HOIVATILAT

# Strong EPRA Earnings – guidance specified

## Half-year report January–June 2019 (unaudited)

Hoivatilat Plc Stock Exchange Release 22 August 2019 at 8 a.m.

| EUR thousand | 30/06/2019 | 30/06/2018 | Change, % | 31/12/2018 |
|---|---|---|---|---|
| Total revenue | 10,893 | 8,061 | 35.1% | 17,182 |
| Result for the period | 12,298 | 15,957 | -22.9% | 37,003 |
| EPRA Earnings | 4,894 | 3,153 | 55.2% | 7,663 |
| Earnings per share, undiluted (EUR) | 0.48 | 0.63 | -23.8% | 1.46 |
| Earnings per share, diluted (EUR) | 0.48 | 0.63 | -23.8% | 1.45 |
| EPRA Earnings Per Share, EUR (EPRA EPS) | 0.19 | 0.12 | 58.3% | 0.30 |
| Value of investment properties | 426,433 | 301,579 | 41.4% | 348,899 |
| NAV per share, EUR | 7.74 | 6.24 | 24.0% | 7.32 |
| Value of the lease portfolio (without index increases) | 490,701 | 383,075 | 28,1% | 426,953 |
| Economic occupancy rate, % | 100% | 100% | - | 100% |
| Average maturity of the lease portfolio (years) | 14.9 | 14.7 | - | 14.9 |

The impacts of IFRS 16, adopted on 1 January 2019, on the key figures for the review period are shown below in the Financial review section and the table section.

### Significant events

- The business in Sweden is progressing – projects worth EUR 16 million agreed.
- EPRA Earnings increased by more than 50 per cent.
- 15 properties have been completed after the review period.

### Financial guidance for 2019

Hoivatilat expects its total revenue to be around EUR 23 million in 2019. EPRA Earnings are expected to be at least 40 per cent of revenue (earlier guidance was approximately 40 per cent of revenue). The fair value of investment properties at the end of 2019 is estimated to be EUR 460–490 million. The guidance is based on the assumption that, in 2019, the company will not make significant purchases or sales of completed investment properties, and that the market yields used in the valuation of real estate will remain at their current level.

### Jussi Karjula, CEO:

The first six months of 2019 were successful for Hoivatilat. The key indicators of value of investment properties, revenue and lease portfolio continued to grow as planned. At the same time operational efficiency was very good. The matters I want to particularly highlight for the review period are the strong progress of business in Sweden and the achievement of several significant municipal agreements and new customer relationships in Finland.

The start-ups of five projects in Sweden were agreed during the first half of the year. Three of them are day-care centres, while two are nursing homes for special groups. The total investment value of the properties is around EUR 16 million.

During the review period, the company's lease portfolio increased to over EUR 490 million. The investment value of projects under construction and projects to be started was around EUR 174 million, higher than ever before in the history of the company. The company won several public bids in early 2019, such as a bid for a school project in Mikkeli and bids for the municipal day-care centres in Oulu, Vaasa and Rovaniemi. The Oulu project has a 25-year lease agreement. During the review period, the company concluded lease agreements with 11 new customers.

Result for the period was in line with expectations. The company's own project development work, producing profitable growth, is its strategic cornerstone. We have maintained a good level of margin from project development work matching with our targets. The line 'Result for the period' shows a decrease of net return requirements from investment properties (-0.03 percentage points), smaller (by -0.16 percentage points) than in the comparison period and manifesting itself as a materially smaller change in fair values.

In the spring, Hoivatilat joined the European Public Real Estate Association (EPRA). With the membership, the company is presenting for the first time in this half-year report key figures compliant with EPRA's reporting recommendations as part of its published financial information.

The company's business operations are growing rapidly, and the structure of financing plays a significant role in creating profitable growth. In April, we supplemented our debt financing tools by introducing a commercial paper programme. The programme diversifies the company's financing base, as well as securing the Group's normal investment and working capital financing.

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

## Material events during the review period

During the review period, a total of 5 (7) new properties were completed, and the company also acquired 2 (1) completed properties.

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 28/02/2019)

The first projects in Sweden started. The company signed three agreements on the implementation of day-care centres in to 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 26/03/2019)

Timo Wikberg was appointed business director and member of the management team of Hoivatilat. He will be responsible for managing and developing Hoivatilat's sales and customer experience. Previously Wikberg has worked for Attendo in various business development and managerial positions, most recently as sales director. (Stock exchange release 04/04/2019)

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 securing the Group's normal investment and working capital financing. (Stock exchange release 11/04/2019)

The change of name, decided in 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 English Hoivatilat Plc. (Stock exchange release 09/05/2019)

**Operating environment**

Urbanisation is increasing and the population is ageing in both Europe and Finland. The number of people aged over 75 will nearly double over the next two decades. At the end of June 2019, the number of people aged over 75 in Finland was 519,000, and this is predicted to increase to 925,000 by the end of 2040 (stat.fi). The trend is very similar in Sweden: the number of people aged over 75 will increase by 50 per cent by 2030.

The decisions of the new government on issues regarding health and social services are currently being awaited. The government programme has set the following guidelines for the matter:

The Government will start preparations for restructuring health and social services, taking into account the work done during previous electoral terms and making sure that the relevant constitutional requirements are met. The restructuring will be carried out in a controlled manner and in stages. The health and social services reform will transfer the responsibility for organising health and social services to self-governing regions (counties) that are larger than municipalities.

The 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.

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

- Ageing population and the weakening dependency ratio.
- Urbanisation and centralisation of the population.
- Increased debt in the public sector.
- Condition of properties in education and the social and health sectors.
- Increasing use of service vouchers in early education and care services.

## Economic operating environment

In the next few years, economic growth will be more moderate than in recent years. According to the forecast published on 17 June by the Ministry of Finance, the economy will grow by 1.6 per cent in 2019. The Ministry forecasts that in 2020, economic growth will decrease to 1.2 per cent and further to 1.1 per cent in 2021. In the medium term of 2022–2023, economic growth will slow down to less than one per cent.

In the construction sector, the housing production has been exceptionally plentiful during the last two years, as the construction of approximately 45,000 new apartments has been started per year. However, the number of building permits granted during the first half of the year has decreased, as predicted, by almost one-third from the corresponding period last year. Therefore, it was slightly surprising that there were more start-ups of new apartments than in the corresponding period last year.

The forecast expects the start-ups of new apartments to decrease this year to 38,000 and to continue its decrease next year and the year thereafter. Housing investments will nevertheless remain at a good level, and no collapse is expected in that respect. Repair construction investments are expected to grow by a reasonably steady pace of 1–2 per cent per year throughout the forecast period. The situation regarding building permits for hospitals and schools has developed favourably, and more start-ups can therefore be expected.

Interest rates are expected to remain low in the near future. According to the forecast of the Bank of Finland, short-term interest rates will remain negative for 2019–2021, and ten-year bond interest rates will remain below 1 per cent. The low interest rates also create good possibilities for households to consume and for companies to invest in Finland. Therefore, the economic operating environment in Finland still provides, as a whole, prerequisites for continued growth in spite of the uncertainty of global economy.

The Bank of Finland predicts that salaries and wages will increase by an average of 2.5 per cent during the forecast years. Inflation is forecast to be 1.3 per cent in 2019 and to increase to 1.6 per cent in in 2021. During the forecast period, pay increases will gradually increase the prices of services, thus contributing to the increase of inflation. (www.eurojatalous.fi)

## Financial review

*Financial development*

The Group's revenue was EUR 10.9 (8.1) million, representing an increase of 35.1 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 9.3 (16.0) million in the review period. The change of fair values in the income statement includes EUR -0.3 (0.0) million of depreciation from leased plots which are recognized as right-of-use assets in accordance with IFRS 16 . The change in fair value of investment properties was smaller than in the comparison period, because the change in return requirements used for measuring the properties was smaller than in the comparison period. The net return of the portfolio decreased by 0.03 percentage points, having during the comparison period last year decreased considerably more, by 0.16 percentage points. The property development margin has remained good, in line with the company's targets.

The net rental income for the review period was EUR 10.0 (7.0) million, representing an increase of 42.8 per cent. At the end of the review period, the company had 127 (98) completed properties generating rental cash flow. Their net return was 6.12 (6.30) 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 -0.9 (-1.1) million. Property maintenance expenses decreased by 15.6 per cent year-on-year. The decrease of maintenance expenses is explained by the adoption of IFRS 16. The land lease expenses earlier included in the property maintenance expenses are from 1 January 2019 shown as part of the change in fair value and interest expenses. During the review period, the adoption of IFRS 16 affected the maintenance expenses by EUR 0.3 million.

Expenses arising from employment benefits were EUR -1.1 (-1.1) million, representing an increase of 3.8 per cent. The item includes the 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). Without the impact of that tax return, the expenses arising from employment benefits would have been EUR -1.3 million. The average number of employees was 18 (17) during the review period. Administrative expenses were EUR -1.0 (-1.0) million, representing an increase of 7.2 per cent compared with the previous year. The increase was due to investments in future growth in Finland and Sweden and in project development in particular. Operating profit was EUR 17.1 (21.0) million, with a decrease of -18.9 per cent. The decrease of operating profit was due to the fact that the return requirements of properties changed less than in the comparison period.

Net financial income and expenses were EUR -1.5 (-1.0) million. The adoption of IFRS 16 affected the financial expenses by EUR -0.2 (0.0) million. Taxes based on the taxable income for the review period were EUR -1.4 (-0.9) million, and deferred taxes mainly due to the changes in the fair values of properties amounted to EUR -1.9 (-3.1) million.

The net profit for the review period was EUR 12.3 (16.0) million, showing a decrease of -22.9 per cent from the previous year. Undiluted earnings per share were EUR 0.48 (0.63), and diluted earnings per share were EUR 0.48 (0.63).

EPRA Earnings for the review period were EUR 4.9 (3.2) million, an increase of 55.2 per cent. The EPRA Earnings were 44.9 (39.1) per cent of revenue. The EPRA Earnings for the review period are not comparable to the previous year because of the impact of the implementation of IFRS 16 standard (since 1.1.2019) and the tax refund included in the expenses of employee benefits.

*Investments*

The consolidated balance sheet total at the end of the review period was EUR 438.4 (308.5) million, showing an increase of 42.1 per cent from the comparison period. During the review period, investments with a total acquisition cost of EUR 41.2 (38.5) million were made in the properties.

*Funding*

The company's interest-bearing liabilities stood at EUR 235.2 (143.7) million at the end of the review period. The net amount of interest-bearing liabilities increased by EUR 64.7 (33.6) million during the review period. Of the increase in interest-bearing liabilities, EUR 27.0 million was due to recording a lease agreement liability recorded in accordance with IFRS 16.

On 30 June 2019, the company's sources of financing totalled EUR 122.9 million, consisting of cash assets (EUR 6.7 million), undrawn credit facilities (EUR 7.0 million), commercial papers issued under a commercial paper scheme (EUR 80 million) and investment loans drawn under loan agreements (EUR 29.2 million). In addition, the company has an option for EUR 20 million for additional funding from the EIB on the terms and conditions corresponding to an earlier agreement.

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 40.4 (42.5) per cent on 30 June 2019, and the average interest rate maturity of its loan portfolio was 2.01 (1.60) years.

*Properties and agreements*

On 30/06/2019, the company had 127 (98) completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 55 (49). During the review period, a total of 5 (7) new properties were completed, and the company also acquired 2 (1) completed properties.

| **Properties 30 June** | **Completed** | | **In progress and not started*** | | **Total** | |
|---|---|---|---|---|---|---|
| | H1/2019 | H1/2018 | H1/2019 | H1/2018 | H1/2019 | H1/2018 |
| Number of properties | 127 | 98 | 55 | 49 | 182 | 147 |
| Leasable area, thousand floor m² | 110.7 | 86.2 | 63.4 | 49.7 | 174.1 | 135.8 |
| Annual rents, EUR million | 22.5 | 17.4 | 12.1 | 9.5 | 34.6 | 27.0 |
| Investment (acquisition cost), EUR million | 251.1 | 188.5 | 173.5 | 126.0 | 424.6 | 314.5 |

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

On 30 June 2019, the company had a total of 182 (147) leases (including preliminary agreements), which were divided between 46 (35) customers, 7 (2) of them municipal customers. The value of the lease portfolio was EUR 490.7 (383.1) million, and the average maturity of the entire lease portfolio was 14.9 (14.7) years. The company's three largest key customers accounted for approximately 46 (51) per cent of its lease portfolio on 30/06/2019. The largest customer's share of the lease portfolio was 22 (25) per cent. The second-largest customer's share was 15 (18) per cent, and that of the third-largest customer was 9 (8) per cent. Municipal customers represented 11 (6) per cent of the lease portfolio. In terms of euro, the most important tenants are Finland's largest nursing and day-care sector companies.

Of the lease portfolio, 60 (63) 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, 23 (22) per cent consisted of properties in other municipalities with more than 30,000 residents, and 13 (15) per cent consisted of properties located in municipalities with fewer than 30,000 residents. The properties in Sweden made up 3 (0) per cent of the lease portfolio.

| **Area** | **30/06/2019** | **30/06/2018** |
|---|---:|---:|
| Greater Helsinki area / Uusimaa region | 19% | 22% |
| Lahti region | 7% | 7% |
| Tampere region | 6% | 7% |
| Turku region | 9% | 10% |
| Oulu region | 7% | 5% |
| Kuopio region | 7% | 7% |
| Jyväskylä region | 5% | 5% |
| Other Finnish municipalities with more than 30,000 residents | 23% | 22% |
| Other locations in Finland | 13% | 15% |
| Sweden | 3% | 0% |
| **Total** | **100%** | **100%** |

### Shares and shareholders

On 30 June 2019, the company had 25,439,229 (25,439,229) shares. Of these, 23,134 were treasury shares. The closing price of the company's shares on 30 June 2019 was EUR 9.96 (7.62) and the total market value of outstanding shares was EUR 253.1 (193.8) million. During the review period, the highest closing price was EUR 10.20 (8.45), with the lowest being EUR 7.71 (7.20). A total of 2.6 (2.1) million shares in Hoivatilat Plc were traded during the review period. On 30 June 2019, the company had a total of 9,022 (9,034) shareholders.

### Assessment of operational risks and uncertainties

Hoivatilat assesses that its risks during the current financial year and in the near future are mainly related to the financial environment and the success of its property projects, as well as to its clients.

In addition, the evaluation of properties entails a fluctuation risk related to fair values. In the financial environment, the main risk factors are the possible changes in the interest rate level and the availability of funding.

A more detailed description of the risks is included in the company's annual report for 2018. In the view of the Board of Directors, no material changes have taken place with regard to the short-term risks presented in the annual report for 2018.

### Board of Directors and company's management

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairman), Satu Ahlman, Nathalie Clément, Paul Hartwall, Kari Nenonen and Reijo Tauriainen. Harri Aho and Timo Pekkarinen were Board Members until 26 March 2019.

The members of the Audit Committee are Reijo Tauriainen (chairman), Paul Hartwall and Kari Nenonen. The members of the Remuneration Committee are 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.

The Group's management team consists of CEO Jussi Karjula, deputy CEO Riku Patokoski, CFO Tommi Aarnio, property director Juhana Saarni HR and communications director Riikka Säkkinen and business director Timo Wikberg.

### Decisions of the Annual General Meeting

The Annual General Meeting of Hoivatilat was held in Helsinki 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 Oyj), as well as the Nomination Board's proposal for the composition of the Board and Board members' fees. Its decisions were announced on 26 March 2019. They are also available on the company's website.

### Events after the review period

After the end of the review period, a total of 15 properties have been completed, and these properties will generate rental cash flow from August 2019.

## Financial targets for 2019–2021

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

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

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

## Financial calendar for 2019

Hoivatilat will publish its report for January–September on 6 November 2019.

Oulu 22 August 2019

Hoivatilat Plc
Board of Directors

## Further information:

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

**Hoivatilat in brief:**

**Hoivatilat Plc** specialises in producing, developing, owning and leasing out nursing homes, day care centres and service communities. Founded in 2008, the company has been working in cooperation with as many as 60 Finnish municipalities and has launched 200 property projects throughout Finland and in Sweden. www.hoivatilat.fi

# EPRA key figures

## 1. EPRA Earnings and EPRA EPS, BASIC

| EUR thousand | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|
| Result for the period (IFRS) from the consolidated income statement | 12,298 | 15,957 | 37,003 |
| (i) Profit/loss from measuring investment properties at fair value | -9,254 | -16,005 | -35,627 |
| (ii) Gains and losses on disposal of investment properties and other non-current assets | 0 | 0 | -1,049 |
| (iv) Taxes based on the result for the financial year, generated by the gains and losses on disposals | 0 | 0 | 210 |
| (viii) Deferred tax for EPRA adjustments | 1,851 | 3,201 | 7,125 |
| **EPRA Earnings** | **4,894** | **3,153** | **7,663** |
| **EPR Earnings per Share, EUR** | **0.19** | **0.12** | **0.30** |

## 2. EPRA NAV per share and EPRA NNNAV per share

| EUR thousand | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|
| Equity belonging to the parent company's shareholders | 169,121 | 140,913 | 161,937 |
| (iv) Fair value of financial instruments | 2,055 | 609 | 951 |
| (v.a) Deferred tax | 25,535 | 17,266 | 23,367 |
| **EPRA NAV** | **196,711** | **158,789** | **186,255** |
| **EPRA NAV per share, EUR** | **7.74** | **6.24** | **7.32** |

| EUR thousand | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|
| EPRA NAV | 196,711 | 158,789 | 186,255 |
| (i) Fair value of financial instruments | -2,055 | -609 | -951 |
| (iii) Deferred tax | -25,535 | -17,266 | -23,367 |
| **EPRA NNAV** | **169,121** | **140,913** | **161,937** |
| **EPRA NNNAV per share, EUR** | **6.65** | **5.54** | **6.37** |

## 3. EPRA vacancy rate, %

| EUR thousand | | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|
| Annualised computational lease value for vacant premises | **A** | 0 | 0 | 0 |
| Annualised computational lease value for the entire property portfolio | **B** | 22,331 | 16,453 | 21,467 |
| **EPRA vacancy rate, %** | **A/B** | **0.0%** | **0,0%** | **0,0%** |

## Tables

This half-year report has been prepared in accordance with IAS 34. The company has prepared the half-year report in line with the same accounting principles as its financial statements for 2018, with the exception of amendments to standards and interpretations of standards that have come into effect in 2019.

### Hoivatilat Group

### Income statement

| EUR | 1-6/2019 | 1-6/2018 | 1–12/2018 |
|---|---|---|---|
| **TOTAL REVENUE** | **10,893,078** | **8,061,470** | **17,182,305** |
| Transfers of investment properties and changes in fair value | 9,254,245 | 16,004,547 | 36,675,896 |
| Other operating income | 0 | 55,400 | 282,735 |
| Expenses of employee benefits | -1,094,760 | -1,054,935 | -2,450,190 |
| Depreciation | -72,473 | -8,530 | -33,795 |
| Other operating expenses | -1,911,322 | -2,008,279 | -3,176,505 |
| **OPERATING PROFIT (LOSS)** | **17,068,769** | **21,049,674** | **48,480,446** |
| Financial income | 1,615 | 289 | 867 |
| Financial expenses | -1,539,849 | -1,021,940 | -2,057,609 |
| **PROFIT BEFORE TAXES** | **15,530,535** | **20,028,023** | **46,423,703** |
| Taxes for the review period and previous periods | -3,232,968 | -4,071,479 | -9,420,361 |
| **PROFIT FOR THE PERIOD** | **12,297,567** | **15,956,544** | **37,003,342** |

## Consolidated statement of comprehensive income IFRS

| EUR | 1-6/2019 | 1-6/2018 | 1–12/2018 |
|---|---|---|---|
| PROFIT FOR THE PERIOD | 12,297,567 | 15,956,544 | 37,003,342 |
| Other comprehensive income items | | | |
| Items that may be reclassified to profit or loss later: | | | |
| Translation differences | 3,930 | | -1,747 |
| Cash flow hedging | -1,379,888 | -564,901 | -992,077 |
| Taxes associated with other comprehensive income items | 275,978 | 112,980 | 198,415 |
| **Other comprehensive income items for the period after taxes** | **-1,099,980** | **-451,921** | **-795,409** |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | **11,197,587** | **15,504,623** | **36,207,933** |
| Distribution of profit for the period | | | |
| To shareholders of the parent company | 12,297,567 | 15,956,544 | 37,003,342 |
| To shareholders with non-controlling interests | 0 | 0 | 0 |
| Distribution of comprehensive income for the period | | | |
| To shareholders of the parent company | 11,197,587 | 15,504,623 | 36,207,933 |
| To shareholders with non-controlling interests | 0 | 0 | 0 |
| Earnings per share calculated on the profit belonging to the parent company's shareholders | | | |
| Undiluted earnings per share | 0.48 | 0.63 | 1.46 |
| Earnings per share adjusted by the dilution effect | 0.48 | 0.63 | 1.45 |

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## Hoivatilat Group
## Balance sheet

| EUR | 30/06/2019 | 30/06/2018 | 31/12/2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 130,302 | 52,020 | 150,285 |
| Investment properties | 426,433,437 | 301,579,223 | 348,899,080 |
| Machinery and equipment | 184,409 | 36,862 | 36,216 |
| Deferred tax assets | 788,982 | 453,705 | 363,778 |
| **Total non-current assets** | **427,537,130** | **302,121,810** | **349,449,360** |
| **Current assets** | | | |
| Trade receivables and other receivables | 4,213,213 | 1,837,428 | 3,455,775 |
| Cash and cash equivalents | 6,682,577 | 4,516,160 | 11,382,638 |
| **Total current assets** | **10,895,790** | **6,353,588** | **14,838,412** |
| **ASSETS TOTAL** | **438,432,920** | **308,475,399** | **364,287,772** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity belonging to the parent company's shareholders** | | | |
| Share capital | 80,000 | 80,000 | 80,000 |
| Invested non-restricted equity reserve | 69,722,015 | 69,722,015 | 69,722,015 |
| Fair value reserve | -2,054,850 | -609,198 | -950,940 |
| Translation difference | 2,183 | | -1,747 |
| Retained earnings/losses | 89,074,550 | 55,763,898 | 56,084,397 |
| Profit/loss for the period | 12,297,567 | 15,956,544 | 37,003,342 |
| **Equity belonging to the parent company's shareholders, total** | **169,121,466** | **140,913,259** | **161,937,067** |
| **Non-current liabilities** | | | |
| Financial liabilities | 203,626,462 | 135,191,704 | 158,809,420 |
| Deferred tax liabilities | 25,649,953 | 17,534,287 | 23,618,863 |
| **Total for non-current liabilities** | **229,276,415** | **152,725,990** | **182,428,283** |
| **Current liabilities** | | | |
| Financial liabilities | 31,536,561 | 8,497,952 | 11,640,147 |
| Trade payables and other liabilities | 8,498,478 | 6,338,197 | 8,282,274 |
| **Total for current liabilities** | **40,035,039** | **14,836,150** | **19,922,422** |
| **Total for liabilities** | **269,311,454** | **167,562,140** | **202,350,705** |
| **EQUITY AND LIABILITIES TOTAL** | **438,432,920** | **308,475,399** | **364,287,772** |

## Hoivatilat Group
## Cash flow statement

| EUR | 1-6/2019 | 1-6/2018 | 1–12/2018 |
|---|---|---|---|
| Cash flow from operations | | | |
| Profit for the period | 12,297,567 | 15,956,544 | 37,003,342 |
| Adjustments | | | |
| Non-cash transactions and other adjustments | -8,874,225 | -16,417,596 | -37,435,762 |
| Interest and other financial expenses | 1,539,849 | 1,021,940 | 2,057,609 |
| Interest income | -1,615 | -289 | -867 |
| Taxes | 3,232,968 | 3,803,579 | 9,420,361 |
| | | | |
| Changes in working capital | | | |
| Change in trade receivables and other receivables | -753,508 | -1,102,662 | -2,726,708 |
| Change in trade payables and other liabilities | -942,000 | -1,647,225 | 4,086,318 |
| Interest paid | -1,482,044 | -1,013,658 | -2,062,160 |
| Interest received | 1,615 | 289 | 867 |
| Taxes paid | -141,614 | -76,860 | -1,611,666 |
| **Net cash flow from operations (A)** | **4,876,993** | **524,062** | **8,731,335** |
| | | | |
| Cash flow from investment activities | | | |
| Divestment of investment properties | 0 | 0 | 10,911,237 |
| Acquired investment properties | -1,634,836 | -2,126,892 | -2,126,892 |
| Investments in property, plant and equipment | -41,869,110 | -32,661,187 | -77,193,637 |
| Investments in intangible assets | 19,983 | -44,091 | -136,269 |
| | | **-** | **-** |
| **Net cash flow from investment activities (B)** | **-43,483,962** | **34,832,171** | **68,545,562** |
| | | | |
| Cash flow from financing activities | | | |
| Payments from the share issue | 0 | 1,504 | 1,504 |
| Loan withdrawals | 44,162,873 | 36,590,895 | 73,413,983 |
| Loan repayments | -5,935,229 | -4,305,975 | -8,756,467 |
| Dividends paid | -4,320,736 | -3,307,100 | -3,307,100 |
| **Cash flow from financing activities (C)** | **33,906,908** | **28,979,324** | **61,351,920** |
| | | | |
| **Change in cash and cash equivalents (A + B + C)** | **-4,700,061** | **-5,328,784** | **1,537,693** |
| | | | |
| Cash and cash equivalents at the beginning of the period | 11,382,638 | 9,844,945 | 9,844,945 |
| Cash and cash equivalents at the end of the period | 6,682,577 | 4,516,160 | 11,382,638 |

## Hoivatilat Group
## Calculation of changes in equity

| EUR | Share capital | Invested non-restricted equity reserve | Fair value reserve | Translation difference | Retained earnings | Equity, total |
|---|---|---|---|---|---|---|
| | Equity belonging to the parent company's shareholders | | | | | |
| **Equity on 31 Dec 2017** | **80,000** | **69,720,511** | **-157,278** | **0** | **59,492,577** | **129,135,811** |
| Amendments to IFRS 2 | | | | | 454,085 | |
| **Equity on 1 Jan 2018** | 80,000 | 69,720,511 | -157,278 | 0 | 59,946,662 | 129,589,896 |
| **Comprehensive income** | | | | | | |
| Profit for the financial year | | | | | 15,956,544 | 15,956,544 |
| Other comprehensive income items* | | | | | | |
| Cash flow hedging | | | -451,921 | | | -451,921 |
| **Total comprehensive income for the review period** | | | **-451,921** | **0** | **15,956,544** | **15,504,623** |
| **Transactions with shareholders** | | | | | | |
| Distribution of dividends | | | | | -3,307,100 | -3,307,100 |
| Share issue | | 1,504 | | | | 1,504 |
| Incentive scheme | | | | | -875,664 | -875,664 |
| **Transactions with shareholders, total** | **0** | **1,504** | | | **-4,182,764** | **-4,181,260** |
| **Equity on 30 Jun 2018** | **80,000** | **69,722,015** | **-609,198** | **0** | **71,720,442** | **140,913,259** |
| | | | | | | |
| **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 | | | | 3,930 | 12,297,567 | 12,301,498 |
| Other comprehensive income items* | | | | | | |
| Cash flow hedging | | | -1,103,910 | | | -1,103,910 |
| **Total comprehensive income for the review period** | | | **-1,103,910** | **3,930** | **12,297,567** | **11,197,587** |
| **Transactions with shareholders** | | | | | | |
| Distribution of dividends | | | | | -4,320,736 | -4,320,736 |
| Share issue | | | | | | 0 |
| Incentive system | | | | | 307,547 | 307,547 |
| **Transactions with shareholders, total** | **0** | **0** | | | **-4,013,189** | **-4,013,189** |
| **Equity on 30 Jun 2019** | **80,000** | **69,722,015** | **-2,054,850** | **2,183** | **101,372,117** | **169,121,466** |

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

## Hoivatilat Group
## Key figures

| EUR thousand | Group 30/06/2019 | Group 30/06/2018 | Group 31/12/2018 |
|---|---|---|---|
| Total revenue | 10,893 | 8,061 | 17,182 |
| Operating profit | 17,069 | 21,050 | 48,480 |
| Profit for the financial year | 12,298 | 15,957 | 37,003 |
| EPRA Earnings | 4,894 | 3,153 | 7,663 |
| Balance sheet total | 438,433 | 308,475 | 364,288 |
| EPRA NAV | 196,711 | 158,789 | 186,255 |
| EPRA NNAV | 169,121 | 140,913 | 161,937 |
| Equity ratio, % | 38.6% | 45.7% | 44.5% |
| Loan-to-value (LTV), % | 50.4% | 46.1% | 45.6% |
| Gearing ratio, % | 135.1 % | 98.8% | 98.2% |
| Return on equity, % | 14.9% | 23.6% | 25.4% |
| Earnings per share (undiluted), EUR | 0.48 | 0.63 | 1.46 |
| Earnings per share (diluted), EUR | 0.48 | 0.63 | 1.45 |
| Dividend per share, EUR | - | - | 0.17 |
| EPRA Earnings Per Share, EUR (EPRA EPS) | 0.19 | 0.12 | 0.30 |
| EPRA NAV per share, EUR | 7.74 | 6.24 | 7.28 |
| EPRA NNNAV per share, EUR | 6.65 | 5.54 | 6.37 |
| Net return (imputed), % | 6.12% | 6.30% | 6.15% |
| Value of the lease portfolio* | 490,701 | 383,075 | 426,953 |
| Average maturity of the lease portfolio (years) | 14.9 | 14.7 | 14.9 |
| Economic occupancy rate, % | 100% | 100% | 100% |
| EPRA vacancy rate | 0% | 0% | 0% |
| Number of shares adjusted for share issues at the end of the period | 25,416,095 | 25,439,229 | 25,439,229 |
| Average number of shares adjusted for share issues during the period | 25,423,636 | 25,389,383 | 25,414,511 |
| Average number of shares adjusted for share issues during the period, diluted | 25,566,827 | 25,415,592 | 25,491,042 |
| Number of employees at the end of the period | 21 | 19 | 19 |
| Average number of personnel during the period | 18 | 17 | 17 |

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

## Investment properties

The investment properties owned by the company are measured at fair value after their initial recognition. Properties with low completion rates are measured at acquisition cost. The fair value of properties has been determined by a third-party expert, Realia Management Oy, an authorised provider of valuation services. The statement issued by Realia Management on the estimated fair value of the investment properties on 30/06/2019 is available on the Hoivatilat website. At the end of the review period, the value of the investment properties stood at EUR 399.7 (301.6) million, of which completed properties represented EUR 347.3 (261.5) million, properties under construction represented EUR 49.9 (39.4) million, and properties measured at fair value due to their low level of completion represented EUR 2.5 (0.7) million. The value of building plots recognised as right-of-use assets in accordance with IFRS 16 was EUR 26.8 (0.0) million.

| | 1–6/2019 | 1-6/2018 | 1–12/2018 |
|---|---|---|---|
| **Fair value of investment properties at the beginning of the period** | **348,899,080** | **247,066,462** | **247,066,462** |
| Investments in properties under construction and in the start-up phase | 39,446,219 | 37,064,789 | 79,783,106 |
| Other investment property investments | 95,503 | 140,415 | 289,099 |
| Increase due to acquired properties | 1,634,836 | 1,303,010 | 1,379,446 |
| Decrease due to divested properties | 0 | 0 | -15,245,660 |
| Profits and losses from changes in fair value | 9,585,609 | 16,004,547 | 35,626,628 |
| **Fair value of investment properties at the end of the period** | **399,661,248** | **294,824,831** | **348,899,080** |
| | **30/06/2019** | **30/06/2018** | **31/12/2018** |
| Completed investment properties | 347,290,000 | 261,490,000 | 329,000,000 |
| Investment properties under construction | 49,852,782 | 39,417,545 | 18,360,223 |
| Investment properties in their start-up phase (measured at acquisition cost) | 2,518,466 | 671,678 | 1,538,857 |
| **Total** | **399,661,248** | **301,579,223** | **348,899,080** |

On 30 June 2019, the company had a contractual obligation to complete the investment properties that are under construction or in the start-up phase. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of around EUR 129 (94.5) million in the properties.

| Contingent liabilities | 30/06/2019 | 30/06/2018 | 31/12/2018 |
|---|---|---|---|
| **Property mortgages** | | | |
| Loans from financial institutions | 188,163,468 | 143,689,656 | 170,449,567 |
| Mortgages provided | 270,849,413 | 209,797,463 | 228,364,213 |
| **Mortgages total** | **270,849,413** | **209,797,463** | **228,364,213** |
| | | | |
| **Pledged property shares** | | | |
| Pledged investment properties | 279,905,864 | 174,118,190 | 244,584,100 |
| **Pledges total** | **279,905,864** | **174,118,190** | **244,584,100** |
| | | | |
| **Refund obligation related to value added tax on property investments** | | | |
| VAT refund obligation | 2,640,883 | 884,215 | 2,636,750 |
| | | | |
| **Interest rate swaps** | | | |
| Nominal value | 76,000,000 | 61,000,000 | 61,000,000 |
| Fair value | -2,568,562 | -761,498 | -1,188,674 |

| Business transactions with external related party companies | 1-6/2019 | 1-6/2018 | 1–12/2018 |
|---|---|---|---|
| Construction contracts invoiced by Rakennusliike Lapti Oy | 3,410,720 | 638,175 | 6,243,318 |
| The Group's trade payables to Rakennusliike Lapti Oy at the end of the period | | 0 | 948,842 |

* 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.

## New and amended standards and other changes in accounting principles applied during the period

IFRS 16 – Leases replaced IAS 17 from the beginning of financial period of 2019. Above all, the standard instructed reporting organisations regarding the method of treating leases in the lessee's financial statements, changed the definition of leasing and determined the principles for recording the leases in the balance sheet both as a right-of-use asset and as a lease liability. The application 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 from leases subject to the standard have been recognised as part of 'Investment properties' and 'Machinery and equipment'. The right-of-use assets recognised as part of investment properties consist Hoivatilat Group's building plot lease agreements. In turn, the right-of-use assets recognised as part of '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 has been valued by discounting the lease payment liabilities of the leases subject to the scope of the IFRS 16 standard to their present value using the company's management's view of the interest rate of incremental borrowing rate starting time of the lease. The lease expenses for land area leases are disclosed as part of the fair value changes of investment properties (comparable to straight-line depreciation) and as interest expenses determined by the incremental borrowing rate of each lease liability. For the right-of-use assets shown under 'Machinery and equipment', the impact on income is disclosed both in financial expenses and depreciation cost. With regard to the implementation of IFRS 16 Leases standard, Hoivatilat has applied a simplified approach and has therefore not adjusted the comparative information from corresponding reporting period. In addition, Hoivatilat has applied the recognition exemptions permitted by the standard and , hence has not applied the standard to leases having a period of less than one year or leases of minor value. These include, e.g. leases of certain pieces of office equipment.

### Impact of the implementation of IFRS 16 on reporting

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

| Income statement | 1–6/2019 |
|---|---|
| Changes in the fair value of investment properties | -331,364 |
| Depreciation | -39,134 |
| Other operating expenses | 347,901 |
| **Operating profit** | **22,597** |
| Financial expenses | -196,400 |
| **Profit before taxes** | **-218,997** |
| Deferred taxes | 43,799 |
| **Result for the period** | **-175,198** |
| **EPRA Earnings** | **89,893** |

| 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 |
| 30.6.2019 | 26,772,189 | 138,378 | 26,910,567 | 26,910,567 |

### Changes to calculation of key figures

When calculating Loan-to-value (LTV), both the right-of-use assets classified as investment properties, as well as lease liabilities related to these right-of-use assets, have not been taken into account. Thus, IFRS 16 ha no impact on LTV calculations as compared to earlier periods. The updated formula is as follows:

$$\text{Loan-to-value (LTV), \%} = \frac{\text{Financial liabilities - lease liabilities (IFRS 16) - cash and cash equivalents}}{\text{Fair value of investment properties – right-of-use assets classified as investment properties (IFRS 16)}} * 100$$

## Calculation formulas for key figures (other than EPRA key figures)

### Calculation formulas for key figures (IFRS)

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

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

### Calculation formulas for key figures (alternative key figures)

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

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

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

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

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

Loan-to-value (LTV), % = $\frac{\text{Financial liabilities – lease liabilities (IFRS 16) - cash and cash equivalents}}{\text{Fair value of investment properties – right-of-use assets classified as investment properties (IFRS 16)}} \times 100$

**Reconciliation calculations for certain key figures**

**Net return (imputed), %**

| *EUR thousand* | **30/06/2019** | **30/06/2018** | **31/12/2018** |
|---|---|---|---|
| Annualised rental income for the month of the financial statements | 22,499 | 16,640 | 21,467 |
| Predicted expenses for 12 months for properties generating rental income | -1,252 | -922 | -1,237 |
| Net rental income | 21,247 | 15,719 | 20,230 |
| Value of the investment properties generating rental cash flow for the month of the financial statements | 347,290 | 249,480 | 329,000 |
| **Net return (imputed), %** | **6.12%** | **6.30%** | **6.15%** |

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