and for the performance of its tasks that the Board membership is diverse, to ensure a broad and mutually complementary range of experience and expertise. To be eligible for appointment to the Board of Directors, a candidate must have the qualifications required for the task and must be able to devote the amount of time needed for carrying out the duties of membership. The performance of the Board and its individual members is assessed regularly every year. The results of these assessments will be considered when preparing the proposal for the composition of the new Board.

To ensure diverse support for and development of the Company's business operations, the composition of the Board of Directors must be sufficiently diverse. The Board must consist of both men and women. The membership of the Board of Directors, when assessed as a whole, must have a sufficiently broad range of qualifications, skills and experience. In preparing the proposal on the composition of the Board of Directors, consideration will be given to ensuring adequate diversity of the Board, such as gender equality and diversity of age as well as educational and professional background. To evaluate the diversity and composition of the Board, each candidate for membership of the Board must provide, in confidence and in accordance with the instructions given by the Company, the information that is necessary for evaluating the competence of the candidate and the amount of time the candidate can devote to the task of serving on the Board. This information is used for preparing the proposal for the composition of the Board of Directors.

From 1 January to 26 March 2019, the Board of Directors consisted of Pertti Huuskonen, Satu Ahlman, Kari Nenonen, Timo Pekkarinen and Reijo Tauriainen. The Board of Directors elected at the Annual General Meeting on 26 March 2019 consisted of Pertti Huuskonen, Satu Ahlman, Kari Nenonen, Reijo Tauriainen, Paul Hartwall and Nathalie Clément with Pertti Huuskonen as Chairman of the Board. During the 2019 financial year, the Board had twenty-three (23) meetings, of which eleven (11) were email meetings or teleconferences. The meeting attendance rate among the members of the Board was 99%.

Basic information about the Board members, their independence, remuneration, shareholdings and attendance at Board meetings is provided in the following tables on page 40.

Pertti Huuskonen

b. 1956, M.Sc.(Technology), eMBA, marketing qualification

- Chairman of the Board since 2011
- Full-time occupation: Professional board member
- The Chairman of the Compensation Committee and an expert member of the Shareholders' Nomination Board, member of the Responsibility Committee
- Independent of the Company and its major shareholders

Pertti Huuskonen has been the Chairman of the Board of Directors of Hoivatilat since 2011.

Huuskonen has additionally worked at Lunacon Oy since 2011 as an adviser for high-growth enterprises, as a Board professional and investor in Finland and the Baltic countries, and as the company's CEO and Chairman of the Board of Directors. Since 2017 Huuskonen has been the vice Chairman of the Board of Directors in A Ahlström Kiinteistöt Oy and since 2019 Huuskonen has been the vice Chairman of the Board of Directors in KPY Novapolis Oy. Huuskonen served as the Chairman of the Board of Directors of the Lehto Group Oyj in 2014–2018, prior to which he was a Board member in 2013–2014.

Huuskonen served as a Board member in the Estonian residential and retail property development company AS Pro Kapital Grupp in 2012–2019 and Kaleva Oy in 2012–2018. Huuskonen was the Chairman of the Board of Directors of Technopolis Oyj in 2008–2012, a member of the Board in 2012–2013 and the company's CEO in 1985–2008.

Huuskonen has worked as an academic adviser and lecturer at the Oulu Business School at the University of Oulu in 2011–2019, and he was the Honorary Consul of Sweden in Oulu Province in 1997–2013.

Huuskonen's academic qualifications include a M.Sc. degree in engineering from the University of Oulu in 1983, a marketing degree from the Institute of Marketing in 1986 and an eMBA from the University of Oulu in 1991.

Satu Ahlman

b. 1978, BA (Education)

- A member of the Board of Directors since 2017.
- Full-time occupation: CEO, entrepreneur in Ahlman & CO Development Oy
- Member of the Compensation Committee
- Independent of the Company and its major shareholders

Satu Ahlman has been a member of the Board of Directors of Hoivatilat since 2017.

Ahlman has worked since 2012 as the founder shareholder and since 2015 as the CEO of Ahlman & CO Development Oy, which provides expert services for business development to service providers in the social and healthcare field. Ahlman has worked at Ahlman & Co Development Oy as a business consultant in the establishment, growth, development of service providers and M&A transactions for a significant number of companies in the social and healthcare field.

Before establishing Ahlman & Co Development, Ahlman worked as a consultant entrepreneur in the social and healthcare field from 2005–2012.

Satu Ahlman graduated from the University of Jyväskylä with a bachelor's degree in education and a kindergarten teacher's degree in 2002. In addition, she has undertaken studies at the University of Jyväskylä for a master's degree in economics.

Kari Nenonen

b. 1953, MA

- Member of the Board since 2018
- Full-time occupation: Professional board member
- Member of the Audit Committee and Responsibility Committee
- Independent of the Company and its major shareholders

Honorary City Councillor Kari Nenonen has served as a member of the Board of Directors of Hoivatilat since 2018.

Nenonen served as the Mayor of Vantaa from 2012 to 2018. He has also served as the Deputy CEO of the Association of Finnish Local and Regional Authorities (2010–2011), CEO of the Hospital District of Helsinki and Uusimaa (2007–2009) and the Mayor of Oulu (1999–2006).

Nenonen has served as Deputy Chair of the Board of Directors of Keva (Local Government Pensions Institution) since 2013. Nenonen acted as a negotiator in charge of preparing a separate social and health care settlement solution for the cities and municipalities in the Uusimaa area from 16 August to 31 December 2019.

Nenonen holds a Master of Arts degree.

Reijo Tauriainen

b. 1956, MA

- Member of the Board since 2015
- Full-time occupation: Professional board member
- Chairman of the Audit Committee
- Independent of the Company and its major shareholders

Paul Hartwall

b. 1981, M. Sc. (Economics)

- Member of the Board since 2019
- Full-time occupation: CEO, Kusinkapital Ab
- Member of the Compensation Committee and Audit Committee
- Independent of the Company

Nathalie Clément

b. 1968, M. Sc. (Social sciences)

- Member of the Board since 2019
- Full-time occupation: Director of Corporate Responsibility, Konecranes Oyj
- Chairperson of the Responsibility Committee
- Independent of the Company and its major shareholders

Reijo Tauriainen has been a member of the Board of Directors of Hoivatilat since 2015.

Tauriainen serves as a member of the Board of Directors of Optomed Oy since 2019. His current positions include Chairman of the Board of Directors of Arvo Invest Nordic Oy, Meka Pro Oy, Pohjanmaan Arvo investment cooperative and Unipro Oy Ltd. He is a member of the Board of Directors of Champion Door Oy, Lapwall Oy, Nordic Option Oy, Propria Oy, Temotek Oy and Temotek Palvelut Oy.

Tauriainen has served as the Chairman of the Board of Directors of Nordic Option Oy, Oulun Ydinkeskustan Parkki Oy, Sanerall Group Oy, Technopolis Kiinteistöt Pääkaupunkiseutu Oy, Technopolis Kiinteistöt Oulu Oy and Technopolis Kiinteistöt Tampere Oy; as the CEO of Pohjanmaan Arvo investment cooperative and as a member of the Board of Directors and CFO of Uros Oy as well as the Vice CEO and CFO of Technopolis Oyj. In addition, he has served as a member of the Board of Directors of Technopolis Kuopio Oy and as a vice member of the Board of Directors and CEO of Technopolis Hitech Oy.

Tauriainen holds a master's degree in economics from the University of Oulu.

Paul Hartwall has been a member of the board of directors of Hoivatilat since 2019.

He has been CEO of the private investment company Kusinkapital since 2008. Hartwall has been Chairman of the Board of 2Care Capital since 2018. He has been a member of the Board of Directors of Terveystalo since 2019, a member of the Board of Directors of Hartwall Capital since 2010, and member of the Board of Directors of Ultivista since 2009.

Hartwall graduated with a master's degree in economics in 2006.

Nathalie Clément has been a member of the board of directors of Hoivatilat since 2019.

Clément is director of corporate responsibility at Konecranes. She has many years of experience in corporate responsibility, and has previously worked for companies including KPMG, where she was a consultant on responsible investing, and as partner and climate director in Natural Interest.

Clément has also worked at Samfundet Folkhälsan in positions related to leadership and development in the day-care sector. Prior to Folkhälsan, Clément worked in the political department of the Finnish Ministry of Foreign Affairs, working on Finnish relations with Asian and African countries.

Clément graduated from the University of Helsinki with a master's degree in social sciences in 1995.

Board Members

Name	Position	Year of birth	Education	Independence from the company	Independence from significant shareholders in the company
Pertti Huuskonen	Chairman of the Board of Directors	1956	M.Sc. (Technology), eMBA, marketing degree	Yes	Yes
Satu Ahlman	Board member	1978	Degree in education (early childhood education)	Yes	Yes
Kari Nenonen	Board member	1953	MA	Yes	Yes
Reijo Tauriainen	Board member	1956	MA	Yes	Yes
Paul Hartwall	Board member	1981	M. Sc. (Economics)	Yes	No*
Nathalie Clément	Board member	1968	M. Sc. (Social sciences)	Yes	Yes

* Paul Hartwall is the Chairman of 2Care Capital Ab. 2Care Capital Ab was a major shareholder of the company until January 10, 2020.

Direct and Indirect Shareholdings of the Board of Directors

Name	31 Dec 2019 Quantity of shares	31 Dec 2019 Percentage of stock
Pertti Huuskonen	152,486	0.60%
Satu Ahlman	2,540	0.01%
Kari Nenonen	1,500	0.01%
Reijo Tauriainen	12,300	0.05%
Paul Hartwall	62,850	0.25%
Nathalie Clément	-	0.00%
Board of Directors total	**231,676**	**0.92%**

Board Members' Remuneration, Services Sold to the Company and Participation in Board Meetings

Name	Board and committee members' fees 2019, EUR	Sales of services to the company 2019, EUR	Participation in Board meetings
Pertti Huuskonen	80,853	–	23/23
Satu Ahlman	34,476	–	22/23
Kari Nenonen	37,176	–	23/23
Reijo Tauriainen	41,476	–	23/23
Paul Hartwall	28,675	–	18/19
Nathalie Clément	28,175	–	19/19
Timo Pekkarinen	7,401	–	4/4
Harri Aho	7,501	–	4/4

2.3 Board Committees

The preparation of proposals to the Board of Directors can be improved by establishing Board committees to study matters more extensively. To make its work more effective, the Board has established two permanent committees from among its members: an Audit Committee and a Compensation Committee. The Committees report to the Board of Directors, and they have confirmed rules of procedure.

The Committees have no independent decision-making power, but they serve as preparatory bodies and prepare matters to be decided on by the Board. The Board of Directors is responsible for the tasks assigned to the committees. The Committees must report regularly to the Board of Directors. The reports must contain, at the very least, a summary of the matters discussed, and measures proposed by the Committees. The Annual General Meeting determines the remuneration of the Committee members.

2.3.1 Audit Committee

The Audit Committee prepares matters concerning the Company's financial supervision and reporting. From 1 January to 26 March 2019, the Audit Committee consisted of Reijo Tauriainen (Chair), Mammu Kaario and Timo Pekkarinen. On 26 March 2019, the Board of Directors elected Reijo Tauriainen (Chair), Kari Nenonen and Paul Hartwall as the members of the Audit Committee.

The Audit Committee convened four (4) times during the 2019 financial year. Its members' meeting attendance rate was 100% (Reijo Tauriainen 4/4, Harri Aho 1/1, Paul Hartwall 3/3 and Kari Nenonen 4/4).

In accordance with its Rules of Procedure, the key duties and operating principles of the Audit Committee are described below.

The main duties of the Audit Committee include:

- Monitoring the financial statements reporting process
- Controlling the financial reporting process
- Monitoring the efficiency of the company's internal control, internal audits and risk management systems
- Discussing the general description of the internal control and risk management systems related to the company's financial reporting process that is included in its Corporate Governance Statement
- Monitoring the statutory audit of the financial statements and the consolidated financial statements
- Assessing the independence of the statutory auditor or the authorised public accountants, and the provision of supplementary services to the company in particular
- Preparing the draft resolution concerning the election of the auditor.

The Board of Directors of the company appoints the Chair and the members of the Audit Committee. The Audit Committee consists of three (3) Board members, of whom at least one (1) must have expertise in accountancy, bookkeeping or auditing. The members of the Committee are independent of the company.

The Audit Committee convenes at least four (4) times a year, and the CEO and the CFO of the Company also regularly participate in its meetings. The auditors of the company may also attend the Audit Committee's meetings. The Committee members may also meet with external auditors without representatives of the executive management being present at the meeting.

2.3.2 Compensation Committee

The Compensation Committee prepares matters concerning the remuneration of the CEO and the company's other management, as well as compensation systems for other personnel. From 1 January to 26 March 2019, the Compensation Committee consisted of Pertti Huuskonen (Chair), Satu Ahlman and Timo Pekkarinen. On 26 March 2019, the Board of Directors elected Pertti Huuskonen (Chair), Satu Ahlman and Paul Hartwall as the members of the Compensation Committee.

The Compensation Committee convened two (2) times during the 2019 financial year. Its members' meeting attendance rate was 100% (Pertti Huuskonen 2/2, Satu Ahlman 2/2, Paul Hartwall 1/1 and Timo Pekkarinen 1/1).

In accordance with the Rules of Procedure, the key duties and operating principles of the Compensation Committee are described below.

The main duties of the Compensation Committee include:

- Preparing matters related to the salaries and other financial benefits of the senior management
- Preparing matters concerning the company's remuneration systems
- Assessing the remuneration of the CEO and other senior management, as well as ensuring the adequacy of the remuneration systems
- Answering questions related to the salary and remuneration statement at the Annual General Meeting
- Preparing matters related to the nomination of the CEO and other senior management, as well as surveying their potential successors
- Planning the remuneration of other personnel and the development of the organisation.

The Board of Directors of the Company appoints the Chair and the members of the Compensation Committee. The majority of the members of the Committee must be independent of the company, and the CEO or other Board members included in senior management may not become members of the Committee.

The Compensation Committee convenes at least two (2) times a year. The Compensation Committee may use external experts, if necessary. In such a case, the Committee must ensure that the advisor is not serving as an advisor to the operative management in any manner that might lead to a conflict of interest.

2.4 Shareholders' Nomination Board

The main duty of the Nomination Board is to ensure that the Board of Directors and its members have sufficient expertise and knowledge for the needs of the company, and prepare well-founded proposals related to the election and remuneration of the Board members to the Annual General Meeting. The Shareholders' Nomination Board was established to operate until further notice. Its members' term of office will end once a new committee has been appointed. The Shareholders' Nomination Board consists of three members appointed by shareholders. The Chair of the Company's Board of Directors participates in the Nomination Board's work as an expert.

The three shareholders who hold the largest proportions of voting rights based on shares in the company on 1 September are entitled to appoint members to the Nomination Board. The largest shareholders are determined based on the shareholder register maintained by Euroclear Finland Ltd and flagging notifications received by the Company. Shares owned by a shareholder will be deemed to include shares owned by a controlled entity in accordance with chapter 2, section 4 of the Securities Markets Act (746/2012, as amended). Similarly, shareholders who are controlled by the same entity are considered as a single shareholder. If a shareholder does not wish to exercise its nomination right, the right will be transferred to the next largest shareholder who would otherwise not be entitled to nominate a member.

The Chair of the Board of Directors is responsible for requesting the three largest shareholders, based on shareholdings on 1 September of each year, to nominate one member each to the Shareholders' Nomination Board. The Nomination Board elects a Chair from among its members. The term of office of the members of the Nomination Board ends once the new Shareholders' Nomination Board has been appointed annually. The Shareholders' Nomination Board convenes at least once a year.

Based on shareholdings on 1 September 2019, the following shareholders' representatives were elected to the Nomination Board:

- **Stefan Björkman**, Chief Executive Officer, Föreningen Konstsamfundet r.f., representing 2Care Capital Ab;
- **Juha Takala**, Chief Executive Officer, OP-Rahastoyhtiö Oy (OP investment funds); and
- **Johannes Wingborg**, Corporate Governance Manager, Länsförsäkringar Fondförvaltning AB.

2.5 CEO

The Chief Executive Officer (CEO) is in charge of the company's day-to-day management in accordance with the instructions and orders of the Board of Directors. The CEO is responsible for ensuring that the company's accounting practices comply with the law, and that its financial management is organised reliably. The CEO must provide the Board of Directors and its members with the information necessary for carrying out its duties.

The CEO may undertake measures that are unusual or extensive in view of the scope and nature of the company's operations only if authorised to do so by the Board of Directors, or if it is not possible to wait for a decision by the Board of Directors without causing significant harm to the Company's operations. In the latter case, the Board of Directors must be notified of the measures taken as soon as possible.

Jussi Karjula, born 1975, has served as the CEO of Hoivatilat since 2010. Karjula has been a member of the Board of Directors of Lännentila Oy since 2013 and a member of the Board of Directors of Perunakauppa Luonnosta Oy since 2005. Karjula was a member of the Board of Directors of Rakennusliike Lapti Oy from 2008 to 2012. Prior to joining Hoivatilat, Karjula was the CEO of Pohjoisen Kantaperuna Oy (now Perunamestarit Oy) in 2004–2010. Karjula was the chair of the industry association Pro Peruna in 2008–2010 and a member of the Board of Directors of the Swedish company HZPC Kantaperuna AB from 2007 to 2010. Karjula graduated with a BBA in marketing and economics from the Oulu University of Applied Sciences in 1999.

2.6 Other management of the Company

In addition to the CEO, other management of the company includes the Executive Team. The Executive Team meets once a month on average, and at other times as needed. The Executive Team supports the CEO in preparing and implementing strategies, action plans and other important and principle-related matters. In addition, the Executive Team supports the CEO in ensuring internal cooperation and information flow.

In 2019, the Hoivatilat Executive Team consisted of the following members:

- **Riku Patokoski**, b. 1973, Deputy CEO. Joined Hoivatilat in 2018.
- **Tommi Aarnio**, b. 1983, M.Sc. (Econ.), CFO. Joined Hoivatilat in 2015.
- **Juhana Saarni**, b. 1988, BBA, Real Estate Director. Joined Hoivatilat in 2011.
- **Riikka Säkkinen**,b. 1979, M.Sc. (Econ.), HR and Communications Director. Joined Hoivatilat in 2014.
- **Timo Wikberg**, b. 1966, Business Director. Joined Hoivatilat in 2019.

Tommi Aarnio

b. 1983

- Member of the executive team since 2017
- CFO of Hoivatilat Plc since 2015

Riikka Säkkinen

b. 1979

- Member of the executive team since 2017
- HR & Communi-cations Director at Hoivatilat Plc since 2019

Juhana Saarni

b. 1988

- Member of the executive team since 2017
- Real Estate Director at Hoivatilat Plc since 2017

Jussi Karjula

b. 1975

- Chairman of the executive team since 2017
- CEO of Hoiva-tilat Plc since 2010

Timo Wikberg

b. 1966

- Member of the executive team since 2019
- Business Director at Hoivatilat Plc since 2019

Riku Patokoski

b. 1973

- Member of the executive team since 2018
- Deputy CEO of Hoivatilat Plc and regional director of Southern Fin-land since 2018

Direct and Indirect Shareholdings of the CEO and the Executive Team

Name	31 Dec 2019 Number of shares owned	31 Dec 2019 Shares owned as percentage of stock
Jussi Karjula	377,916	1.48%
Riku Patokoski	7,200	0.03%
Tommi Aarnio	75,100	0.29%
Juhana Saarni	26,153	0.10%
Riikka Säkkinen	30,515	0.12%
Timo Wikberg	2,000	0.00%
Total	**518,884**	**2.02%**

3 DESCRIPTION OF THE OUTLINE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE COMPANY'S FINANCIAL REPORTING PROCESS

3.1 Risk management

The aim of risk management is to manage risks relating to the Company's operations in a proactive and comprehensive manner. The Board of Directors and the CEO of the Company are responsible for ensuring that the Company's risk management is organised appropriately and effectively.

The aim of risk management is to secure the efficiency of the Company's operations and its performance as well as to ensure business continuity. Risk management also secures the reliability of the information concerning the Company as well as compliance with the operating principles applied in the Company.

Risk management is implemented cost-efficiently and systematically throughout the Company. Risk management belongs to the Company's strategic and operative planning and is a part of daily decision-making and the Company's internal control. Risk management is a comprehensive approach formed by the objectives and risks of business operations and the associated risk management measures. Risk management consists of all actions that relate to goal setting, risk recognition, measurement, assessment, handling, reporting, monitoring, control and reaction.

Risk management is aimed at:

- identifying and assessing systematically and comprehensively all significant risks threatening the achievement of goals, including risks relating to business, assets, agreements, expertise, currencies, finance and strategy
- using business opportunities to the greatest extent possible and ensuring business continuity even in exceptional situations
- foreseeing and recognising significant uncertainties and hence developing risk prediction and measures required by the risks
- taking only conscious and carefully assessed risks in, for example, expanding the business, improving market position and creating new business
- avoiding or minimising risk of accidents
- ensuring the safety of products, solutions and services
- creating a safe working environment for the personnel
- minimising the occurrence of harmful practices, crime or malpractice by having clear operating principles and adequate supervision
- providing information about risks and risk management to stakeholders, and
- ensuring cost efficiency.

Risk management does not attempt to:

- remove risks in their entirety
- create unnecessary or inefficient processes or control measures, or
- create additional administrative burden.

3.2 Internal control

The task for internal control is to assess the appropriateness, sufficiency and efficiency of the Company's internal control system and risk management as well as the management and administration processes. Internal control is based on a healthy corporate and leadership culture. The Board of Directors, senior management and entire personnel of the Company apply internal control so that the senior management can be reasonably convinced that

- The different functions of the Company are efficient and effective and comply with the strategy so that the Company optimally promotes the implementation of its business aims and strategy and secures sufficient resources
- The Company's financial reporting and information provided to the senior management are reliable, complete and timely, i.e. the preparation of financial reporting, such as the financial statements, business reviews and half-year reports and information derived from them is reliable
- The Company adheres to applicable laws and regulations as well as the Company's internal guidelines, practices and values.

3.2.1 Hoivatilat's internal control includes the following elements:

- Guidelines and principles of internal control, risk management and administration set by the Board of Directors;
- Introduction and application of guidelines and principles in the control of senior management;
- Monitoring by the finance department of the efficiency and effectiveness of the Company's operations and the reliability of financial and management reporting;
- The Company's risk management process, which is designed to identify, evaluate and reduce risks that threaten the Company's goals;
- Compliance processes to ensure that all applicable laws, regulations, internal guidelines and ethical considerations are respected and upheld;
- Effective control environment at all levels of the organisation, including tailored control measures for specific processes;
- Shared ethical values and a strong culture of internal control among all employees; and
- Where necessary, internal audits to evaluate the effectiveness of internal controls.

3.3 Internal control of financial reporting

With the internal control of the financial reporting, the aim is to ensure the accuracy, reliability, timeliness and appropriateness of financial information.

3.3.1 The financial reporting organisation and its tasks

The Group's financial management is centralised in the parent company. The parent company's organisation, together with an external service provider, provides financial management services to all Group companies. The Group's financial data is jointly produced by the parent company and the external service provider.

The key tasks of the financial management are:

- Accounting and Group accounting
- Sales invoicing and handling of accounts receivable
- Management of accounts payable
- Payment transactions
- Calculation of salaries
- Creating financial reports to support monthly business operations
- Cash management and coordination of financial operations
- Control of forecasting and budget process
- Taxation matters
- Company law duties

The Company's Chief Financial Officer is responsible for the Company's financial operations. The CFO is responsible for the operational monitoring of financial operations together with the CEO. The CFO and the CEO report their monitoring observations to the Audit Committee. Financial administration tasks are shared between the parent company and the external service provider on a personal level, and the tasks are included in the job descriptions of the respective teams and persons.

3.3.2 Financial reporting systems

Accounting and the calculation of salaries for the Group companies are carried out using the Tikon system. Group consolidations are made in the Tikon system and IFRS adjustments related to these consolidations are made in Excel format. Management accounting reports are compiled in Excel format. Sales invoicing and invoice processing are arranged in external service provider systems.

3.3.3 Control of financial reporting

The correctness of financial reporting is ensured by guidelines, accreditation and authorisation policies for both internal and external service providers, as well as through distribution of the obligations and tasks related to the general ledger.

The professional skills of the financial management personnel are maintained through regular training. The Company's auditors evaluate the correctness of the reporting, for example when preparing financial reports, and in the course of the audit work carried out during the financial year. The auditor's report their findings to the Board of Directors.

3.4 Areas of responsibility and roles of risk management and internal control

The primary roles and areas of responsibility in respect of the Company's internal control and risk management have been determined as follows:

3.4.1 Board of Directors

The Board of Directors is ultimately responsible for the Company administration and the appropriate arrangement of its operations. The task of the Board of Directors is to ensure, in accordance with the principles of good governance, that the Company has appropriately applied its values in its operations. The Board of Directors determines the risk-taking level and the risk-bearing ability of the Company and regularly re-assesses them as a part of the Company's strategy and goal-setting procedures. The Board of Directors reports to the shareholders.

3.4.2 Audit Committee

The Audit Committee of the Board of Directors is responsible for the following tasks relating to internal control:

- supervision of the financial reporting process;
- assessment of the Group's accounting practices;
- evaluation of the auditor's activities and preparation of a proposal for a decision relating to the auditor;
- assessment of the Group's risk management and interest rate hedging policies.

The Audit Committee reports separately to the Board of Directors.

3.4.3 Chief Executive Officer

The Chief Executive Officer oversees the Company's day-to-day management in accordance with the instructions and orders issued by the Board of Directors. The CEO creates the foundation for the internal control environment by demonstrating leadership, providing guidelines to the senior management and estimating their methods of controlling the business.

Only if the Board of Directors has separately given the CEO the authority to do so, the CEO has the right to take action that, given the nature and scope of the Company's operations, is of an exceptional nature or has far-reaching consequences. The CEO must immediately notify the chair of the Board of Directors for the purpose of convening the Board in the event of any exceptional or far-reaching actions that the CEO is not authorised to undertake without the express permission or authorisation of the Board. In connection with the Company's business operations, the sales decisions of completed facilities, the decisions to begin new real estate projects and the selection of main contractors are made by the Board of Directors.

The CEO is under the obligation to report regularly and on his or her own initiative to the Board of Directors on relevant matters and events related to the Company's business operations. The CEO reports on the Company's key events and on irregularities to the Board of Directors at each Board meeting. In addition, the CEO will regularly discuss and report on Company events to the chair of the Board.

The entire personnel of the Company are responsible for regularly monitoring such matters as the state of the real estate projects that are under construction and any irregularities that are observed. In this connection, considerations related to risk management and security must also be taken into account.

3.4.4 Chief Financial Officer and financial management

The task of the CFO is to ensure and supervise that the Company's accountancy and financial reporting practices comply with law and that both the external and internal financial reporting is reliable.

The financial management is responsible for:

- operational monitoring to ensure the appropriateness, adequacy and efficiency of control activities; and
- ensuring that external reporting is reliable, error-free, and timely, and that it complies with the applicable laws and regulations.

4 OTHER REQUIRED INFORMATION

4.1 Insider management

The guidelines for insiders at Hoivatilat will complement the obligations set by EU regulations, domestic regulations (especially the Finnish Securities Markets Act (746/2012) and the Criminal Code of Finland (39/1889)), the instructions of the Finnish Financial Supervisory Authority, and the insider guidelines of Nasdaq Helsinki. The guidelines for insiders are available for the entire personnel of the Company. The Board of Directors of Hoivatilat has approved the Company's guidelines for insiders.

As a result of the entry into force of EU Market Abuse Regulation 596/2014 (MAR), the Company no longer maintains a public insider register, nor does it maintain a permanent Company-specific insider register. Hoivatilat maintains project and event-specific insider lists, which are not public.

The Company is required to disclose insider information related to the Company as soon as possible. However, the Company may decide to postpone disclosure of insider information if the grounds for postponement of disclosure are met. Any such decisions are made at the Company's own risk. In this case, a project-specific insider list must be established by the Company.

The persons to be listed on the project-specific insider list are any persons to whom the Company issues insider information on a specific project. Project-specific insiders are all persons within the Company who have access to inside information and who work for the Company under a contract of employment, or who otherwise carry out work duties through which they have access to inside information pertaining to the Company. An insider manager is responsible for setting up a project-specific insider list, and for deciding who is to be included on the project-specific insider list at any given time.

The MAR requires the issuer's executives and their related parties to inform the issuer and the Finnish Financial Supervisory Authority on any business operations they conduct with the shares, debt instruments, derivatives or other financial instruments of that issuer. The following executives of the Company are under the obligation to disclose their business operations with the Company's financial instruments:

- Chair and vice chair of the Board of Directors
- Board members and deputy members, if any
- CEO and deputies for the CEO, if any, and
- members of the executive team.

The executives and their related parties are obligated, without delay and at the latest within three business days from the date of the business operation in question, to notify the Company and the Financial Supervisory Authority of any business operations conducted using the Company's financial instruments that exceed the annual limit of EUR 5,000.

The Company must publish the business operations reports made by the notifying executives and their related parties as a stock exchange release as soon as possible, and within three (3) business days of the conducted business operation. The Company maintains a list of the executives and their related parties. The list is not public.

The aforementioned executives who are obligated to disclose their business operations may not, whether on their own behalf or on behalf of a third party, carry out transactions using the company's financial instruments before the publication of the Company's half-year report and the financial statements release during a period that starts 30 days before the release of the business review, half-year report or the financial statements release, and ends at the end of the publication date (i.e. a closed period). If the financial statements contain material information previously undisclosed in the financial statements release, such as future prospects, the closed window will also apply to the financial statements.

The Company recommends that executives who are under the obligation to disclose business operations with Company shares or other financial instruments of the Company, should time these transactions so that they will not weaken trust in the securities market. The Company recommends that the executives who are under an obligation to disclose business operations and who conduct long-term investments in the Company's financial instruments, should choose for their transactions the periods during which the market information is as complete as possible with regard to the matters affecting the price of the Company's financial instruments.

4.2 Management of the related parties

Hoivatilat's related parties consist are the Company's subsidiaries, Board members, CEO, CFO, and shareholders who have significant influence over the Company. In addition, the Company's related parties include the immediate family of these persons as well as their controlled companies.

The Company has no separate guidance for the related parties. When preparing transactions with a party belonging to the Company's related parties or when deciding on such transactions, the persons who belong to a related party of the Company's contractual partner or counterparty or persons to whom or to whose related party a material benefit could be expected from a transaction carried or not carried out, must participate in decision-making or other handling of the matter. Transactions with the Company's related parties will be executed at fair market prices. The Company has not loaned funds to the senior management and the Company does not have business operations outside the service relationship with the senior management.

4.3 Internal control

The Company does not have a separate internal control organisation. This has been taken into account in determining the content and scope of the annual audit plan. The audit focuses on specific topics at different times and on separately agreed priorities.

4.4 Auditing of accounts

According to section 6 of the Company's articles of association, the auditor selected for the Company will be an auditing firm that has the approval of the Central Chamber of Commerce. The auditor's term of office ends upon conclusion of the Company's ordinary general meeting following the appointment of the auditor. The Company's auditor for the financial year 2019 was the auditing firm KPMG Oy Ab, which appointed Antti Kääriäinen, APA, as the main auditor of the Company. The total fees paid for auditing during the financial year 2019 were approximately EUR 52,100. In addition, the auditor was paid a total of approximately EUR 6,375 for non-audit services.

4.5 Salary and remuneration statement

Salary and remuneration statement is available at the Company's website at **www.hoivatilat.fi/en**
The statement is updated regurarly.

Board of Directors' Report and Financial Statements

Annual Report of the Board of Directors 2019

Hoivatilat Plc specialises in building, developing, owning and leasing out nursing homes, day-care centres and service communities. Founded in 2008, Hoivatilat has worked in cooperation with approximately 60 Finnish municipalities and has launched 200 property projects throughout Finland and Sweden. In 2016, the Company was listed on the Nasdaq First North Finland market maintained by Nasdaq Helsinki Oy. In March 2017, it was listed on Nasdaq Helsinki's main market.

At the end of the financial period on 31 December 2019, the Hoivatilat Group consisted of its parent company, Hoivatilat Plc, and 149 mutual real estate companies, as well as the Hoivatilat AB Group, which consisted of its parent company and 9 subsidiaries. The parent company, Hoivatilat Plc, owns 100% of all Group companies.

OUTLOOK FOR 2020

Hoivatilat estimates that its revenue will increase at least 20 per cent in 2020 compared with 2019. EPRA Earnings are expected to be around 40 per cent of revenue. The fair value of investment properties at the end of 2020 is estimated to be around EUR 600 million. The guidance is based on the assumption that, in 2020, 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.

Material events during the review period

The company regained holding of 23,134 of its own shares in accordance with the terms and conditions of the 2015 share incentive scheme. The shares were returned on 27 February 2019, and after that Hoivatilat Plc holds 23,134 treasury shares.
(Stock exchange release 28 February 2019)

The first projects in Sweden started. The company signed an agreement on the implementation of day-care centres in Eskilstuna, Ronneby and Norrtälje. The total investment value of the three day-care centres is around EUR 11 million. In addition, the company signed agreements on four projects for municipal tenants: a school in Mikkeli and day-care centres in Oulu, Rovaniemi and Vaasa.
(Stock exchange release 26 March 2019)

Timo Wikberg was appointed as Business Director and a member of the management team of Hoivatilat. He will be responsible for managing and developing Hoivatilat's sales and customer experience. Wikberg has previously worked for Attendo in various business development and managerial positions, most recently as Sales Director.
(Stock exchange release 4 April 2019)

On 11 April 2019, Hoivatilat signed an agreement on a domestic EUR 100 million commercial paper programme. Within the programme, the company may issue commercial papers of less than one-year maturity. This arrangement diversifies the company's financing base, as well as secures the Group's normal investment and working capital financing.
(Stock exchange release 11 April 2019)

The change of name, decided at the Annual General Meeting of Suomen Hoivatilat Oyj on 26 March 2019, was registered with the Trade Register on 9 May 2019. The new name of the company is Hoivatilat Oyj in Finnish and Hoivatilat Plc in English.
(Stock exchange release 9 May 2019)

On 4 November 2019, Hoivatilat published preliminary information about its third-quarter result and revised its guidance for 2019.
(Stock exchange release 4 November 2019)

On 4 November 2019, the company announced that Hoivatilat and Aureit Holding Oy, a wholly owned subsidiary of the Belgian listed company Aedifica SA/NV, had signed a combination agreement, according to which Aureit Holding Oy will make a recommended public cash tender offer for all shares in Hoivatilat Plc. The cash consideration offered as part of the tender offer is EUR 14.75 per share. On 6 November 2019, the Board of Directors of Hoivatilat Plc issued a statement concerning the tender offer. On 8 November 2019, Aureit Holding Oy published the offer document and announced that the offer period would begin on 11 November 2019.
(Stock exchange releases 4, 6 and 8 November 2019)

On 5 November 2019, the company's Board of Directors decided to carry out a directed share issue without consideration to the participants in its long-term share-based incentive plan for the payment of share rewards in accordance with the plan. In the directed share issue, 63,400 new shares in the company will be issued without consideration to participants entitled to share rewards in accordance with the share-based incentive plan. After the directed share issue, the total number of shares in the company will be 25,502,629, including treasury shares held by the company. The new shares were registered with the Trade Register on 13 November 2019, and trading began on 14 November 2019.
(Stock exchange releases 6 and 14 November 2019)

On 22 November 2019, the company was informed about a negative statement published by Clearance Capital concerning Aedifica's tender offer for all shares in Hoivatilat.
(Stock exchange release 22 November 2019)

On 25 November 2019, the Espoo Christian School Support Association selected Hoivatilat Plc to implement a school and day-care centre construction project in Matinkylä in Espoo in accordance with the lease model. The school will be completed in August 2021. The duration of the lease is 25 years, and the value of the agreement is around EUR 30 million.
(Stock exchange release 26 November 2019)

On 27 November 2019, Aureit Holding Oy decided to amend the terms and conditions of its recommended public cash tender offer for all shares in Hoivatilat Plc as follows: the offeror (together with Aedifica and any entities controlled by Aedifica) must acquire more than 50 per cent (previously: more than 90 per cent) of the outstanding shares and votes in Hoivatilat. On 28 November 2019, Aureit Holding Oy announced that it would supplement the offer document dated 8 November 2019. On 28 November 2019, the Board of Directors of Hoivatilat Plc supplemented its statement on the tender offer without amending its recommendation.
(Stock exchange releases 27 and 28 November 2019)

On 5 December 2019, Aureit Holding Oy decided to increase the offer consideration to EUR 16.00 per share. Consequently, the company decided to amend the terms and conditions for its voluntary recommended public cash tender offer for all shares in Hoivatilat Plc and to extend the offer period until 3 January 2020. On 5 December 2019, the Board of Directors of Hoivatilat Plc supplemented its statement on the tender offer due to the increase in the offer consideration. On 9 December 2019, Aureit Holding announced that it would supplement the offer document dated 8 November 2019.
(Stock exchange releases 5 and 9 December 2019)

Group's key figures

	IFRS Group 31 Dec 2019	IFRS Group 31 Dec 2018
Total revenue (EUR thousand)	23,273	17,182
Operating profit (EUR thousand)	38,730	48,480
Profit for the financial year (EUR thousand)	28,244	37,003
EPRA Earnings (EUR thousand)	8,856	7,663
Balance sheet total (EUR thousand)	511,986	364,288
EPRA NAV (EUR thousand)	217,258	186,255
EPRA NNAV (EUR thousand)	185,249	161,937
Equity ratio (%)	36.2	44.5
Loan-to-value, LTV (%)	52.3	45.6
Gearing ratio (%)	146.0	98.2
Return on equity (%)	16.3	25.4
Earnings per share, undiluted (EUR)	1.11	1.46
Earnings per share, diluted (EUR)	1.11	1.45
Dividend per share, (EUR)	0.00*	0.17
EPRA Earnings Per Share (EUR, EPRA EPS)	0.35	0.30
EPRA NAV per share (EUR)	8.54	7.28
EPRA NNNAV per share, (EUR)	7.27	6.37
Net return, imputed (%)	6.03	6.15
Value of the lease portfolio** (EUR thousand)	584,139	426,953
Average maturity of the lease portfolio (years)	15.8	14.9
Economic occupancy rate (%)	100	100
EPRA vacancy rate (%)	0	0
Number of shares adjusted for share issues at the end of the period	25,479,495	25,439,229
Average number of shares adjusted for share issues during the period	25,428,346	25,414,511
Average number of shares adjusted for share issues during the period, diluted	25,428,346	25,491,042
Number of employees at the end of the period	25	19
Average number of personnel during the period	20	17

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

OPERATING ENVIRONMENT

Urbanisation continues in Finland and in the rest of Europe, and the population is ageing. Finland has the most rapidly ageing population in Europe. In Finland, 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 around 500,000, and this number is predicted to increase to 925,000 by the end of 2040 (Statistics Finland, stat.fi). The trend is very similar in Sweden: the number of people aged over 75 will increase by 50 per cent by 2030.

Over the past two decades, the population of the Helsinki-Uusimaa region has increased by almost 500,000 people. Approximately 70 per cent of Finland's population is already living in and around the 14 largest towns and cities.

Hoivatilat estimates that the following trends will increase its opportunities for growth and operations:

- Ageing population and the weakening dependency ratio
- Urbanisation and the concentration of the population
- Increased debt in the public sector
- Condition of properties in education and the social and health sectors
- Change in municipal procurement practices (lease model)
- Increasing use of service vouchers in early education and care services

Hoivatilat is preparing to the possible Finnish social and healthcare reform by monitoring closely the status of the process and by preparing to create a well-functioning collaboration with the organisers of the possible new social and healthcare system.

Even properties age

The municipal portfolio of education, culture, social services and healthcare properties include 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. On 17 October 2019, the Finnish Prime Minister's Office published *Indoor Air and Health*, a report examining the current state of indoor air quality and the number of indoor air issues in the private and public sectors. Based on the responses provided by municipalities, significant indoor air problems affect 5–18 per cent of the total amount of square meters of various types of buildings. The most significant problems are related to comprehensive school and upper secondary school facilities, 60–70 per cent of which were built before 1980.

Hoivatilat has paid special attention to making premises safe and minimising indoor air issues. The company applies its Terve kiinteistö (Healthy Building) concept to all property projects. Digitalisation and IoT enable new methods of monitoring indoor air quality and the structures of a property. In these areas, Hoivatilat is a pioneer in its field.

The planning and implementation of our facility projects are based on life cycle ownership and responsible contracting. This means safe, healthy and modifiable facilities. In construction, we favour low-carbon buildings, renewable material and energy solutions, and intelligent property control and lighting solutions.

ECONOMIC OPERATING ENVIRONMENT

In its economic forecast on 18 December 2019, the Ministry of Finance estimated that Finland's GDP would grow by 1.6 per cent in 2019. According to the Ministry of Finance, investments in residential construction will decrease and investments in production will increase at a slower pace. With employment and income levels increasing, private consumption will continue to grow. Exports will grow more rapidly because of an increase in service exports and ship deliveries.

The Ministry of Finance predicts that Finland's GDP will grow by around one per cent in 2020. Service exports will continue to grow rapidly, which is why exports will grow more rapidly than demand. Private consumption will continue to increase steadily. Higher income levels will maintain growth in household income. Public consumption will grow more rapidly, which will increase the share of domestic demand. Private investments are predicted to decrease in 2020 because of lower levels of investments in residential construction. The number of employed people will increase by 0.5 per cent in 2020. Slower economic growth and higher nominal wages will weaken the growth of employment. The nominal income level is expected to increase by three per cent.

According to *Euro and the Economy*, a report published by the Bank of Finland on 17 December 2019, based on forward guidance given by the European Central Bank (ECB), interest rates are expected to remain at the current level or lower until the inflation outlook returns sufficiently close to but still under 2 per cent, and until this trend is consistently reflected in core inflation. Interest rate levels continue to be low. The main refinancing operations rate is 0.00 per cent, the marginal lending facility rate is 0.25 per cent, and the deposit facility rate is -0.50 per cent.

The loosening of monetary policy continued during the autumn in other respects as well. At its September meeting, the Governing Council of the ECB decided to restart net purchases under its asset purchase programme. The Governing Council also decided to implement additional measures to preserve favourable bank lending conditions. All in all, monetary policy will remain very loose for longer than was predicted in June.

Financial review

FINANCIAL DEVELOPMENT

The Group's revenue was EUR 23.3 (17.2) million, representing an increase of 35.4 per cent 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 24.2 (35.6) million in the review period. In the category of investment properties, the change in fair values on the income statement includes EUR -0.7 (0.0) million in depreciation on leasehold plots presented as an asset item in accordance with IFRS 16. The change in the fair values of investment properties was smaller than in the comparison period, because the changes in return requirements used for measuring the properties were more moderate. The net return of the portfolio decreased by 0.12 percentage points, while it had decreased considerably more, by 0.31 percentage points, during the corresponding period in the previous year. The property development margin has remained good, in line with the company's targets.

The net rental income for the review period was EUR 22.4 (15.9) million, representing an increase of 41.2 per cent. At the end of the review period, the company had 150 (120) completed properties generating rental cash flow. Their net return was 6.03 per cent (6.15 per cent). The decrease in the net return rate was mostly due to a decrease in the required market rates of return used in measuring the value of investment properties.

Property maintenance expenses totalled EUR -1.0 (-1.3) million. Property maintenance expenses decreased by 27.0 per cent year-on-year. The decrease in maintenance expenses is explained by the amendments to IFRS 16. From 1 January 2019, the land lease expenses that were previously included in property maintenance expenses are presented as part of the change in fair value and as part of interest expenses. The impact of the amendments to IFRS 16 on the maintenance expenses was EUR 0.8 million in the review period.

Expenses arising from employment benefits were EUR -3.2 (-2.5) million, representing an increase of 30.3 per cent. In addition to recruitment during the review period, personnel expenses increased because of an expense of EUR -0.3 million recognised due to the discontinuation of the second earning period of the share-based incentive plan (2018). Expenses arising from employee benefits also include a tax refund of EUR 0.2 million associated with the shares returned to the company in compliance with the terms and conditions of the share incentive scheme (23,124 shares, stock exchange release dated 28 February 2019). The average number of employees was 20 (17) during the review period.

Administrative expenses were EUR -4.5 (-1.9) million, representing an increase of 138.7 per cent year-on-year. The increase in administrative expenses is mainly explained by EUR 1.8 million in non-recurring expenses arising from the implementation of the public tender offer by Aureit Holding Oy. Administrative expenses also include a non-recurring provision for bad debt EUR 0,4 million concerning one tenant and investment property.

The operating profit was EUR 38.7 (48.5) million, representing a decrease of 20.1 per cent. The decrease in the operating profit was mainly due to a smaller change in the return requirements for properties year-on-year and the non-recurring expenses arising from the implementation of the public tender offer by Aureit Holding Oy.

Net financial income and expenses were EUR -3.3 (-2.1) million. The amendments to IFRS 16 had an impact of EUR -0.4 (0.0) million financial expenses. Taxes based on the taxable income for the review period were EUR -0.0 (-0.0) million. Deferred taxes, which were mainly due to changes in the fair values of properties, amounted to EUR -7.2 (-9.4) million.

The net profit for the review period was EUR 28.2 (37.0) million, showing a decrease of 23.7 per cent year-on-year. Undiluted earnings per share were EUR 1.11 (1.46), and diluted earnings per share were EUR 1.11 (1.45).

EPRA Earnings for the review period were EUR 8.9 (7.7) million, representing an increase of 15.6 per cent. EPRA Earnings represented 38.1 per cent (44.6 per cent) of net sales. EPRA Earnings for the review period are not comparable to the previous year because of changes caused by the adoption of IFRS 16 (as of 1 January 2019) and the non-recurring expenses arising from the implementation of the public tender offer.

Properties 31.12.

	Completed		In progress and not started*		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Number of properties	150	120	44	39	194	159
Leasable area, thousand floor m^2	129.5	105.2	70.2	45.8	199.7	151.0
Annual rents, EUR million	26.4	21.5	13.4	8.4	39.8	29.9
Investment (acquisition cost), EUR thousand	300.1	237.8	198.4	122.1	498.5	359.9

** 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.*

Area

Percentage of contracts	31 Dec 2019	31 Dec 2018
Greater Helsinki area / Uusimaa region	28%	21%
Lahti region	5%	7%
Tampere region	6%	7%
Turku region	7%	10%
Oulu region	9%	8%
Kuopio region	6%	8%
Jyväskylä region	4%	5%
Sweden	4%	0%
Other municipalities with more than 30,000 residents	20%	20%
Other locations	11%	15%
Total	**100%**	**100%**

Investments

The consolidated balance sheet total at the end of the review period was EUR 511.9 (364.3) million, showing an increase of 40.5 per cent year-on-year. During the review period, investments with a total acquisition cost of EUR 88.5 (81.5) million were made in properties.

Funding

The company's interest-bearing liabilities stood at EUR 286.8 (170.4) million at the end of the review period. The net amount of interest-bearing liabilities increased by EUR 116.3 (60.4) million during the review period. Of the increase in interest-bearing liabilities, EUR 28.8 million was due to the recognition of a lease agreement liability in accordance with IFRS 16.

On 31 December 2019, the company's potential sources of financing consisted of cash assets (EUR 16.2 million), undrawn credit facilities (EUR 5.3 million), investment loans drawn under loan agreements (EUR 11.0 million), undrawn EIB loan facility (EUR 20 million) and commercial papers which can be issued under a commercial paper scheme (EUR 55 million).

According to the company's interest rate hedging policy, 30–50 per cent 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 29.5 per cent (35.8 per cent) on 31 December 2019, and the average interest rate maturity of its loan portfolio was 1.51 (1.93) years. On 10 December 2019 the board of directors decided that the company will not comply with its hedging policy for the time being.

Properties and agreements

On 31 December 2019, the company had 150 (120) completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 44 (39). During the review period, a total of 27 (35) new properties were completed, and the company acquired 3 (1) completed properties.

On 31 December 2019, the company had a total of 194 (159) leases (including preliminary agreements), which were divided between 50 (31) customers, including 10 (3) municipal customers. The value of the lease portfolio was EUR 584.1 (427.0) million, and the average maturity of the entire lease portfolio was 15.8 (14.9) years. The company's three largest key customers represented around 39 per cent (54 per cent) of its lease portfolio on 31 December 2019. The largest customer's share of the lease portfolio was 20 per cent (27 per cent). The second-largest customer's share was 12 per cent (17 per cent), and that of the third-largest customer was 7 per cent (9 per cent). Municipal customers represented 14 per cent (6 per cent) of the lease portfolio. In euro terms, the most important tenants are Finland's largest chains in the nursing and day-care sector.

Of the lease portfolio, 65 per cent (65 per cent) 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 per cent (20 per cent) consisted of properties in other municipalities with more than 30,000 residents, and 11 per cent (15 per cent) consisted of properties located in municipalities with fewer than 30,000 residents. The properties in Sweden represented 4 per cent (0 per cent) of the lease portfolio.

SHARES AND SHAREHOLDERS

On 31 December 2019, the company had 25,502,629 (25,439,229) shares. Of these, 23,134 were treasury shares. The closing price of the company's shares on 31 December 2019 was EUR 16.00 (7.90), and the total market value of outstanding shares was EUR 408.0 (201.0) million. During the financial year, the highest closing price was EUR 16.05 (8.53), with the lowest being EUR 7.71 (7.20). A total of 9.0 (9.3) million shares in Hoivatilat Plc were traded during the financial year. On 31 December 2019, the company had a total of 7,005 (8,913) shareholders.

FLAGGING NOTIFICATIONS

- On 29 August 2019, OP Fund Management Company Ltd announced that the OP-Finland equity fund's total number of shares and votes in Hoivatilat had fallen below 5 per cent following a transfer of shares on 28 August 2019. The OP-Finland equity fund is managed by OP Fund Management Company Ltd. The total holding of investment funds managed by OP Fund Management Company Ltd was 6.96 per cent on 28 August 2019.

GROUP STRUCTURE

At the end of the financial period on 31 December 2019, the Hoivatilat Group consisted of its parent company, Hoivatilat Plc, and 149 (131) mutual real estate companies, as well as the Hoivatilat AB Group, which consisted of its parent company, Hoivatilat AB, and 9 (0) subsidiaries. The parent company, Hoivatilat Plc, owns 100% of all Group companies.

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 materialised, 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 goal is to grow faster than the market. According to the estimate of the management of Hoivatilat, the company may pursue result improvement 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 acquiring new customers.

Operational risks

Operational risks include dependence on key employees' competence and possible changes in the demand for the properties produced by the Group. The materialisation 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 39 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 materialisation 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 the 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 real estate 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 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 customers 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

In 2018, Hoivatilat began to determine its sustainability focuses. An internal materiality analysis was carried out to assess and define the most essential sustainability focuses for the company's operations. Four focus areas were defined: customer-oriented offering and operating methods, people's well-being, environmental responsibility and social responsibility. A Sustainability Committee was established in 2019 to support sustainability work.

Customer orientation

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. Customer satisfaction is measured through an annual customer satisfaction survey. In the 2019 customer satisfaction survey, the company received good feedback on its construction projects staying on schedule and on its understanding of the special regulations related to construction in its sector.

In addition to providing a superior customer experience and a continuous service offering, Hoivatilat works to be a reliable contractual partner with responsible operating methods and a good reputation. Through digitalisation, the company has been able to further develop systems that support enterprise resource planning and life cycle ownership year after year.

Participatory design in property projects is one of the ways in which the company has further developed customer-oriented operating method. For example, Hoivatilat organised a participatory workshop for a new site in Oulu in June 2019. At the workshop, the children of the Pateniemi and Metsämarja day-care centres participated in designing the outdoor areas of the day-care centre to be built in the greater Pateniemi area.

People's well-being

Concerning people's well-being, Hoivatilat works to provide its employees with interesting and meaningful jobs while also providing an inspiring and continuously developing working environment. The employee experience is measured annually. In August 2019, Hoivatilat carried out a Great Place to Work survey, as in the previous year. Hoivatilat's Trust Index score was excellent: 96. The Trust Index score indicates the percentage of respondents who consider their workplace to be good or very good. The average Trust Index score for Finnish workplaces is 56.

Environmental responsibility

In the properties Hoivatilat builds and owns, it seeks optimal solutions that benefit the residents and users of the properties, as well as the environment. In terms of environmental responsibility, Hoivatilat aims to promote low-carbon construction, energy efficiency and the use of renewable energy forms.

The energy efficiency of buildings can be monitored and controlled through digitalisation and automation. Nearly all properties are monitored remotely. This enables the centralised management of heating and ventilation in properties, as well as making it possible to affect property life cycles, adjust heating according to the conditions and ensure optimal ventilation.

The pilot projects started in previous years to monitor indoor air quality and improve energy efficiency continued in 2019, and the company also started a number of new experiments. Experiments to monitor energy efficiency and the indoor climate took were organised in five properties in 2019.

In 2019, Hoivatilat decided to have its carbon footprints and handprints calculated for each new property project. Hoivatilat also looked into the certification of property projects in 2019. The RTS environmental classification system was found to be the most suitable option for Hoivatilat. The company is planning to pilot its introduction in property projects during 2020 and 2021.

PERSONNEL

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

Hoivatilat's 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 2019, Hoivatilat had a CEO and 24 employees. The company had 16 employees in Oulu, 7 in Espoo and 2 in Stockholm. Six 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.

BOARD OF DIRECTORS AND COMPANY MANAGEMENT

Until the extraordinary general meeting of 4 February 2020, the Board of Directors of Hoivatilat consisted of Pertti Huuskonen (Chairman), Satu Ahlman, Nathalie Clément, Paul Hartwall, Kari Nenonen and Reijo Tauriainen. Harri Aho and Timo Pekkarinen served as Board members until 26 March 2019.

Until 4 February 2020, the Audit Committee consisted of Reijo Tauriainen (Chairman), Paul Hartwall and Kari Nenonen and the Remuneration Committee consisted of Pertti Huuskonen (Chairman), Satu Ahlman and Paul Hartwall. The company's auditor is KPMG Oy Ab, Authorised Public Accountants, with APA Antti Kääriäinen as the principal auditor.

Until 10 January 2020, the Shareholders' Nomination Board consisted of Stefan Björkman, Juha Takala and Johannes Winborg. Pertti Huuskonen, Chairman of the Board of Directors of Hoivatilat Plc, served as an expert member on the Nomination Board until 10 January 2020. The extraordinary general meeting on 4 February 2020 decided to discontinue the Shareholders' Nomination Board.

The Group's management team consists of Jussi Karjula, CEO; Riku Patokoski, Deputy CEO; Tommi Aarnio, CFO; Juhana Saarni, Real Estate Director; Riikka Säkkinen, HR and Communications Director; and Timo Wikberg, Business Director. Account Director Jussi Vikman was appointed as a member of the management team on 13 January 2020.

DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of Hoivatilat was held in Helsinki on 26 March 2019. The Annual General Meeting confirmed the financial statements and discharged the members of the Board of Directors and the CEO from liability for the 2018 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 0.17 per share was paid on 4 April 2019 in accordance with the Annual General Meeting's decision. In addition, the Annual General Meeting adopted the proposals of the Board, according to which the Board was authorised to decide on the acquisition of treasury shares and the issuance of new shares. The Annual General Meeting also approved an amendment to the Articles of Association with regard to the name of the company (Hoivatilat Plc), as well as the Nomination Board's proposal for the composition of the Board of Directors and Board members' fees. Its decisions were announced on 26 March 2019. They are also available on the company's website.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 7 January 2020, the company announced that according to the preliminary result of the tender offer made by Aureit Holding Oy, the shares for which the tender offer had been approved, together with the Hoivatilat shares acquired by the offeror through public trading on the Nasdaq Helsinki, represented 95.5 per cent of all issued and outstanding shares and votes in Hoivatilat. On 9 January 2020, the company announced that according to the final result of the tender offer, the shares for which the tender offer had been approved, together with the Hoivatilat shares acquired by the offeror through public trading on the Nasdaq Helsinki, represented 95.9 per cent of all issued and outstanding shares and votes in Hoivatilat. As the final result of the tender offer exceeds the minimum acceptance condition and all other conditions for the completion of the tender offer have been fulfilled or waived by the offeror, the offeror will complete the tender offer in accordance with the terms and conditions of the offer. On 30 January 2019, the company announced that according to an announcement made by Aureit Holding Oy, Aureit Holding Oy holds 98.2 per cent of all shares in Hoivatilat after the end of the subsequent offer period of the tender offer. Aedifica announced that it has on 15 January 2020 filed an application with the Redemption Board of the Finland Chamber of Commerce to initiate statutory redemption proceedings for the remaining Shares.
(Stock exchange releases 7, 9 and 30 January 2020)

On 27 January 2020 the company announced that as a result of the completion of the public tender offer by Aureit Holding Oy, a Finnish limited liability company wholly owned by Aedifica SA/NV, Hoivatilat Plc incurred non-recurring expenses of approximately EUR 1.8 million. The costs consist, among other things, of advisory fees. As a result of these expenses, the EPRA Earnings of Hoivatilat for the financial year 2019 will remain below the previous guidance, to be at least 35 per cent of net sales. In addition, the company refined its estimate of the fair value of investment properties at the end of the year 2019.
(Stock exchange release 27 January 2020)

Hoivatilat Plc's extraordinary general meeting was held in Helsinki on 4 February 2020. The general meeting resolved on the remuneration and composition of the Board of Directors and the discontinuation of the Shareholders' Nomination Board in accordance with the proposals of Aureit Holding Oy. Stefaan Gielens, Pertti Huuskonen, Ingrid Daerden, Laurence Gacoin, Reijo Tauriainen and Kari Nenonen were elected as members of the Board for the term ending at the close of the next Annual General Meeting. Stefaan Gielens was elected as Chairman of the Board, and Pertti Huuskonen was elected as Vice Chairman of the Board.
(Stock exchange release 4 February 2020)

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The parent company's distributable funds stood at EUR 187.6 million at the end of the financial year. For the reason that Aureit Holding Oy owns over 98 per cent of the company's shares and has applied for the initiation of statutory redemption proceedings the Board of Directors proposes to the Annual General Meeting that no dividend will be paid.

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.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting will be held in June 2020.

FINANCIAL CALENDAR FOR 2020

The 2019 annual report will be published during the week beginning 2 March 2020. The interim report for January–March will be published on 6 May 2020, the half-year report for January–June will be published on 19 August 2020, and the interim report for January–September will be published on 4 November 2020.

Share information

Largest registered shareholders 31 Dec 2019

Shareholder	Shares	%
Skandinaviska Enskilda Banken AB	6,483,856	25.42
2care Capital Ab	3,767,012	14.77
OP-Rahastot	1,446,574	5.67
Aureit Holding Oy	1,193,037	4.68
Pekkarinen Timo Jaakko	896,489	3.52
Hintsala Eino	801,827	3.14
Nordea Bank ABP	737,153	2.89
Milerosa Oy	599,776	2.35
Eläkevakuutusosakeyhtiö Veritas	450,000	1.76
Hyväri Harri Tapani	417,648	1.64
Karjula Jussi Pekka	377,916	1.48
Kusinkapital Ab	352,137	1.38
OP-Henkivakuutus Oy	258,081	1.01
Väisänen Ahti Pekka Olavi	250,000	0.98
SEB Finland Small Cap	247,420	0.97
Ahola Tuomas Veli	238,488	0.94
Pirkko ja Jukka Ruusu Oy	214,676	0.84
Veikkolainen Erkki	203,861	0.80
Merivirta Jyri	200,000	0.78
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	199,116	0.78
20 largest shareholders total	19,335,067	75.8
Other shareholders	6,167,562	24.2
All shares total	**25,502,629**	**100.0**

Shareholdings 31 December 2019

	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–100	2,829	40.4	131,203	0.5
101–500	2,736	39.1	703,213	2.8
501–1 000	753	10.7	570,491	2.2
1 001–5 000	538	7.7	972,217	3.8
5 001–10 000	59	0.8	435,122	1.7
10 001–50 000	50	0.7	1,260,498	4.9
50 001–100 000	9	0.1	672,668	2.6
100 001–500 000	23	0.3	5,232,151	20.5
500 001–	8	0.1	15,525,066	60.9
Total	**7,005**	**100**	**25,502,629**	**100**

Shareholders by sector 31 December 2019

	Number of shares	Shares, %
Households	7,454,636	29.2
Public sector entities	578,659	2.3
Financial and insurance institutions	10,068,534	39.5
Companies	7,186,999	28.2
Non-profit entities	177,328	0.7
Foreign ownership	36,473	0.1
Combined total	**25,502,629**	**100.0**
Of which nominee registered	7,369,741	

The company's shares are listed on the Nasdaq Helsinki main market on 1 March 2017.

Reserved trading code	HOIVA
ISIN code	FI4000148648
Highest price of the share during the financial year (EUR)	16.05
Lowest price of the share during the financial year (EUR)	7.71
Closing price of the share at the end of the financial year (EUR)	16.00
Market value 31 December 2019 (EUR)	408,042,064
Trading volume 1 January–31 December 2019 (pcs)	8,956,502
Number of shares 31 December 2019 (pcs)	25,502,629

EPRA key figures

1. EPRA Earnings and EPRA EPS, BASIC

EUR thousand	2019	2018
Result for the period (IFRS) from the consolidated income statement	28,244	37,003
(I) Profit/loss from measuring investment properties at fair value	-24,235	-35,627
(II) Gains and losses on disposal of investment properties and other non-current assets	0	-1,049
(IV) Taxes based on the result for the financial year, generated by the gains and losses on disposals	0	210
(VIII) Deferred tax for EPRA adjustments	4,847	7,125
EPRA Earnings	**8,856**	**7,663**
EPR Earnings per Share, EUR	**0.35**	**0.30**

2. EPRA NAV per share and EPRA NNNAV per share

EUR thousand	2019	2018
Equity belonging to the parent company's shareholders	185,249	161,937
(IV) Fair value of financial instruments	1,687	951
(V.a) Deferred tax	30,539	23,367
EPRA NAV	**217,475**	**186,255**
EPRA NAV per share, EUR	**8.54**	**7.32**
EPRA NAV	217,475	186,255
(I) Fair value of financial instruments	-1,687	-951
(III) Deferred tax	-30,539	-23,367
EPRA NNAV	**185,249**	**161,937**
EPRA NNNAV per share, EUR	**7.27**	**6.37**

3. EPRA vacancy rate, %

EUR thousand		2019	2018
Annualised computational lease value for vacant premises	A	0	0
Annualised computational lease value for the entire property portfolio	B	26,179	21,467
EPRA vacancy rate, %	**A/B**	**0.0**	**0.0**

4. EPRA Net Initial Yield and EPRA "topped-up" NIY

EUR thousand		2019	2018
Investment property – wholly owned		462 147	348,899
Less: developments		-49 057	-19,899
Completed property portfolio		**413 090**	**329,000**
Allowance for estimated purchasers' costs		8 262	6,580
Gross up completed property portfolio valuation (B)	**B**	**421 352**	**335,580**
Annualised cash passing rental income		26,179	21,079
Property outgoings		-1,362	-1,237
Annualised net rents (A)	**A**	**24,817**	**19,842**
Add: notional rent expiration of rent free periods or other lease incentives		257	388
Topped-up net annualised rent (C)	**C**	**25,074**	**20,230**
EPRA Net Initial Yield (NIY), %	**A/B**	**5.89%**	**5.91%**
EPRA 'topped-up' NIY, %	**C/B**	**5.95%**	**6.03%**

5. EPRA cost ratios

EUR thousand		2019	2018
Include:			
(I) Administrative expenses*		4,461	1,869
(I) Property maintenance expenses		1,748	1,307
Exclude:			
(VII) Ground rent costs		-608	-434
Cost (including direct vacancy costs)	**A**	**5,601**	**2,743**
(IX) Direct vacancy costs			0
Cost (excluding direct vacancy costs)	**B**	**5,601**	**2,743**
(X) Gross Rental Income less ground rent costs - per IFRS		22,665	16,749
(XI) Less: service fee and service charge costs components of Gross Rental Income		0	0
Gross Rental Income	**C**	**22,665**	**16,749**
EPRA Cost Ratio (including direct vacancy costs), %	**A/C**	**24.7%**	**16.4%**
EPRA Cost Ratio (excluding direct vacancy costs), %	**B/C**	**24.7%**	**16.4%**

**Salaries capitalized in investment properties have been deducted from administrative expenses. In 2019 capitalized salaries totaled 0.4 MEUR and 0.5 MEUR in 2018.*

Key figure formulas

Key figure formulas (IFRS key figures)

Earnings per share (EPS), undiluted, EUR =

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

Earnings per share (ESP), diluted, EUR =

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

Dividend per share, EUR =

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

Key figure formulas (Alternative key figures)

Equity ratio, % =

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

Net gearing, % =

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

Return on equity, % =

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

Economic occupancy rate, % =

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

Net return, % =

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

Loan-to-value (LTV), %=

$$\frac{\text{Financial liabilities - Cash and cash equivalents}}{\text{Fair value of investment properties}} \text{ X } 100$$

Reconciliation calculations concerning certain key figures

Net return, %

EUR thousand	31 Dec 2019	31 Dec 2018
Annualised rental income for the month of the financial statements	26,269	21,467
The forecast 12-month expenses of the properties generating rental income	-1,362	-1,237
Net rental income	24,907	20,230
Value of the investment properties generating rental cash flow for the month of the financial statements	413,090	329,000
Net return, %	**6.03**	**6.15**

Consolidated income statement IFRS 1 Jan–31 Dec 2019

Consolidated income statement IFRS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
TOTAL REVENUE	1,2	**23,273,181**	**17,182,305**
Transfers of investment properties and changes in fair value	3,10	24,235,107	36,675,896
Other operating income	1,2	0	282,735
Expenses of employee benefits	4,15,23	-3,193,101	-2,450,190
Depreciation	5	-170,939	-33,795
Other operating expenses	6	-5,413,795	-3,176,505
OPERATING PROFIT (LOSS)		**38,730,453**	**48,480,446**
Financial income	7	7,718	867
Financial expenses	7	-3,318,684	-2,057,609
PROFIT BEFORE TAXES		**35,419,487**	**46,423,703**
Taxes for the financial year and previous periods	8	-7,175,294	-9,420,361
PROFIT FOR THE FINANCIAL YEAR		**28,244,193**	**37,003,342**

Consolidated statement of comprehensive income IFRS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
PROFIT FOR THE FINANCIAL YEAR		28,244,193	37,003,342
Other comprehensive income items			
Items that may be reclassified to profit or loss later:			
Translation differences		-707	-1,747
Cash flow hedging	19	-919,620	-992,077
Taxes associated with other comprehensive income items	11	183,924	198,415
Other comprehensive income items for the financial year after taxes		**-736,403**	**-795,409**
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**27,507,790**	**36,207,933**
Distribution of profit for the financial year			
To parent company shareholders		28,244,193	37,003,342
To shareholders with non-controlling interest		0	0
Distribution of comprehensive income for the financial year			
To parent company shareholders		27,507,790	36,207,933
To shareholders with non-controlling interest		0	0
Earnings per share calculated on the profit belonging to the parent company's shareholders			
Undiluted earnings per share	9	1.11	1.46
Earnings per share adjusted with the dilution effect	9	1.11	1.45

Consolidated balance sheet IFRS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets		108,872	150,285
Investment properties	10	490,790,779	348,899,080
Machinery and equipment		156,474	36,216
Deferred tax assets	11	590,509	363,778
Total non-current assets		**491,646,635**	**349,449,360**
Current assets			
Trade receivables and other receivables	12	4,047,242	3,455,775
Cash and cash equivalents	13	16,223,048	11,382,638
Total current assets		**20,270,290**	**14,838,412**
ASSETS TOTAL		**511,916,925**	**364,287,772**
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	69,722,015
Fair value reserve		-1,686,635	-950,940
Translation difference		-2,455	-1,747
Retained earnings/losses		88,891,609	56,084,397
Profit/loss for the financial year		28,244,193	37,003,342
Equity belonging to the parent company's shareholders, total		**185,248,727**	**161,937,067**
Non-current liabilities			
Lease liabilities	17	27,720,371	0
Financial liabilities	16	198,491,702	158,809,420
Deferred tax liabilities	11	30,778,602	23,618,863
Total non-current liabilities		**256,990,675**	**182,428,283**
Current liabilities			
Lease liabilities	17	1,032,862	0
Financial liabilities	16	59,507,410	11,640,147
Trade payables and other liabilities	18	9,137,251	8,282,274
Total current receivables		**69,677,523**	**19,922,422**
Total liabilities		**326,668,198**	**202,350,705**
EQUITY AND LIABILITIES TOTAL		**511,916,925**	**364,287,772**

Consolidated cash flow statement IFRS

Consolidated cash flow statement IFRS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operations			
Profit for the financial year		28,244,193	37,003,342
Adjustments			
Non-cash transactions and other adjustments	21	-23 345 326	-37,435,762
Interest and other financial expenses		3,318,684	2,057,609
Interest income		-7,718	-867
Taxes		7,175,294	9,420,361
Changes in working capital			
Change in trade receivables and other receivables		-592,174	-2,726,708
Change in trade payables and other liabilities		-694,314	4,086,318
Interest paid		-3,436,324	-2,062,160
Interest received		7,718	867
Taxes paid		1,367,295	-1,611,666
Net cash flow from operations (A)		**12,037,328**	**8,731,334**
Cash flow from investment activities			
Divestment of investment properties		0	10,911,237
Acquisition of investment properties		-1,372,799	-2,126,892
Investments in property, plant, and equipment	10	-88,224,035	-77,193,637
Investments in intangible assets		-21,469	-136,269
Net cash flow from investment activities (B)		**-89,618,302**	**-68,545,562**
Cash flow from financing activities			
Payments from the share issue	14	0	1,504
Loan withdrawals	16	98,732,685	73,413,983
Loan repayments	16	-11,990,564	-8,756,467
Dividends paid	14	-4,320,736	-3,307,100
Cash flow from financing activities (C)		**82,421,385**	**61,351,920**
Change in cash and cash equivalents (A + B + C)		**4,840,411**	**1,537,692**
Cash and cash equivalents at the beginning of the financial year		11,382,638	9,844,945
Cash and cash equivalents at the end of the financial year		16,223,048	11,382,638

Calculation of changes in the Group's equity IFRS

Calculation of changes in the Group's equity IFRS

		Equity belonging to the parent company's shareholders					
EUR	Note	Share capital	Invested-on-restricted equity reserve	Fair value reserve	Translation difference	Retained earnings	Equity, total
Equity on 1 Jan 2018	14	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				**-793,662**	**-1,747**	**37,003,342**	**36,207,933**
Transactions with shareholders							
Distribution of dividends						-3,307,100	-3,307,100
Share issue	14		1,504				1,504
Incentive system						-555,165	-555,165
Transactions with shareholders, total			**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**

Equity on 1 Jan 2019		80,000	69,722,015	-950,940	-1,747	93,087,739	161,937,067
Comprehensive income							
Profit for the financial year						28,244,193	28,244,193
Other comprehensive income items *							
Translation difference					-707		-707
Cash flow hedging				-735,696			-735,696
Total comprehensive income for the financial year				**-735,696**	**-707**	**28,244,193**	**27,507,790**
Transactions with shareholders							
Distribution of dividends						-4,320,736	-4,320,736
Incentive system						124,606	124,606
Transactions with shareholders, total						**-4,196,130**	**-4,196,130**
Equity on 31 Dec 2019		**80,000**	**69,722,015**	**-1,686,635**	**-2,455**	**117,135,801**	**185,248,727**

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

Accounting policies for consolidated financial statements

GROUP'S BASIC INFORMATION

Hoivatilat Group specialises in producing, developing, owning and leasing out nursing homes, day-care centres and service communities. The Group's parent company is Hoivatilat Plc which shares have been listed on Nasdaq Helsinki since the 1 March 2017.

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

Hoivatilat Plc's Board of Directors approved these financial statements for publication in its meeting on 20 February 2020. In accordance with the Finnish Limited Liability Companies Act, shareholders can approve or reject the financial statements in the Annual General Meeting to be held after the financial statements have been published. The Annual General Meeting can also decide to amend the financial statements.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2019 have been applied in preparing them. 'International Financial Reporting Standards' refer to the standards and interpretations thereof approved for application in the EU in accordance with the procedure stipulated in the Finnish Accounting Act and related regulations in the EU directive (EC) N:o 1606/2002. The applicable Finnish accounting and corporate legislation requirements supplementing the IFRS regulations have also been taken into account when preparing the Notes to the financial statements.

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

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

The financial statements are presented in euros.

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

CONSOLIDATION PRINCIPLES

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

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

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

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCY

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

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

Foreign subsidiaries', which operating currency is not euro, income statements have been translated into euros using average exchange rates quoted for the financial year and balance sheets using the exchange rate quoted on the closing day of the financial year. Any resulting exchange rate difference is recognised as a translation difference under other comprehensive income.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

INVESTMENT PROPERTIES

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

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

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

The fair value of an investment property reflects the market conditions of the measurement date, considering the prices paid on properties in an equivalent location and condition and with equivalent lease terms. The fair value of investment properties is defined by an external assessor once per year, at a minimum. In 2019 and 2018, the assessments were commissioned every six months. Realia Management Oy acts as an external expert and authorised real estate appraiser. The appraiser produces a separate valuation calculation of each investment property held by the company, determining the value of the investment property. The determination of the fair value of investment properties is based on the forecast lease income from the properties, which have been discounted using the cash flow approach on the measurement date. Valuation calculations are mainly done as so called desktop valuation and a full valuation is made only exceptionally.

The fair value determined by an external expert is used as a fair value concerning the completed investment properties. The fair value concerning the investment properties under construction is determined using the fair value of completed investment properties considering the completion rate of the investment properties under construction. The investment properties in the phase of building permit, in which the construction work has not been started and the properties under construction with completion rate less than 10 per cent are measured at their acquisition cost.

Acquisition costs related to the construction of the investment property generated during construction, any related plot leases, interest expenses, and costs arising from employee benefits are capitalised in the investment properties under construction in the balance sheet.

The management team audits the appraisal of the properties done by an external appraiser once it has been completed. In the case of investment properties which have been evaluated in an earlier appraisal statement, the company compares the most recent valuations to those presented in the earlier appraisal statement. In the case of new investment properties, valuations are compared to the company's knowledge of recent market transactions and for example the development of market net operating income requirements are followed and compared to net operating income requirements of the Company's investment property.

The Audit Committee of the Company audits the appraisal statement done by the external appraiser and evaluates the valuation of the investment properties also based on the earlier appraisal statements delivered by the property appraiser. The Audit Committee presents the appraisal done by the property appraiser to the Board of Directors. All investment properties are Level 3 inputs in the fair value hierarchy.

MEASUREMENT AT FAIR VALUE

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

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

LEASES

IFRS 16 Leases replaced IAS 17 from the beginning of the 2019 financial period. The standard provided reporting organisations with instructions concerning the method of treating leases in the lessee's financial statements, changed the definition of leasing and determined the principles for recognising leases on the balance sheet both as a right-of-use asset and as a lease liability. Such leases in which the risks and rewards related to owning the asset remain with the lessor are categorised as other leases. All of the Group's leases where the group serves as a lessor are categorised as other leases. Lease income is recognised in the income statement on a straight-line basis over the lease period. All lease income is recognised in revenue. The Group has not leased out such business premise leases, which are categorised as finance leases. The treatment of leases where the Group serves as lessee has discussed in more detail at the end of the Group accounting policies.

EQUITY

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

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

FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Hoivatilat Group have been divided into the following groups in accordance with IFRS 9 Financial Instruments: financial assets recognised at fair value measured through profit and loss, at fair value measured through other comprehensive income or at amoritsed cost. The assets are categorised based on the purpose of acquiring the financial assets and liabilities and in connection with the original acquisition. The financial instruments are originally recognised at fair value entered in accounting based on the consideration received or paid. The transaction costs are included in the original book value of the financial assets and liabilities, when the item in question is not measured at fair value through profit. All purchases and sales of financial assets and liabilities are recognised on the transaction date. Derecognition of financial assets is carried out when the Group has lost its contractual right to cash flows or when it has transferred, to a considerable extent, risks and profits outside the company.

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

DERIVATIVE CONTRACTS

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

BORROWING COSTS

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

CASH AND CASH EQUIVALENTS

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

PRINCIPLES OF INCOME RECOGNITION

The Group's revenue primarily consists of facility rental income from business operations. The revenue has been adjusted with indirect taxes and sales adjustment items. The Group's income is recognised when it is likely that the financial benefit related to the transaction will benefit the community. The rental income from the investment properties is recognised as income on a straight-line basis through profit and loss for the entire lease period in accordance with IFRS 16.

GOVERNMENT GRANTS

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Post-employment benefits

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

Share-based payments

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

TAXES

Tax expenses include current taxes based on the taxable income for the financial year, adjustments of prior year taxes, and changes in deferred taxes. Deferred taxes related to investment properties have been calculated from the difference of the fair value of the properties and the acquisition cost not deducted in taxation. The change of deferred taxes for the financial year is measured through profit and loss. The calculation of deferred taxes is based on the corporate tax rate confirmed on the balance sheet date.

OPERATING PROFIT

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

EARNINGS PER SHARE

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

RELATED PARTY TRANSACTIONS

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

MAIN UNCERTAINTIES IN RESPECT OF ESTIMATES

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

NEW AND REVISED STANDARDS AND INTERPRETATIONS TO BE USED FOR FUTURE FINANCIAL YEARS

IFRS 16 Leases replaced IAS 17 from the beginning of the 2019 financial period. The standard provided reporting organisations with instructions concerning the method of treating leases in the lessee's financial statements, changed the definition of leasing and determined the principles for recognising leases on the balance sheet both as a right-of-use asset and as a lease liability. The adoption of the standard did not cause any changes for Hoivatilat regarding the accounting treatment of leases where the Group acts as a lessor. Right-of-use assets have been recognised under the balance sheet items 'Investment properties' and 'Machinery and equipment' for the leases covered by the standard. The right-of-use assets recognised under 'Investment properties' consist of Hoivatilat Group's leasehold land agreements. The right-of-use assets recognised under 'Machinery and equipment' were mainly recognised for lease agreements included in administrative expenses, such as office leases and leased vehicles. The Group's lease liability was measured by discounting the lease liabilities covered by the standard to their present values using the company management's view of the interest rate for additional credit at the time the leases started. The expenses for land area leases were recognised on the income statement as part of the change in the fair value of investment properties (comparable to straightline depreciation) as financial expenses based on the interest rate factor determined for the lease liability. For the right-of-use assets presented under 'Machinery and equipment', the impact on income is presented in financial expenses and as an amortisation item. Regarding the adoption of IFRS 16 Leases, Hoivatilat has applied a simplified approach and has therefore not adjusted the details of the review period used for comparison. In addition, Hoivatilat has applied the practical reliefs permitted by the standard and has therefore not applied the standard to leases of less than one year or leases of minor value. These include leases of certain pieces of office equipment, for example.

IFRIC 23 – Uncertainty over Income Tax Treatments came into effect from the beginning of the financial year. The interpretation clarified the accounting for uncertain income tax treatments. The interpretation does not have significant effects on the Groups's financial reporting.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE IMPLEMENTED DURING FUTURE PERIODS

The Group has not yet applied the following new or amended standards and interpretations published by the IASB. The Group will adopt them as of the effective date of each standard and interpretation, or as of the beginning of the following financial year if the effective date is not the first day of a financial year.

Amendments to IFRS 3: Definition of a Business. The amendment will take effect on 1 January 2020. It will clarify the definition of a business and also allows a simplified assessment of whether an acquired set is a group of assets rather than a business.

Amendments to IAS 1 and IAS 8 – Definition of Material. The amendments clarify the definition of material and include guidance to application of that concept across all IFRS Standards. The implementation of the amendments does not have significant impacts on consolidated financial statements.

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

Notes to the consolidated financial statement

1. Operating segments

Historically, the Group's resource and result situation has always been assessed as one entity, which is also the basis for the Group's reporting model and administration structure. Therefore, the Group only has one operating segment to be reported on, and the segment's figures and information are consistent with the figures and information of the entire Group. Thus, the income of this operating segment consists of property rental income. The highest decision-making power in the Group rests with the CEO and the parent company's Board of Directors. In 2019, the Group had three clients whose share in the Group's external revenue exceeded the 10% limit. The share of the largest client was 25% and that of the second largest client was 23% and that of the third largest was 12%. In 2018, the Group had three clients whose share in the Group's external revenue was more than 10%. The share of the largest client was 33% and that of the second largest client was 22% and that of the third largest client was 14%. The Group operated in Finland and Sweden in the financial year and the previous financial year.

2. Revenue and other operating income

EUR	2019	2018
Rental income from properties	23,273,181	17,182,305
Grants received	0	152,400
Other operating income	0	130,335
Total	**23,273,181**	**17,465,040**

In 2019 the Group's revenue consisted in full of rental income and other sales generated in Finland. The Group's revenue in 2018 consisted in full of rental income and other sales generated in Finland. 2018 Other operating revenues consisted mainly from TEKES' grants and such revenue from tenants which is not considered as rental income.

As a rule, fixed term leases of 15–20 years are signed for investment properties, and the leases generally include a deposit equalling the rent of three to six months. The annual rent increases are tied to the cost of living index. The tenants are in principle responsible for the operating and maintenance costs of the properties but during 2018 the company accomplished three life-cycle consept projects where it is responsible for the operating and maintenance costs.

Value and average maturity of the agreement portfolio

EUR	2019	2018
Value of agreement portfolio at the end of the year	584,139,216	426,970,745
Average maturity of agreement portfolio at the end of the year (years)	15.8	14.9

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

Expiration of leases (value of the agreement portfolio)

EUR	2019	2018
In 2019	0	77,222
In 2020	45,345	0
In 2024	942,868	1,127,218
In 2025	304,717	0
In 2027	2,260,311	1,678,814
In 2028	6,766,267	7,476,031
In 2029	14,305,663	15,671,968
In 2030	40,500,736	43,966,650
In 2031	36,260,596	33,610,648
In 2032	74,339,675	79,754,160
In 2033	53,278,510	58,466,123
In 2034	59,843,392	85,750,345
In 2035	59,443,871	10,722,345
In 2036	52,159,237	0
In 2037	4,068,772	0
In 2038	29,700,239	30,754,821
In 2039	16,060,741	21,401,520
In 2040	48,515,354	36,512,880
In 2041	16,039,920	0
In 2042	5,988,000	0
In 2045	18,435,000	0
In 2046	44,880,000	0
Total	**584,139,216**	**426,970,745**

3. Transfers of investment properties and changes in fair value

EUR	2019	2018
Changes in the fair value of investment properties	24,235,107	35,626,628
Divestment of investment properties	0	1,049,268
Total	**24,235,107**	**36,675,896**

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

4. Expenses of employee benefits and average number of employees

EUR	2019	2018
Salaries	-2,119,254	-2,011,022
Pension expenses – defined contribution arrangements	-365,983	-316,868
Share-based payments	-952,874	-542,520
Other personnel expenses	-123,940	-60,280
Capitalised in property acquisition costs	368,950	480,500
Total	**-3,193,101**	**-2,450,190**
Group's average number of employees	20	17

5. Depreciation

EUR	2019	2018
Depreciation of right-of-use assets	-100,941	
Intangible assets	-62,882	-28,562
Machinery and equipment	-7,116	-5,234
Total	**-170,939**	**-33,795**

6. Property maintenance costs and administrative costs

EUR	2019	2018
Property maintenance costs		
Direct maintenance costs of investment properties, which have accumulated rental income during the financial year	-902,136	-1,275,332
Direct maintenance costs of investment properties, which have not accumulated rental income during the financial year	-51,140	-32,164
Total	**-953,276**	**-1,307,496**

Property maintenance costs *include land area rents, property taxes, full-value indemnities of properties, property repair and maintenance costs as well as administrative costs directly allocated to limited liability housing companies. Due to impelementation of IFRS 16 -standard property maintenance costs for 2019 do not include ground rent costs. Ground rent costs are included in property maintenance costs for 2018.*

EUR	2019	2018
Administrative costs		
Other operating expenses, which are not allocated to investment properties	-4,460,519	-1,869,009
Total	**-4,460,519**	**-1,869,009**

Administrative costs *include EUR 1.8 million non-recurring expenses arising from the public tender offer and a non-recurring provision for bad debt EUR 0.4 million concerning one tenant and investment property.*

EUR	2019	2018
Auditor's fees		
Audit	-52,100	-37,898
Certificates and statements	0	-2,050
Other services	-6,375	-6,565
Total	**-58,475**	**-46,513**

7. Financial income and expenses

EUR	2019	2018
Financial income		
Interest income	7,718	867
Total	**7,718**	**867**
Financial expenses		
Interest expenses	-3,214,672	-2,220,703
Interest expenses from lease liabilities	-399,172	
Interest expenses capitalised in the properties' acquisition costs	295,160	163,094
Total	**-3,318,684**	**-2,057,609**

8. Income taxes

EUR	2019	2018
Tax based on the taxable income of the financial year	-12,242	-18,745
Deferred taxes	-7,163,052	-9,401,616
Total	**-7,175,294**	**-9,420,361**

Indirect reconciliation calculation of tax expenses and the taxes calculated using parent company's tax rate

EUR	2019	2018
Profit before taxes	35,419,487	46,423,703
Taxes at the parent company's tax rate on the balance sheet date	-7,083,897	-9,284,741
Use of tax losses previously not recognised	3,964	2,772
Deferred tax assets not recognised from tax losses	0	-20,934
Non-deductible expenses	-5,087	-2,437
Taxes from previous periods	-468	-15
Impact of the incentive system	-112,231	-40,765
Other items	-117,439	-74,242
Taxes in the income statement	**-7,315,158**	**-9,420,361**

9. Earnings per share

EUR	2019	2018
Profit for the financial year belonging to the parent company's shareholders	28,244,193	37,003,342
Earnings per share, undiluted	1.11	1.46
Earnings per share, adjusted with the dilution effect	1.11	1.45
Weighted average number of shares during the financial year, undiluted	25,428,346	25,414,511
Weighted average number of shares during the financial year, diluted	25,428,346	25,491,042

Bridge calculation for earnings per share

EUR	2019	2018
Weighted average number of shares during the financial year, undiluted	25,428,346	25,414,511
Impact of the share reward system	0	76,531
Weighted average number of shares during the financial year, diluted	25,428,346	25,491,042

10. Investment properties

EUR	2019	2018
Fair value of investment properties, 1 Jan	**348,899,080**	**247,066,462**
Investments in properties under construction and in the starting phase	83,673,162	79,783,106
Other investment property investments	993,333	289,099
Additions from purchased propeties	3,791,849	1,379,446
Deductions from divestments	0	-15,245,660
Profits and losses from changes in fair value	24,789,849	35,626,628
Building plots recognized as right-of-use assets in accordance with IFRS 16	28,643,506	
Fair value of investment properties, 31 Dec	**490,790,779**	**348,899,080**

EUR	2019	2018
Completed investment properties	413,090,000	329,000,000
Investment properties under construction	47,974,832	18,360,223
Investment properties in the starting phase (valued at acquisition cost)	1,082,441	1,538,857
Building plots recognized as right-of-use assets in accordance with IFRS 16	28,643,506	
Total	**490,790,779**	**348,899,080**

100% of investment properties under construction have been rented. The Group is under contractual obligation to complete the investment properties which are under construction or in the starting phase on the balance sheet date. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of approximately EUR 154.4 million in the properties.

INVESTMENT PROPERTY VALUATION PROCESS

Investment properties are properties that the Group holds in order to obtain rental income or an appreciation in the asset value, or both. The fair value of the investment properties is based on an appraisal performed by an external appraiser. During the financial years 2019 and 2018 the valuation was done by the valuation experts of Realia Management Oy, who, as a rule, are authorised real estate appraisers (AKA) and real estate appraisers holding a general authorisation and approval of the Central Chamber of Commerce (KHK). Realia has defined a market value of 163 (135) properties. Of the appraised properties, 150 (120) were completed and generated cash flow on the balance sheet date and 13 (15) were under construction. In addition, the company has defined a market value for 7 properties with a total value of EUR 7,885,378 that were under construction. The 24 (13) properties, which had been started but had a completion rate of less than 10% on the balance sheet date, are measured at acquisition cost. Realia's statement on the appraisal of the properties is available on the Hoivatilat website at **www.hoivatilat.fi**

On 31 December 2019, the net operating income of the portfolio (NOI1) calculated using the individual properties appraised was 6.03% (6.15%). All investment properties are Level 3 inputs in the fair value hierarchy.

SENSITIVITY ANALYSIS OF THE FAIR VALUE CALCULATION OF INVESTMENT PROPERTIES

The portfolio net operating income (NOI1) reflects the relation between the first year's net rental income and the fair value of investment property. The portfolio net operating income is not an initial number used in the valuation of the investment property but a base value whereby different properties can be compared to each other and thus create an overview of the valuation of the portfolio or an individual property. When used in real estate market the portfolio net operating income reflects the yield required by the investor. The net operating income requirement is the most significant parameter affecting the fair value of the investment property. The effect of 1 percentage point change in the portfolio net operating income in the fair value of the investment property on the 31 of December 2019 has been presented in the table below.

Sensitivity analysis of the fair value calculation of investment properties

	Change in the net operating income requirement		
	31.12.2019	**+1.0%**	**-1.0%**
Portfolio net operating income	6.03%	7.03%	5.03%
Fair value of investment property portfolio	490,790,779	420,977,013	588,363,499
Impact of the change in the yield requirement on the fair value of investment properties		-69,813,767	97,572,720

11. Deferred taxes

EUR	2019	2018
Deferred tax assets		
From transaction costs recognised in equity in the share issue	29,623	117,698
From other comprehensive income items	421,659	237,735
From the share-based incentive system	0	8,345
From losses	119,587	0
Other items	19,640	0
Total	**590,509**	**363,778**
Deferred tax liabilities		
From measuring investment properties at fair value	30,539,184	23,588,073
Other items	239,418	30,790
Total	**30,778,602**	**23,618,863**

12. Trade receivables and other receivables

EUR	2019	2018
Trade receivables	406,033	453,054
Accrued income	1,304,994	863,065
Other receivables	2,336,215	2,139,656
Total	**4,047,242**	**3,455,775**

Trade receivables on 31 December 2019 included 0.00 euros worth of overdue trade receivables. Credit losses totalling 437,712.48 euros were recognised on trade receivables during financial year 2019. No credit losses were recognised on trade receivables during financial year 2018.

13. Cash and cash equivalents

EUR	2019	2018
Cash and bank accounts	16,223,048	11,382,638
Total	**16,223,048**	**11,382,638**

14. Equity

SHARE CAPITAL
Hoivatilat Plc has one series of shares. On 31 December 2019, the company's share capital was EUR 80,000 and the number of shares was 25,502,629. The company hold 23,134 pcs of own shares. Each share confers one vote in the Annual General Meeting. The share does not have a nominal value. All shares issued have been paid in full.

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

AUTHORISATIONS
The Annual General Meeting on 26 March 2019 authorised the Board of Directors to make a decision on the issuance of up to 5,080,000 new shares or shares currently held by the company, in one or more paid share issues. These share issues may be either directed share issues, or share issues in accordance with the pre-emptive subscription rights of the shareholders. The authorisation can also be used for company incentive schemes. Based on the authorisation, up to 250,000 shares can be issued for incentive schemes. The share issue authorisation of the Board of Directors is valid until the end of the next Annual General Meeting, but no later than 30 June 2020.

The Annual General Meeting on 26 March 2019 authorised the Board of Directors in addition to decide on acquiring and/or pledging the company's own shares. The maximum total number of shares to be acquired and/or pledged is 500,000 shares, representing approximately 1.97 per cent of the total number of shares in the company. The authorisation allows for the company's own shares to be acquired with free equity only. The authorisation of the Board of Directors is valid until the end of the next Annual General Meeting, but no later than 30 June 2020.

DIVIDENDS
In 2019, the dividend distributed was EUR 0.17 per share, totalling EUR 4,324,668.93. The number of shares entitling to the dividend paid in 2019 was 25,439,229 In 2018, the dividend distributed was EUR 0.13 per share, totalling EUR 3,307,099.77. The number of shares entitling to the dividend paid in 2018 was 25,288,859.

After the end date of the reporting period, Hoivatilat Plc's Board of Directors has proposed to the Annual General Meeting that no dividend will be paid for the reason that Aureit Holding Oy owns over 98 per cent of the company's shares and has applied for the initiation of statutory redemption proceedings.

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

	Number of shares	Share capital	Invested non-restricted equity reserve	Total
1 Jan 2018	**25,288,859**	**80,000**	**69,720,511**	**69,800,511**
Share issue	150,370		1,504	1,504
31 Dec 2018	**25,439,229**	**80,000**	**69,722,015**	**69,802,015**
1 Jan 2019	**25,439,229**	**80,000**	**69,722,015**	**69,802,015**
Share issue	63,400			0
31 Dec 2019	**25,502,629**	**80,000**	**69,722,015**	**69,802,015**

15. Share-based payments

SHARE REWARD SYSTEM 2015

In accordance with the authorisation issued by the Annual General Meeting on 8 April 2014, the Board of Directors of Hoivatilat Plc decided, on 12 December 2014, on the implementation of a share reward system for the management and key personnel as of the beginning of 2015. In accordance with the conditions of the share reward system 2015 approved by the Board of Directors on 10 February 2015, the system consists of three performance periods covering the calendar years 2015–2017. The maximum reward quantity of performance period 2015 was 35,700 shares, of which a total of 18,108 shares were paid as a reward. The maximum reward quantity of performance period 2015 was 28,800 shares, of which a total of 28,800 shares were paid as a reward to the company's CEO and CFO. The maximum reward quantity for performance period 2016–2017 is 180,000 shares, of which a total of 150,370 shares were paid as a reward. 69,401 shares were paid as a reward to the CEO and 80,986 shares to other key personnel. In addition to the net number of the shares to be subscribed for, the reward included a monetary portion, which covers the taxes and tax-like payments incurred to the participant by the reward. However, the maximum monetary amount to be paid is an amount equalling the fair value of the shares. The vesting period related to the program ended on 31 December 2019.

SHARE REWARD SYSTEM 2018

In accordance with the authorisation issued by the Annual General Meeting on 27 March 2018, the Board of Directors of Hoivatilat Plc decided, on 12 June 2018, to continue the long-term incentive scheme for the company's personnel. The scheme was 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. The system has two (2) earning periods, with earning period I running from 1 June 2018 to 30 November 2019 and earning period II from 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. Due to the Tender Offer set by Aedifica SA/NV the parties have agreed that the existing long-term share-based incentive plan of Hoivatilat will be settled by issuing 63,400 shares in Hoivatilat to the plan participants based on the first earning period of the incentive plan. The second earning period of the incentive plan is intended to be replaced by a new incentive plan on fair and equitable terms compared to the existing incentive plan.

The shares from earning period I may not be transferred, pledged or otherwise used before the vesting period ends on 31 May 2021 for any other purpose than for acceptance of the Tender Offer.

Parameters used in the 2018 recognition of the share reward programme

	Performance period I	Performance period II
Share issuance date	12.6.2018	12.6.2018
Maximum number of shares to be given as a reward	66,500	133,500
Share value, EUR	7.53	7.53
Performance period	1.6.2018–30.11.2019	1.6.2018–31.5.2021
Vesting period ends	31.5.2021	30.11.2022
Estimated success rate, %	9.5	17.5
The expected cost effect of the programme	103,747	380,989
The highest possible total cost of the programme	1,091,304	2,182,609
People covered by the programme on 31 December 2018	18	18

16. Financial liabilities

EUR	2019	2018
Non-current financial liabilities measured at amortised cost		
Loans from financial institutions	198,491,702	158,809,420
Total	**198,491,702**	**158,809,420**

Current financial liabilities measured at amortised cost	**2019**	**2018**
Bank overdrafts	1,675,538	920,639
Loans from financial institutions	12,831,872	10,719,508
Commercial papers	45,000,000	0
Total	**59,507,410**	**11,640,147**

The Group's bank loans have a variable interest rate. The Group's average interest rate on 31 December 2019 was 1.45% (1.47% in 2018). The amounts of the Group's variable-rate loans and their repricing periods in accordance with the agreement are as follows:

Less than 3 months	45,000,000	0
3–6 months	104,322,746	88,368,677
6–12 months	108,676,390	82,080,891
Total	**257,999,136**	**170,449,568**

17. Impact of the implementation of IFRS 16 on reporting

The standard had the following impacts on the Group's reporting for the review period:

EUR	1-12/2019
Consolidated income statement	
Changes in the fair value of investment properties	-494,474
Depreciation	-100,941
Other operating expenses	896,387
Operating profit	**300,972**
Financial expenses	-399,172
Profit before taxes	**-98,201**
Deferred taxes	19,640
Result for the period	**-78,561**
EPRA Earnings	**317,019**

Consolidated balance sheet	Investment properties	Machinery and equipment	Total right-of-use assets	Lease liabilities
1.1.2019	26,191,178	129,124	26,320,303	26,320,303
31.12.2019	28,643,506	108,548	28,752,054	28,753,233

EUR	1-12/2019
Consolidated cash flow statement	
Net cash flow from operations	-152 048
Net cash flow from financing activites	-594 236
Total cash flow from lease payments	-746 284
Depreciations of right-of-use assets by assets class	
Changes in the fair value of investment properties	-494,474
Depreciation of right-of-use assets	-100,941
Maturity profile of liabilities related to right-of-use assets	
Less than 1 month	69,542
1 to 12 months	727,739
1-5 years	2,902,806
over 5 years	25,053,147
Total	**28,753,233**

18. Trade payables and other liabilities

EUR	2019	2018
Current liabilities measured at amortised cost		
Advances received	10,800	10,800
Trade payables	3,148,204	3,062,111
Accrued expenses	5,663,241	5,054,205
Other liabilities	239,431	155,159
Total	**9,061,675**	**8,282,274**
Current liabilities recognised at fair value through profit and loss, EUR		
Derivative contracts – in hedge accounting	2,108,294	1,188,674
Total	**2,108,294**	**1,188,674**

19. Management of financial risks

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

INTEREST RATE RISK

The Group's most important financial risk is the interest rate risk targeting the loan portfolio. The Company has an interest rate hedging policy confirmed by the Board of Directors. The objective of managing interest rate risks is to reduce the negative impact of the fluctuation of the market rates on the Company's result, financial position and cash flow. According to the interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate tying period is two (2) years +/- six (6) months. The company signed instalment-free interest rate swaps with a nominal value of EUR 16 million, which will mature in 2020. In addition, the Company has signed instalment-free interest rate swaps with a nominal value of EUR 35 million, which became effective in December 2018 and will mature in 2023. The Company has also signed instalment-free interest rate swaps with nominal value of EUR 10 million, which will become effective in March 2019 and mature in 2024. In addition, the Company has signed instalment-free interest rate swaps with a nominal value of EUR 15 million, which will become effective in December 2020 and will mature in 2025. These interest rate swaps will be used to hedge both current loans and loans to be withdrawn in the future, and their purpose is to hedge future variable-rate loans generally against interest rate risk. In accordance with the agreement, the Company pays the counterparty a fixed annual interest rate and receives variable Euribor interest rate. More detailed information on the nominal and market values of interest rate swaps on the balance sheet date is available below in Note 20 of the consolidated financial statements.

The interest sensitivity of the loan portfolio of Hoivatilat at the end of 2019 is indicated by the fact that a change of one percentage point in the money market interest rates would increase the annual interest rate expenses by EUR 1.5 million (in 2018, by EUR 1.2 million). Of the interest-bearing loans, 0.0% is tied to the under 3-month Euribor rate and 100% is tied to the 3–12-month Euribor rate. At the end of 2018, 29.5% of the company's interest-bearing liabilities had been hedged by interest rate swaps, and the interest rate tying period, which describes the average interest rate fixing date, was 1.51 years. The remaining loan period of interest-bearing liabilities weighted with capital was 8.5 years.

LIQUIDITY AND COUNTERPARTY RISK

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

On 31 December 2019, the company's potential sources of financing consisted of cash assets (EUR 16.2 million), undrawn credit facilities (EUR 5.3 million), investment loans drawn under loan agreements (EUR 11.0 million), undrawn EIB loan facility (EUR 20 million) and commercial papers which can be issued under a commercial paper scheme (EUR 55 million).

LOAN COVENANTS

The company's loan arrangements include regular collateral and covenants. The company uses collateral in the loan arrangements, and its loan arrangements include regular prohibitions concerning pledges. On the balance sheet date, the company had EUR 213.0 million in interest-bearing loans, of which EUR 153.5 million is subject to covenants related to the ratio between the fair value of the asset and the loan (loan-to-value ratio, LTV) and EUR 110.3 million (included in the share subject to the LTV covenants mentioned above) is subject to covenants related to the ratio between EBITDA and net financial expenses (interest coverage ratio, ICR), in addition to LTV covenants. Non-compliance with the covenants may result in the bank requiring additional amortisation of debt in order to rectify the situation or, alternatively, cancelling all bonds for immediate repayment.

EXCHANGE RATE RISK

The properties owned by and main part of the business operations of Hoivatilat are located in Finland, and thus the Group is not exposed to notable exchange rate risk. The effect of the Swedish business operations started in 2018 to Group's financial statements is minor.

CREDIT RISK

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

REQUIRED RATE OF RETURN RISK IN THE MARKET RELATED TO INVESTMENT PROPERTIES

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

MANAGEMENT OF CAPITAL

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

The Group monitors the development of its capital structure by means of the share of equity in the total capital (equity ratio). At the end of financial year 2019, equity ratio was 36.2% (44.5% in 2018).

Maturity of repayments of financial liabilities and of financial expenses						
			Cash flow based on agreement			
31 Dec 2019, EUR	Less than 1 year	1–2 years	2-5 years	More than 5 years	Total	Balance sheet value
Bank loans	17,141,800	17,535,328	60,169,232	131,936,950	226,783,310	212,999,136
Commercial papers	45,000,000				45,000,000	45,000,000
Interest rate derivatives	651,473	610,540	1,258,966	30,525	2,551,505	2,108,294
Trade payables and other liabilities	3,398,435	0	0	0	3,398,435	3,398,435
Total	**66,191,708**	**18,145,868**	**61,428,198**	**131,967,475**	**277,733,250**	**263,505,865**

31 Dec 2018, EUR	Less than 1 year	1–2 years	2-5 years	More than 5 years	Total	Balance sheet value
Bank loans	13,730,809	14,019,986	46,543,815	107,925,434	182,220,044	170,443,891
Interest rate derivatives	468,537	869,787	829,075	0	2,167,398	1,188,674
Trade payables and other liabilities	5,220,163	0	0	0	3,398,435	3,398,435
Total	**19,419,509**	**14,889,773**	**47,372,890**	**107,925,434**	**187,785,877**	**175,031,000**

31 Dec 2019 Interest rate swaps	**Weighted maturity**	**Nominal value**	**Fair value**
Interest rate swaps	3.58	76,000,000	-2,108,294

31 Dec 2018 Interest rate swaps	**Weighted maturity**	**Nominal value**	**Fair value**
Interest rate swaps	4.13	61,000,000	-1,188,674

20. Fair values of financial assets and liabilities

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

EUR, 2019	Book value	Fair value	Fair value hierarchy
Financial assets			
Loans and other receivables			
Current			
Trade receivables	406,033	406,033	
Other receivables	3,641,209	3,641,209	
Cash and cash equivalents	16,223,048	16,223,048	
Financial assets, total	**20,270,290**	**20,270,290**	
Financial liabilities			
Measured at amortised cost			
Non-current			
Bank loans	198,491,702	198,491,702	2
Current			
Bank loans	14,507,410	14,507,410	2
Commercial papers	45,000,000	45,000,000	2
Trade payables and other liabilities	3,398,435	3,398,435	
Measured at fair value			
Current			
Interest rate swaps – in hedge accounting	2,108,294	2,108,294	2
Financial liabilities total	**263,505,841**	**263,505,841**	

EUR, 2018	Book value	Fair value	Fair value hierarchy
Financial assets			
Loans and other receivables			
Current			
Trade receivables	453,054	453,054	
Other receivables	3,002,721	3,002,721	
Cash and cash equivalents	11,382,638	11,382,638	
Financial assets, total	**14,838,412**	**14,838,412**	
Financial liabilities			
Measured at amortised cost			
Non-current			
Bank loans	158,809,420	158,809,420	2
Current			
Bank loans	11,640,147	11,640,147	2
Trade payables and other liabilities	3,228,070	3,228,070	
Measured at fair value			
Current			
Interest rate swaps – in hedge accounting	1,188,674	1,188,674	2
Financial liabilities total	**174,866,311**	**174,866,311**	

21. Adjustments of cash flows from operations

EUR	2019	2018
Non-cash transactions and other adjustments		
Depreciation	170,939	33,795
Share-based payments	124,606	-793,662
Changes in the fair value of investment properties	-24,235,107	-36,675,896
Total	**-23,939,562**	**-37,435,762**

22. Collateral provided, contingent liabilities and other liabilities

EUR	2019	2018
Property mortgages		
Loans from financial institutions	241,752,346	170,449,567
Mortgages provided	281,224,413	228,364,213
Mortgages total	**281,224,413**	**228,364,213**
Pledged property shares		
Pledged investment properties	333,186,040	244,584,100
Pledges total	**333,186,040**	**244,584,100**

Other liabilities

Audit obligation related to value added tax on property investments
The following Hoivatilat Plc's subsidiaries must review the VAT deductions they have made on completed property investments if the taxable use of the properties decreases during the review period. The return liability stood at EUR 3,483,224 on the balance sheet date. The final years of review are presented in the table below.

Subsidiary	Return liability, EUR	Final year of review
Kiinteistö Oy Siilinjärven Sinisiipi	33,848	2021
Kiinteistö Oy Mäntyharjun Lääkärinkuja	488,501	2026
Kiinteistö Oy Uudenkaupungin Merimetsopolku A	190,895	2026
Kiinteistö Oy Siilinjärven Risulantie	1,084,529	2027
Kiinteistö Oy Ylivieskan Mikontie 1	246,805	2027
Kiinteistö Oy Ylivieskan Ratakatu 12	297,239	2027
Kiinteistö Oy Raahen Vihastenkarinkatu	145,725	2028
Kiinteistö Oy Siilinjärven Nilsiäntie	460,813	2028
Kiinteistö Oy Mikkelin Sahalantie	534,869	2028

23. Related party transactions

Timo Pekkarinen, member of the Board of Directors until 26 March 2019, is the Managing Director of Lapti Group, the parent company of Rakennusliike Lapti Oy. As of 26 March 2019, Rakennusliike Lapti Oy is no longer regarded as a related party of Hoivatilat Plc. Rakennusliike Lapti Oy's invoicing was EUR 3.6 million during the first three months of financial year and EUR 6.2 million during the 2018 financial year.

MANAGEMENT REMUNERATION AND EMPLOYEE BENEFITS

The management key employees are the Board of Directors, CEO and the management team.

CEO's remuneration and other short-term employee benefits, EUR	2019	2018
Salaries and fringe benefits	255,858	240,000
Performance-related pay	83,240	92,524
Share rewards	515,154	1,095,148
Total	**854,252**	**1,427,672**

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

Employee benefits of the management team, EUR	2019	2018
Salaries and fringe benefits	529,099	577,229
Share rewards	650,192	1,095,164
Total	**1,179,291**	**1,672,393**

The Annual General Meeting held on 26 March 2019 resolved to pay monthly compensation to the members of the Board of Directors as follows: EUR 4,167 to the chairman of the Board and EUR 1,875 to each member of the Board. In addition to the annual compensation, the Board members are paid a meeting attendance compensation of EUR 600 per meeting and the chairman of the Board is paid EUR 1,200 per meeting, and the chairman of each committee is paid EUR 600 and the committee members are paid EUR 400 per committee meeting. An increase of 150% applies if the travel time to attend a meeting is more than three hours.

Board members, EUR	2019	2018
Pertti Huuskonen, chairman	80,853	58,350
Satu Ahlman	34,476	28,753
Nathalie Clément (Board member since 26 March 2019)	28,175	0
Paul Hartwall (Board member since 26 March 2019)	28,675	0
Kari Nenonen	37,176	24,303
Reijo Tauriainen	41,476	28,953
Harri Aho (Board member since 27 March 2018)	7,501	23,603
Timo Pekkarinen (Board memeber until 26 March 2019)	7,401	26,753
Mammu Kaario (Board member until 27 March 2018)	0	7,950
Total	**265,733**	**198,665**

Shareholding of Board members, CEO and management team, shares	2019	2018
CEO	377,916	361,916
Board	231,676	1,063,815
Management team	140,968	119,168
Total	**750,560**	**1,544,899**

24. Events after the end of the reporting period

On 7 January 2020, the company announced that according to the preliminary result of the tender offer made by Aureit Holding Oy, the shares for which the tender offer had been approved, together with the Hoivatilat shares acquired by the offeror through public trading on the Nasdaq Helsinki, represented 95.5 per cent of all issued and outstanding shares and votes in Hoivatilat. On 9 January 2020, the company announced that according to the final result of the tender offer, the shares for which the tender offer had been approved, together with the Hoivatilat shares acquired by the offeror through public trading on the Nasdaq Helsinki, represented 95.9 per cent of all issued and outstanding shares and votes in Hoivatilat. As the final result of the tender offer exceeds the minimum acceptance condition and all other conditions for the completion of the tender offer have been fulfilled or waived by the offeror, the offeror will complete the tender offer in accordance with the terms and conditions of the offer. On 30 January 2020, the company announced that according to an announcement made by Aureit Holding Oy, Aureit Holding Oy holds 98.2 per cent of all shares in Hoivatilat after the end of the subsequent offer period of the tender offer.
(Stock exchange releases 7, 9 and 30 January 2020)

On 27 January 2020 the company announced that as a result of the completion of the public tender offer by Aureit Holding Oy, a Finnish limited liability company wholly owned by Aedifica SA/NV, Hoivatilat Plc incurred non-recurring expenses of approximately EUR 1.8 million. The costs consist, among other things, of advisory fees. As a result of these expenses, the EPRA Earnings of Hoivatilat for the financial year 2019 will remain below the previous guidance, to be at least 35 per cent of net sales. In addition, the company refined its estimate of the fair value of investment properties at the end of the year 2019.
(Stock exchange release 27 January 2020)

Hoivatilat Plc's extraordinary general meeting was held in Helsinki on 4 February 2020. The general meeting resolved on the remuneration and composition of the Board of Directors and the discontinuation of the Shareholders' Nomination Board in accordance with the proposals of Aureit Holding Oy. Stefaan Gielens, Pertti Huuskonen, Ingrid Daerden, Laurence Gacoin, Reijo Tauriainen and Kari Nenonen were elected as members of the Board for the term ending at the close of the next Annual General Meeting. Stefaan Gielens was elected as Chairman of the Board, and Pertti Huuskonen was elected as Vice Chairman of the Board.
(Stock exchange release 4 February 2020)

25. Group companies

At the end of the financial period on 31 December 2019, the Hoivatilat Group consisted of its parent company, Hoivatilat Plc, and 149 (131) mutual real estate companies, as well as the Hoivatilat AB Group, which consisted of its parent company, Hoivatilat AB, and 9 (0) subsidiaries. The parent company, Hoivatilat Plc, owns 100% of all Group companies

Company	Group's holding 31 December 2019	Group's holding 31 December 2018
Hoivatilat Plc		
Hoivatilat AB	100%	100%
Kiinteistö Oy Espoon Fallåkerinrinne	100%	100%
Kiinteistö Oy Espoon Hirvisuontie	100%	100%
Kiinteistö Oy Espoon Meriviitantie	100%	100%
Kiinteistö Oy Espoon Opettajantie	100%	100%
Kiinteistö Oy Espoon Tikasmäentie	100%	100%
Kiinteistö Oy Espoon Vuoripirtintie	100%	100%
Kiinteistö Oy Euran Käräjämäentie	100%	100%
Kiinteistö Oy Heinolan Lähteentie	100%	100%
Kiinteistö Oy Hollolan Sarkatie	100%	100%
Kiinteistö Oy Hämeenlinnan Jukolanraitti	100%	100%
Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie	100%	100%
Kiinteistö Oy Iisalmen Eteläinen puistoraitti	100%	100%
Kiinteistö Oy Iisalmen Kangaslammintie	100%	100%
Kiinteistö Oy Iisalmen Petter Kumpulaisentie	100%	100%
Kiinteistö Oy Iisalmen Vemmelkuja	100%	100%
Kiinteistö Oy Janakkalan Kekanahontie	100%	100%
Kiinteistö Oy Joutsenon päiväkoti	100%	100%
Kiinteistö Oy Jyväskylän Ailakinkatu	100%	100%
Kiinteistö Oy Jyväskylän Haperontie	100%	100%
Kiinteistö Oy Jyväskylän Mannisenmäentie	100%	100%
Kiinteistö Oy Jyväskylän Palstatie	100%	100%
Kiinteistö Oy Jyväskylän Väliharjuntie	100%	100%
Kiinteistö Oy Jyväskylän Vävypojanpolku	100%	100%
Kiinteistö Oy Kaarinan Nurminiitynkatu	100%	100%
Kiinteistö Oy Kajaanin Erätie	100%	100%
Kiinteistö Oy Kajaanin Hoikankatu	100%	100%
Kiinteistö Oy Kajaanin Menninkäisentie	100%	100%
Kiinteistö Oy Kajaanin Valonkatu	100%	100%
Kiinteistö Oy Kalajoen Hannilantie	100%	100%
Kiinteistö Oy Kangasalan Mäntyveräjäntie	100%	100%
Kiinteistö Oy Keravan Männiköntie	100%	100%
Kiinteistö Oy Keuruun Tehtaantie	100%	100%
Kiinteistö Oy Kirkkonummen Kotitontunkuja	100%	100%
Kiinteistö Oy Kokkolan Ankkurikuja	100%	100%
Kiinteistö Oy Kokkolan Vanha Ouluntie	100%	100%
Kiinteistö Oy Kotkan Loitsutie	100%	100%
Kiinteistö Oy Kouvolan Kaartokuja	100%	100%
Kiinteistö Oy Kouvolan Pappilantie	100%	100%
Kiinteistö Oy Kouvolan Ruskeasuonkatu	100%	100%
Kiinteistö Oy Kouvolan Vinttikaivontie	100%	100%

Company	Group's holding 31 December 2019	Group's holding 31 December 2018
Kiinteistö Oy Kuopion Amerikanraitti 10	100%	100%
Kiinteistö Oy Kuopion Portti A2	100%	100%
Kiinteistö Oy Kuopion Rantaraitti	100%	100%
Kiinteistö Oy Kuopion Sipulikatu	100%	100%
Kiinteistö Oy Lahden Jahtikatu	100%	100%
Kiinteistö Oy Lahden Piisamikatu	100%	100%
Kiinteistö Oy Lahden Vallesmanninkatu A	100%	100%
Kiinteistö Oy Lahden Vallesmanninkatu B	100%	100%
Kiinteistö Oy Laihian Jarrumiehentie	100%	100%
Kiinteistö Oy Lappeenrannan Orioninkatu	100%	100%
Kiinteistö Oy Laukaan Hytösenkuja	100%	100%
Kiinteistö Oy Laukaan Saratie	100%	100%
Kiinteistö Oy Limingan Kauppakaari	100%	100%
Kiinteistö Oy Lohjan Ansatie	100%	100%
Kiinteistö Oy Loviisan Mannerheiminkatu	100%	100%
Kiinteistö Oy Maskun Ruskontie	100%	100%
Kiinteistö Oy Mikkelin Väänäsenpolku	100%	100%
Kiinteistö Oy Mikkelin Ylännetie 10	100%	100%
Kiinteistö Oy Mikkelin Ylännetie 8	100%	100%
Kiinteistö Oy Mynämäen Opintie	100%	100%
Kiinteistö Oy Mäntsälän Liedontie	100%	100%
Kiinteistö Oy Mäntyharjun Lääkärinkuja	100%	100%
Kiinteistö Oy Mäntyharjun Taavetintie	100%	100%
Kiinteistö Oy Nokian Näsiäkatu	100%	100%
Kiinteistö Oy Nokian Vikkulankatu	100%	100%
Kiinteistö Oy Nurmijärven Laidunalue	100%	100%
Kiinteistö Oy Nurmijärven Ratakuja	100%	100%
Kiinteistö Oy Orimattilan Suppulanpolku	100%	100%
Kiinteistö Oy Oulun Kehätie	100%	100%
Kiinteistö Oy Oulun Paulareitti	100%	100%
Kiinteistö Oy Oulun Rakkakiventie	100%	100%
Kiinteistö Oy Oulun Sarvisuontie	100%	100%
Kiinteistö Oy Oulun Soittajanlenkki	100%	100%
Kiinteistö Oy Oulun Ukkoherrantie B	100%	100%
Kiinteistö Oy Paimion Mäkiläntie	100%	100%
Kiinteistö Oy Pieksämäen Ruustinnantie	100%	100%
Kiinteistö Oy Pihtiputaan Nurmelanpolku	100%	100%
Kiinteistö Oy Pirkkalan Lehtimäentie	100%	100%
Kiinteistö Oy Pirkkalan Pereensaarentie	100%	100%
Kiinteistö Oy Porin Koekatu	100%	100%
Kiinteistö Oy Porin Ojantie	100%	100%
Kiinteistö Oy Porin Palokärjentie	100%	100%

Company	Group's holding 31 December 2019	Group's holding 31 December 2018
Kiinteistö Oy Porvoon Fredrika Runeberginkatu	100%	100%
Kiinteistö Oy Porvoon Haarapääskyntie	100%	100%
Kiinteistö Oy Porvoon Peippolankuja	100%	100%
Kiinteistö Oy Porvoon Vanha Kuninkaantie	100%	100%
Kiinteistö Oy Raahen Palokunnanhovi	100%	100%
Kiinteistö Oy Raahen Vihastenkarinkatu	100%	100%
Kiinteistö Oy Raision Tenavakatu	100%	100%
Kiinteistö Oy Rovaniemen Matkavaarantie	100%	100%
Kiinteistö Oy Rovaniemen Ritarinne	100%	100%
Kiinteistö Oy Ruskon Päällistönmäentie	100%	100%
Kiinteistö Oy Sastamalan Tyrväänkyläntie	100%	100%
Kiinteistö Oy Siilinjärven Honkarannantie	100%	100%
Kiinteistö Oy Siilinjärven Nilsiäntie	100%	100%
Kiinteistö Oy Siilinjärven Risulantie	100%	100%
Kiinteistö Oy Siilinjärven Sinisiipi	100%	100%
Kiinteistö Oy Sipoon Aarrepuistonkuja	100%	100%
Kiinteistö Oy Sipoon Aarretie	100%	100%
Kiinteistö Oy Sipoon Satotalmantie	100%	100%
Kiinteistö Oy Sotkamon Kirkkotie	100%	100%
Kiinteistö Oy Tampereen Lentävänniemenkatu	100%	100%
Kiinteistö Oy Tornion Torpin Rinnakkaiskatu	100%	100%
Kiinteistö Oy Turun Lukkosepänkatu	100%	100%
Kiinteistö Oy Turun Paltankatu	100%	100%
Kiinteistö Oy Turun Teollisuuskatu	100%	100%
Kiinteistö Oy Turun Vakiniituntie	100%	100%
Kiinteistö Oy Turun Vähäheikkiläntie	100%	100%
Kiinteistö Oy Uudenkaupungin Merilinnuntie	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku A	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku B	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku C	100%	100%
Kiinteistö Oy Uudenkaupungin Puusepänkatu	100%	100%
Kiinteistö Oy Vaasan Vanhan Vaasankatu	100%	100%
Kiinteistö Oy Vantaan Koetilankatu	100%	100%
Kiinteistö Oy Vantaan Koivukylän Puistotie	100%	100%
Kiinteistö Oy Vantaan Mesikukantie	100%	100%
Kiinteistö Oy Vantaan Punakiventie	100%	100%
Kiinteistö Oy Vantaan Tuovintie	100%	100%
Kiinteistö Oy Vantaan Vuohirinne	100%	100%
Kiinteistö Oy Varkauden Kaura-ahontie	100%	100%
Kiinteistö Oy Varkauden Savontie	100%	100%
Kiinteistö Oy Vihdin Hiidenrannantie	100%	100%
Kiinteistö Oy Vihdin Koivissillankuja	100%	100%

Company	Group's holding 31 December 2019	Group's holding 31 December 2018
Kiinteistö Oy Vihdin Pengerkuja	100%	100%
Kiinteistö Oy Vihdin Vanhan-Sepän tie	100%	100%
Kiinteistö Oy Ylivieskan Mikontie 1	100%	100%
Kiinteistö Oy Ylivieskan Ratakatu 12	100%	100%
Kiinteistö Oy Ylöjärven Mustarastaantie	100%	100%
Kiinteistö Oy Ylöjärven Työväentalontie	100%	100%
Kiinteistö Oy Äänekosken Likolahdenkatu	100%	100%
Asunto Oy Iisalmen Satamatori	100%	0%
Kiinteistö Oy Haminan Lepikönranta	100%	0%
Kiinteistö Oy Iisalmen Satamakatu	100%	0%
Kiinteistö Oy Järvenpään Yliopettajankatu	100%	0%
Kiinteistö Oy Kangasalan Hilmanhovi	100%	0%
Kiinteistö Oy Kangasalan Rekiäläntie	100%	0%
Kiinteistö Oy Lahden Kurenniityntie	100%	0%
Kiinteistö Oy Lahden Makarantie	100%	0%
Kiinteistö Oy Mikkelin Sahalantie	100%	0%
Kiinteistö Oy Oulun Ruismetsä	100%	0%
Kiinteistö Oy Oulun Salonpään koulu	100%	0%
Kiinteistö Oy Oulun Siilotie	100%	0%
Kiinteistö Oy Riihimäen Jyrätie	100%	0%
Kiinteistö Oy Rovaniemen Gardininkuja	100%	0%
Kiinteistö Oy Rovaniemen Mäkiranta	100%	0%
Kiinteistö Oy Rovaniemen Santamäentie	100%	0%
Kiinteistö Oy Tuusulan Isokarhunkierto	100%	0%
Kiinteistö Oy Vaasan Uusmetsäntie	100%	0%
Hoivatilat Holding AB	100%	0%
Hoivatilat Holding 2 AB	100%	0%
Förskola Kalleberga AB	100%	0%
Förskola Mesta 6:56 AB	100%	0%
Gråmunkehöga LSS Boende AB	100%	0%
Heby LSS Boende AB	100%	0%
Norrtälje Östhamra Förskola AB	100%	0%
Strängnäs Bivägen AB	100%	0%
Älmhult Kunskapsgatan AB	100%	0%

The address of Hoivatilat AB is Svärdvägen 21, 18233 Danderyd, Sweden and the address of the Parent company and all other Group companies is Lentokatu 2, 90460 Oulunsalo, Finland.

Parent company's income statement FAS

Parent company's income statement FAS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
TOTAL REVENUE	1	**23,734,513.63**	**17,714,538.68**
Other operating income	2	678,924.41	801,927.14
Transfers of investment properties and changes in fair value	3	35,590,268.27	53,681,328.96
Personnel expenses			
Salaries, wages and remuneration	4	-2,985,019.92	-1,971,299.81
Indirect personnel expenses			
Pension expenses	4	-328,031.28	-303,893.11
Other personnel expenses	4	-78,550.37	-50,125.31
Total		**-3,391,601.57**	**-2,325,318.23**
Depreciation and impairment losses			
Depreciation according to plan	6	-510,372.71	-683,538.25
Total		**-510,372.71**	**-683,538.25**
Other operating expenses	5	-19,549,312.72	-23,600,328.09
OPERATING PROFIT (LOSS)		**36,552,419.31**	**45,588,610.21**
Financial income and expenses	7		
Other interest and financial income			
From Group companies		19,455.13	969,096.01
From others		7,650.55	662.90
Interest and other financial expenses			
From others		-939,256.02	-287,527.28
Total		**-912,150.34**	**682,231.63**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**35,640,268.97**	**46,270,841.84**
Appropriations			
Increase (-)/decrease (+) in depreciation difference		-3,835.64	-2,389.47
Total		**-3,835.64**	**-2,389.47**
Income taxes			
Taxes for the financial year	8	-15,086.83	-20,925.13
Deferred taxes	8	-7,118,053.65	-9,235,202.21
Total		**-7,133,140.48**	**-9,256,127.34**
PROFIT (LOSS) FOR THE FINANCIAL YEAR		**28,503,292.85**	**37,012,325.03**

Parent company's balance sheet FAS

Parent company's balance sheet FAS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	9	1,849.92	4,899.96
Other expenses with long-term effects	9	255,136.39	733,874.46
Total		**256,986.31**	**738,774.42**
Property, plant and equipment			
Machinery and equipment	9	47,926.72	36,215.93
Total		**47,926.72**	**36,215.93**
Investments			
Receivables from Group companies	11	0.00	0.00
Holdings in Group companies	10	273,986,347.93	170,653,635.32
Total		**273,986,347.93**	**170,653,635.32**
Non-current assets total		**274,291,260.96**	**171,428,625.67**
CURRENT ASSETS			
Receivables			
Non-current			
Receivables from Group companies	11	13,405,685.80	31,847,068.30
Total		**13,405,685.80**	**31,847,068.30**
Current			
Trade receivables		406,032.77	694,854.20
Receivables from Group companies	11	13,571,516.71	10,182,716.99
Other receivables	12	159,016.10	1,740,635.00
Accrued income	12	1,211,463.06	645,957.34
Total		**15,348,028.64**	**13,264,163.53**
Cash in hand and at banks		**11,488,528.67**	**5,770,807.93**
Current assets total		**40,242,243.11**	**50,882,039.76**
ASSETS TOTAL		**314,533,504.07**	**222,310,665.43**

Parent company’s balance sheet FAS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
LIABILITIES			
EQUITY			
Share capital	13	80,000.00	80,000.00
Invested non-restricted equity reserve	13	71,281,397.89	71,281,397.89
Retained earnings/losses	13	87,791,065.44	55,099,476.56
Profit/loss for the financial year	13	28,503,292.85	37,012,325.03
Equity total		**187,655,756.17**	**163,473,199.48**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		15,070.76	11,235.12
Total		**15,070.76**	**11,235.12**
DEBT CAPITAL			
Non-current			
Loans from financial institutions	18	31,027,565.00	20,205,574.00
Liabilities to Group companies		3,534,875.96	0.00
Total		**34,562,440.96**	**20,205,574.00**
Current			
Loans from financial institutions		46,747,941.69	959,843.36
Advances received		0.00	0.00
Trade payables		271,634.31	219,571.83
Liabilities to Group companies	15	11,362,737.76	11,546,714.20
Deferred tax liabilities	16	30,535,337.97	23,417,284.31
Other liabilities		153,728.32	108,364.87
Accrued expenses	17	3,228,856.13	2,368,878.26
Total		**92,300,236.17**	**38,620,656.83**
Debt capital total		**126,862,677.13**	**58,826,230.83**
LIABILITIES TOTAL		**314,533,504.07**	**222,310,665.43**

Parent company's cash flow statement FAS

Parent company's cash flow statement FAS

EUR	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operations			
Profit before taxes		35,636,433.33	46,268,452.37
Adjustments			
Depreciation according to plan		510,372.71	683,538.25
Financial income and expenses		912,150.34	-682,231.63
Other adjustments	19	-35,586,432.63	-53,678,939.49
Cash flow before change in working capital		1,472,523.75	-7,409,180.50
Change in working capital			
Current non-interest bearing operating receivables increase (-) / decrease (+)		-2,064,409.98	-821,315.85
Increase (+) / decrease (-) in current non-interest-bearing liabilities		-331,727.76	11,598,282.99
Cash flow from operations before financial items and taxes		**-923,613.99**	**3,367,786.64**
Paid interest and payments from other financial expenses of operations		-939,256.02	-287,527.28
Interest received from operations		7,650.55	662.90
Direct taxes paid		1,090,068.29	-1,429,017.01
Cash flow from operations (A)		**-765,151.17**	**1,651,905.25**
Cash flow from investment activities			
Investments in tangible and intangible assets		-40,295.39	-173,309.66
Divestment of investment properties		0.00	10,914,934.86
Investments in other investments	10	-46,047,908.18	-54,627,553.41
Loans granted		-3,253,153.66	27,377,662.34
Cash flow from investment activities (B)		**-49,341,357.23**	**-16,508,265.87**
Cash flow from financing activities			
Equity increase through share issue		0.00	1,503.70
Withdrawals of short-term loans		45,788,098.33	956,576.36
Withdrawals of long-term loans		14,356,866.96	19,960,796.00
Repayments of long-term loans		0.00	0.00
Dividends paid		-4,320,736.15	-3,307,099.77
Cash flow from financing activities (C)		**55,824,229.14**	**17,611,776.29**
Change in cash and cash equivalents (A + B + C), increase (+) / decrease (-)		**5,717,720.74**	**2,755,415.67**
Cash and cash equivalents at the beginning of the financial year		5,770,807.93	3,015,392.26
Cash and cash equivalents at the end of the financial year		11,488,528,67	5,770,807,93

Parent company's notes to the financial statements

VALUATION AND AMORTISATION PRINCIPLES

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

The depreciation periods are:

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

VALUATION OF INVESTMENT PROPERTIES

Following the change of accounting methods, the measurement principles of investments properties are the same in the financial statements of the parent company and in the consolidated financial statements. The investment properties are measured at fair values based on IAS 40. The methods used in valuation of the investment properties are presented in more details in note 10 of the group notes and later in note 10 of the parent company's notes.

DEFERRED TAXES

The change in deferred taxes for the financial year is recorded in profit or loss. The tax rate effective on the financial reporting date has been used in calculation of the deferred taxes.

VALUATION OF FINANCIAL INSTRUMENTS

Financial assets are measured at acquisition cost or the probable transfer price, whichever is lower. The company hedges against changes in the interest rate level in accordance with the hedging policy defined by the company's Board of Directors. According to the interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate tying period is two (2) years +/- six (6) months. On 31 December 2019, the parent company had nine (9) interest rate swaps, with the total equity of EUR 76,000,000. The fair value of the interest rate swaps was EUR -2,108,293.97 on 31 December 2019. The interest rate swaps have not been recognised in the balance sheet, since the Group applies hedge accounting to interest rate swaps and the hedging is effective.

AMORTISATION OF INCOME

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

1. Total revenue

EUR	2019	2018
Rental income from properties	23,026,056.43	17,182,304.56
Sales to Group companies	708,457.20	532,234.12
Total	**23,734,513.63**	**17,714,538.68**

Rental income from investment properties consisted of the rental income of investment properties located in Finland.

2. Other operating income

EUR	2019	2018
Grants received	0.00	152,400.00
Other operating income	678,924.41	649,527.14
Total	**678,924.41**	**801,927.14**

3. Changes in fair value of the investment properties

EUR	2019	2018
Changes in fair value of the investment properties	35,590,268.27	51,797,694.06
Divestments of investment properties	0.00	1,883,634.90
Total	**35,590,268.27**	**53,681,328.96**

The investment properties are measured at fair value based on section 5.2b of the Accounting Act.
The methods used in valuation of the investment properties are presented in more details in note 10 of the parent company's notes.

4. Information concerning personnel and related parties

EUR	2019	2018
Average number of personnel	20	17
Salaries and other remuneration of the CEO	-339,098.00	-332,524.00
Salaries and other remuneration of the management board	-529,099.00	-577,229.00
Salaries and other remuneration of the Board of Directors	-265,733.00	-198,665.00
Amortisation of the cash contribuiton of the incentive programme	-774,727.70	-88,734.30
Other salaries and remuneration	-1,076,362.22	-774,147.51
Pension insurance payments	-328,031.28	-303,893.11
Other personnel expenses	-78,550.37	-50,125.31
Total	**-3,391,601.57**	**-2,325,318.23**

5. Other operating expenses

EUR	2019	2018
Maintenance charges and financing contributions paid to Group companies	-15,304,139.22	-21,592,324.16
Other operating expenses	-4,245,173.50	-2,008,003.93
Total	**-19,549,312.72**	**-23,600,328.09**

Auditor's fees	2019	2018
Audit	-52,100.00	-37,898.00
Certificates and statements	0	-2,050.00
Other services	-6,375.00	-6,565.00
Total	**-58,475.00**	**-46,513.00**

6. Depreciation and impairment losses

EUR	2019	2018
Depreciation according to plan	-510,372.71	-683,538.25
Total	**-510,372.71**	**-683,538.25**

7. Financial income and expenses

EUR	2019	2018
Dividend and interest income from Group companies	19,455.13	969,096.01
Other interest income	7,650.55	662.90
Other interest expenses	-939,256.02	-287,527.28
Total	**-912,150.34**	**682,231.63**

8. Income taxes

EUR	2019	2018
Income tax for ordinary operations	-15,086.83	-20,925.13
Deferred taxes related to changes in fair values of the investment properties	-7,118,053.65	-9,235,202.21
Total	**-7,133,140.48**	**-9,256,127.34**

9. Intangible assets and machinery and equipment

EUR	Intangible rights	Other expenses with long-term effects	Machinery and equipment	Total
Acquisition cost 1 Jan 2018	21,250.00	1,956,183.39	44,808.92	2,022,242.31
Increases	0.00	164,831.19	8,478.47	173,309.66
Decreases	0.00	0.00	0.00	0.00
Acquisition cost 31 Dec 2018	21,250.00	2,121,014.58	53,287.39	2,195,551.97
Accumulated depreciation, amortisation and impairments 1 Jan 2018	-12,100.00	-713,085.55	-11,837.82	-737,023.37
Depreciation and amortisation during the financial year	-4,250.04	-674,054.57	-5,233.64	-683,538.25
Accumulated depreciation and amortisation 31 December 2018	-16,350.04	-1,387,140.12	-17,071.46	-1,420,561.62
Book value 31 Dec 2018	**4,899.96**	**733,874.46**	**36,215.93**	**774,990.35**
Acquisition cost 1 Jan 2019	21,250.00	2,121,014.58	53,287.39	2,195,551.97
Increases	0.00	16,822.53	19,270.46	36,092.99
Decreases	0.00	0.00	-443.58	-443.58
Acquisition cost 31 Dec 2018	21,250.00	2,137,837.11	72,114.27	2,231,201.38
Accumulated depreciation, amortisation and impairments 1 Jan 2016	-16,350.04	-1,387,140.12	-17,071.46	-1,420,561.62
Depreciation and amortisation during the financial year	-3,050.04	-495,560.60	-7,116.09	-505,726.73
Accumulated depreciation and amortisation 31 Dec 2019	-19,400.08	-1,882,700.72	-24,187.55	-1,926,288.35
Book value 31 Dec 2019	**1,849.92**	**255,136.39**	**47,926.72**	**304,913.03**

10. Holdings in other companies

At the end of the 2019 financial year Hoivatilat Plc wholly owned 149 limited liability housing companies. In addition, the company owned shares in three other limited liability housing company. Investment properties whose ownership is arranged in company form are measured at fair value in the financial statements and presented on the balance sheet's row "Investment properties". The changes in the fair values are presented on the income statement's row "Transfers of investment properties and changes in fair value". A list of companies owned by Hoivatilat Plc is presented as an attachment.

EUR	2019	2018
Fair value of the investment properties 1 Jan	**170,653,635.32**	**73,020,274.47**
Investments in stocks of limited liability housing companies	67,742,444.34	60,472,031.89
Decreases from investment properties sold	0.00	-14,636,365.10
Profits and losses from changes in the fair values	35,590,268.27	51,797,694.06
Fair value of the investment properties 31 Dec	**273,986,347.93**	**170,653,635.32**

11. Receivables from Group companies

EUR	2019	2018
Non-current Group loan receivables	13,405,685.80	31,847,068.30
Prepayments and accrued income	4,143,222.23	4,123,474.14
Other Group receivables	9,428,294.48	6,059,242.85
Total	**26,977,202.51**	**42,029,785.29**

12. Essential items related to prepayments and accrued income and other prepaid expenses

EUR	2019	2018
Deferred tax assets	88,918.85	1,720,201.56
Other accrued income	1,281,560.31	666,390.78
Total	**1,370,479.16**	**2,386,592.34**

13. Equity

EUR	2019	2018
Share capital 1 Jan	80,000.00	80,000.00
Change in the financial year	0.00	0.00
Share capital 31 Dec	80,000.00	80,000.00
Invested non-restricted equity reserve 1 Jan	71,281,397.89	71,279,894.19
Amount entered in share capital	0.00	0.00
Share issue	0.00	1,503.70
Invested non-restricted equity reserve 31 Dec	71,281,397.89	71,281,397.89
Profit from previous periods 1 Jan	92,111,801.59	58,406,576.33
Distribution of dividends	-4,320,736.15	-3,307,099.77
Profit from previous periods 31 Dec	87,791,065.44	55,099,476.56
Profit for the financial year	28,503,292.85	37,012,325.03
Total shareholders' equity 31 Dec	**187,655,756.17**	**163,474,703.18**

14. Distributable funds

EUR	2019	2018
Invested non-restricted equity reserve	71,281,397.89	71,281,397.89
Profit from previous financial years	87,791,065.44	55,099,476.56
Profit/loss for the financial year	28,503,292.85	37,012,325.03
Total	**187,575,756.17**	**163,393,199.48**

15. Liabilities to Group companies

EUR	2019	2018
Short-term Group liabilities	11,362,737.76	11,546,714.20
Total	**11,362,737.76**	**11,546,714.20**

16. Deferred tax liabilities

EUR	2019	2018
Deferred tax liabilities from measuring the investment properties at fair value	30,535,337.97	23,417,284.31
Total	**30,535,337.97**	**23,417,284.31**

17. Essential items in accruals and deferred income

EUR	2019	2018
Personnel expense amortisations	552,097.21	292,038.46
Income taxes	0.00	28,517.91
Required investments in completed investment porperties	432,196.57	955,174.16
Other amortised costs related to investments	348,500.00	931,415.82
Other	1,896,062.35	161,731.91
Total	**3,228,856.13**	**2,368,878.26**

18. Collateral and contingent liabilities

EUR	Loan capital	Pledges given	Collateral total
Loans from financial institutions*	32,775,506.69	207,337,035.44	207,337,035.44
Commercial paper	45,000,000.00		
Total	**77,775,506.69**	**207,337,035.44**	**207,337,035.44**

** The parent company had a total limits of EUR 7,000,000 available, of which EUR 1,165,417.36 were in use on the balance sheet date.*

Collateral given by the parent company on behalf of subsidiaries

EUR	2019	2018
Financial guarantees given by the parent company on behalf of subsidiaries	181,323,598.61	149,523,251.27
Share pledges given by the parent company on behalf of subsidiaries	166,843,902.46	104,494,429.06
Other pledges given by the parent company on behalf of subsidiaries / pledging of Group receivables	15,560,251.40	13,941,000.00
Total	**363,727,752.47**	**267,958,680.33**

Off-balance sheet leasing liabilities

EUR	2019	2018
Payable in one year	47,797.24	55,615.98
In one to five years	45,514.41	45,778.79
In more than five years	0.00	0.00
Leasing liabilities, total	**93,311.65**	**101,394.78**

19. Other adjustments to cash flow from operations

EUR	2019	2018
Changes in fair value of the investment properties	35,590,268.27	53,681,328.96
Increase (-)/decrease (+) in depreciation difference	-3,835.64	-2,389.47
Other adjustments, total	**35,586,432.63**	**53,678,939.49**

20. Holdings in other companies

At the end of the 2019 financial year Hoivatilat Plc wholly owned 149 limited liability housing companies and Hoivatilat AB. In addition, the company owned shares in three other limited liability housing companies. Investment properties whose ownership is arranged in company form are measured at fair value in the financial statements and presented on the balance sheet's row "Investement properties". The changes in the fair values are presented on the income statement's row "Transfers of investment properties and changes in fair value".

Company	Parent holding 2019	Parent holding 2018
Hoivatilat AB	100%	100%
Kiinteistö Oy Espoon Fallåkerinrinne	100%	100%
Kiinteistö Oy Espoon Hirvisuontie	100%	100%
Kiinteistö Oy Espoon Meriviitantie	100%	100%
Kiinteistö Oy Espoon Opettajantie	100%	100%
Kiinteistö Oy Espoon Tikasmäentie	100%	100%
Kiinteistö Oy Espoon Vuoripirtintie	100%	100%
Kiinteistö Oy Euran Käräjämäentie	100%	100%
Kiinteistö Oy Heinolan Lähteentie	100%	100%
Kiinteistö Oy Hollolan Sarkatie	100%	100%
Kiinteistö Oy Hämeenlinnan Jukolanraitti	100%	100%
Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie	100%	100%
Kiinteistö Oy Iisalmen Eteläinen puistoraitti	100%	100%
Kiinteistö Oy Iisalmen Kangaslammintie	100%	100%
Kiinteistö Oy Iisalmen Petter Kumpulaisentie	100%	100%
Kiinteistö Oy Iisalmen Vemmelkuja	100%	100%
Kiinteistö Oy Janakkalan Kekanahontie	100%	100%
Kiinteistö Oy Joutsenon päiväkoti	100%	100%
Kiinteistö Oy Jyväskylän Ailakinkatu	100%	100%
Kiinteistö Oy Jyväskylän Haperontie	100%	100%
Kiinteistö Oy Jyväskylän Mannisenmäentie	100%	100%
Kiinteistö Oy Jyväskylän Palstatie	100%	100%
Kiinteistö Oy Jyväskylän Väliharjuntie	100%	100%
Kiinteistö Oy Jyväskylän Vävypojanpolku	100%	100%
Kiinteistö Oy Kaarinan Nurminiitynkatu	100%	100%
Kiinteistö Oy Kajaanin Erätie	100%	100%
Kiinteistö Oy Kajaanin Hoikankatu	100%	100%
Kiinteistö Oy Kajaanin Menninkäisentie	100%	100%
Kiinteistö Oy Kajaanin Valonkatu	100%	100%
Kiinteistö Oy Kalajoen Hannilantie	100%	100%
Kiinteistö Oy Kangasalan Mäntyveräjäntie	100%	100%
Kiinteistö Oy Keravan Männiköntie	100%	100%
Kiinteistö Oy Keuruun Tehtaantie	100%	100%
Kiinteistö Oy Kirkkonummen Kotitontunkuja	100%	100%
Kiinteistö Oy Kokkolan Ankkurikuja	100%	100%
Kiinteistö Oy Kokkolan Vanha Ouluntie	100%	100%
Kiinteistö Oy Kotkan Loitsutie	100%	100%

Company	Parent holding 2019	Parent holding 2018
Kiinteistö Oy Kouvolan Kaartokuja	100%	100%
Kiinteistö Oy Kouvolan Pappilantie	100%	100%
Kiinteistö Oy Kouvolan Ruskeasuonkatu	100%	100%
Kiinteistö Oy Kouvolan Vinttikaivontie	100%	100%
Kiinteistö Oy Kuopion Amerikanraitti 10	100%	100%
Kiinteistö Oy Kuopion Portti A2	100%	100%
Kiinteistö Oy Kuopion Rantaraitti	100%	100%
Kiinteistö Oy Kuopion Sipulikatu	100%	100%
Kiinteistö Oy Lahden Jahtikatu	100%	100%
Kiinteistö Oy Lahden Piisamikatu	100%	100%
Kiinteistö Oy Lahden Vallesmanninkatu A	100%	100%
Kiinteistö Oy Lahden Vallesmanninkatu B	100%	100%
Kiinteistö Oy Laihian Jarrumiehentie	100%	100%
Kiinteistö Oy Lappeenrannan Orioninkatu	100%	100%
Kiinteistö Oy Laukaan Hytösenkuja	100%	100%
Kiinteistö Oy Laukaan Saratie	100%	100%
Kiinteistö Oy Limingan Kauppakaari	100%	100%
Kiinteistö Oy Lohjan Ansatie	100%	100%
Kiinteistö Oy Loviisan Mannerheiminkatu	100%	100%
Kiinteistö Oy Maskun Ruskontie	100%	100%
Kiinteistö Oy Mikkelin Väänäsenpolku	100%	100%
Kiinteistö Oy Mikkelin Ylännetie 10	100%	100%
Kiinteistö Oy Mikkelin Ylännetie 8	100%	100%
Kiinteistö Oy Mynämäen Opintie	100%	100%
Kiinteistö Oy Mäntsälän Liedontie	100%	100%
Kiinteistö Oy Mäntyharjun Lääkärinkuja	100%	100%
Kiinteistö Oy Mäntyharjun Taavetintie	100%	100%
Kiinteistö Oy Nokian Näsiäkatu	100%	100%
Kiinteistö Oy Nokian Vikkulankatu	100%	100%
Kiinteistö Oy Nurmijärven Laidunalue	100%	100%
Kiinteistö Oy Nurmijärven Ratakuja	100%	100%
Kiinteistö Oy Orimattilan Suppulanpolku	100%	100%
Kiinteistö Oy Oulun Kehätie	100%	100%
Kiinteistö Oy Oulun Paulareitti	100%	100%
Kiinteistö Oy Oulun Rakkakiventie	100%	100%
Kiinteistö Oy Oulun Sarvisuontie	100%	100%
Kiinteistö Oy Oulun Soittajanlenkki	100%	100%
Kiinteistö Oy Oulun Ukkoherrantie B	100%	100%
Kiinteistö Oy Paimion Mäkiläntie	100%	100%
Kiinteistö Oy Pieksämäen Ruustinnantie	100%	100%
Kiinteistö Oy Pihtiputaan Nurmelanpolku	100%	100%
Kiinteistö Oy Pirkkalan Lehtimäentie	100%	100%

Company	Parent holding 2019	Parent holding 2018
Kiinteistö Oy Pirkkalan Pereensaarentie	100%	100%
Kiinteistö Oy Porin Koekatu	100%	100%
Kiinteistö Oy Porin Ojantie	100%	100%
Kiinteistö Oy Porin Palokärjentie	100%	100%
Kiinteistö Oy Porvoon Fredrika Runeberginkatu	100%	100%
Kiinteistö Oy Porvoon Haarapääskyntie	100%	100%
Kiinteistö Oy Porvoon Peippolankuja	100%	100%
Kiinteistö Oy Porvoon Vanha Kuninkaantie	100%	100%
Kiinteistö Oy Raahen Palokunnanhovi	100%	100%
Kiinteistö Oy Raahen Vihastenkarinkatu	100%	100%
Kiinteistö Oy Raision Tenavakatu	100%	100%
Kiinteistö Oy Rovaniemen Matkavaarantie	100%	100%
Kiinteistö Oy Rovaniemen Ritarinne	100%	100%
Kiinteistö Oy Ruskon Päällistönmäentie	100%	100%
Kiinteistö Oy Sastamalan Tyrväänkyläntie	100%	100%
Kiinteistö Oy Siilinjärven Honkarannantie	100%	100%
Kiinteistö Oy Siilinjärven Nilsiäntie	100%	100%
Kiinteistö Oy Siilinjärven Risulantie	100%	100%
Kiinteistö Oy Siilinjärven Sinisiipi	100%	100%
Kiinteistö Oy Sipoon Aarrepuistonkuja	100%	100%
Kiinteistö Oy Sipoon Aarretie	100%	100%
Kiinteistö Oy Sipoon Satotalmantie	100%	100%
Kiinteistö Oy Sotkamon Kirkkotie	100%	100%
Kiinteistö Oy Tampereen Lentävänniemenkatu	100%	100%
Kiinteistö Oy Tornion Torpin Rinnakkaiskatu	100%	100%
Kiinteistö Oy Turun Lukkosepänkatu	100%	100%
Kiinteistö Oy Turun Paltankatu	100%	100%
Kiinteistö Oy Turun Teollisuuskatu	100%	100%
Kiinteistö Oy Turun Vakiniituntie	100%	100%
Kiinteistö Oy Turun Vähäheikkiläntie	100%	100%
Kiinteistö Oy Uudenkaupungin Merilinnuntie	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku A	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku B	100%	100%
Kiinteistö Oy Uudenkaupungin Merimetsopolku C	100%	100%
Kiinteistö Oy Uudenkaupungin Puusepänkatu	100%	100%
Kiinteistö Oy Vaasan Vanhan Vaasankatu	100%	100%
Kiinteistö Oy Vantaan Koetilankatu	100%	100%
Kiinteistö Oy Vantaan Koivukylän Puistotie	100%	100%
Kiinteistö Oy Vantaan Mesikukantie	100%	100%
Kiinteistö Oy Vantaan Punakiventie	100%	100%
Kiinteistö Oy Vantaan Tuovintie	100%	100%
Kiinteistö Oy Vantaan Vuohirinne	100%	100%

Company	Parent holding 2019	Parent holding 2018
Kiinteistö Oy Varkauden Kaura-ahontie	100%	100%
Kiinteistö Oy Varkauden Savontie	100%	100%
Kiinteistö Oy Vihdin Hiidenrannantie	100%	100%
Kiinteistö Oy Vihdin Koivissillankuja	100%	100%
Kiinteistö Oy Vihdin Pengerkuja	100%	100%
Kiinteistö Oy Vihdin Vanhan-Sepän tie	100%	100%
Kiinteistö Oy Ylivieskan Mikontie 1	100%	100%
Kiinteistö Oy Ylivieskan Ratakatu 12	100%	100%
Kiinteistö Oy Ylöjärven Mustarastaantie	100%	100%
Kiinteistö Oy Ylöjärven Työväentalontie	100%	100%
Kiinteistö Oy Äänekosken Likolahdenkatu	100%	100%
Asunto Oy Iisalmen Satamatori	100%	0%
Kiinteistö Oy Haminan Lepikönranta	100%	0%
Kiinteistö Oy Iisalmen Satamakatu	100%	0%
Kiinteistö Oy Järvenpään Yliopettajankatu	100%	0%
Kiinteistö Oy Kangasalan Hilmanhovi	100%	0%
Kiinteistö Oy Kangasalan Rekiäläntie	100%	0%
Kiinteistö Oy Lahden Kurenniityntie	100%	0%
Kiinteistö Oy Lahden Makarantie	100%	0%
Kiinteistö Oy Mikkelin Sahalantie	100%	0%
Kiinteistö Oy Oulun Ruismetsä	100%	0%
Kiinteistö Oy Oulun Salonpään koulu	100%	0%
Kiinteistö Oy Oulun Siilotie	100%	0%
Kiinteistö Oy Riihimäen Jyrätie	100%	0%
Kiinteistö Oy Rovaniemen Gardininkuja	100%	0%
Kiinteistö Oy Rovaniemen Mäkiranta	100%	0%
Kiinteistö Oy Rovaniemen Santamäentie	100%	0%
Kiinteistö Oy Tuusulan Isokarhunkierto	100%	0%
Kiinteistö Oy Vaasan Uusmetsäntie	100%	0%

The address of Hoivatilat AB is Svärdvägen 21, 18233 Danderyd, Sweden and the address of the Parent company and all other Group companies is Lentokatu 2, 90460 Oulunsalo, Finland.

Signatures to the financial statements and the Board of Directors' report

Oulu, 20 February 2020

Stefaan Gielens
Chairman of the
Board of Directors

Pertti Huuskonen
Vice chairman
Board of Directors

Ingrid Daerden
Member of the
Board of Directors

Kari Nenonen
Member of the
Board of Directors

Laurence Gacoin
Member of the
Board of Directors

Reijo Tauriainen
Member of the
Board of Directors

Jussi Karjula
CEO

AUDITOR'S NOTE
Our auditor's report was issued today.
Oulu, 20 February 2020

KPMG Oy Ab
Authorised Public Accountants
Antti Kääriäinen, APA

Auditor's Report

To the Annual General Meeting of Hoivatilat Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hoivatilat Plc (business identity code 2241238-0) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, calculation of changes in the Group's equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of Investment Properties in consolidated and in parent company's financial statements

(Refer to Accounting policies for consolidated financial statements, section "Investment Properties" and notes 3 and 10 as well as accounting principles for the parent company's financial statements and note 10)

Key audit matters	Audit approach to the matters
• The investment properties measured at fair value (EUR 490.8 million) represent over 96% of the consolidated total assets in the 2019 financial statements. • The fair value of investment properties owned through property companies in the parent company's balance sheet was EUR 274.0 million. • Valuation of investment properties is considered a key audit matter for the Group and the parent company due to management's estimates used in forecasts underlying the valuations, and significance of the carrying amounts involved. • The fair values of investment properties are determined by an external property appraiser. The valuation is based on estimated property-specific discounted net cash flows	• We assessed the assumptions used requiring management judgement as well as the grounds for substantial changes in fair values. We also tested the accuracy of basis data used in the calculations. • We tested the technical appropriateness of the calculation, and compared the assumptions used to market and industry data, on a sample basis. We involved KPMG valuation specialist in the engagement. • We discussed with an external property appraiser (Authorised Property Appraiser, AKA) used by Hoivatilat to evaluate the appropriateness of the valuation method applied by the Group and the parent company. • We assessed the appropriateness of the disclosures provided on the investment properties.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 25 March 2013 and our appointment represents a total period of uninterrupted engagement of 7 years. Hoivatilat Plc became a public interest entity on 1 March 2017.

Other Information

The Board of Directors and the CEO are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

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

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

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

Oulu, 20 February 2020
KPMG OY AB

Antti Kääriäinen
Authorised Public Accountant,
KHT

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