



TERVEYSTALO GROUP FINANCIAL STATEMENTS BULLETIN 2018

RECORD YEAR, STRONG PLATFORM FOR GROWTH

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October–December 2018 in brief

- Revenue increased by 4.2 percent year-on-year to EUR 197.9 million (189.9)
- Adjusted* EBITDA increased by 11.9 percent year-on-year to EUR 32.5 million (29.1)
- EBITDA increased by 7.2 percent year-on-year to EUR 26.6 million (24.8)
- Adjusted* earnings before interest, taxes and amortization (EBITA) were 13.7 percent (12.6) of revenue
- Earnings before interest, taxes and amortization (EBITA) were 10.7 (10.3) percent of revenue
- Profit for the period amounted to EUR 10.1 million (6.1)
- Operating cash flow amounted to EUR 38.6 million (37.5)
- Earnings per share** were EUR 0.08 (0.05).

2018 in brief

- Revenue increased by 8.0 percent year-on-year to EUR 744.7 million (689.5)
- Adjusted* EBITDA increased by 17.9 percent year-on-year to EUR 108.9 million (92.4)
- EBITDA increased by 70.9 percent year-on-year to EUR 116.6 million (68.2)
- Adjusted* earnings before interest, taxes and amortization (EBITA) were 11.8 percent (10.6) of revenue
- Earnings before interest, taxes and amortization (EBITA) were 12.8 percent (7.1) of revenue
- Profit for the period amounted to EUR 68.7 million (7.2)
- Net debt increased by 61.2 percent to EUR 413.3 million (256.4)
- Net debt / adjusted EBITDA*** increased from 2.8 to 3.8
- Operating cash flow amounted to EUR 100.6 million (70.0)
- Earnings per share (EPS)** were EUR 0.54 (0.06).

EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization

EBITA = Earnings Before Interest, Taxes, and Amortization

**Adjustments are material items outside the ordinary course of business associated with acquisition-related expenses, restructuring-related expenses, gain on sale of assets, strategic projects including the IPO, new business operations, and other items affecting comparability. Adjustments totaled EUR 5.9 million in October–December and EUR -7.7 million in January–December.*

*** The effects of share conversion and share split have been taken into account in the weighted average number of shares.*

**** The indicator includes the effect of the acquisition of Attendo's Finnish health care operations on December 28, 2018 on net debt but not on EBITDA.*

Attendo's Finnish health care operations are included in the consolidated figures for the balance sheet and personnel as of 31 December 2018.

Yrjö Närhinen, CEO:

2018 was Terveystalo's fifth consecutive year of robust growth. It was another record year for us as Terveystalo grew in all key areas. Our revenue grew by 8 per cent to 745 million euros and our adjusted EBITA margin improved by 1.2 percentage points to 11.8 per cent. After many transformational projects, including the Diacor integration and our successful introduction to Helsinki Stock Exchange, our employees were again able to direct their focus on developing our core



business, enhancing our service delivery, and gaining efficiencies of scale. We have build a strong platform for growth. We saw broad scale growth in all customer groups and improved our financial performance in every quarter, while at the same time delivering superior customer experience to a record number of customers.

Broad scale development accross operations was one of our major successes in 2018. We managed to tap into pockets of growth while further improving our operational efficiency and quality. We are proud of our network, which runs efficiently round the clock—across Finland. I am also particularly delighted by the improvement in our customer satisfaction: Our Net Promoter Score, or NPS, increased to 71 in appointments and to 91 in clinic hospitals and customer satisfaction in remote services was record strong. Correct and effective treatment is the foundation of all our activities. We continuously develop and measure our clinical quality and effectiveness and have further expanded its reporting. In the Quality and Responsibility Book, published at the end of February, we report on the results of this work and explain in more detail how we manage quality and corporate responsibility in Terveystalo and the strategic importance of quality in our business.

Efficiency gains in our physical network have enabled us to invest heavily in digital services. Our cost-efficient solutions, such as remote appointments and other digital services, ensure that our customers have access to the service they want, regardless of time and place. Our capital expenditure in intangible assets will continue to grow as we further invest in our digital platform.

On top of strong performance in our core business, well-being and preventive services grew at a record pace. These services meet the changing needs of our customers and complement our comprehensive care chain. Oma Suunnitelma, our digital personal health management plan is a good example of a service that reflects our holistic approach. More than 170,000 individual health plans have been made since its launch in the end of 2017. In addition, we recruited a significant number of professionals and made multiple acquisitions in well-being services in order to support growing demand. We expanded our service range to massage therapy with Relo Group acquisition and introduced new types of partnerships. Our minority investment in Etsimo Healthcare, a company that develops a platform combining artificial intelligence, machine learning and health data, is an example of this.

Our public healthcare services grew in double digits. In addition to strong organic growth, the transformative acquisition of Attendo's Finnish health care operations which was completed in the end of the year was a major step in our evolution as Finland's leading private player in providing public healthcare services. We take our social role seriously and aim to be a long-term, reliable partner for society.

In 2018, we introduced a new mission: Fighting for a healthier life. This mission involves many important perspectives. The major health challenges facing our society, including lifestyle diseases such as diabetes and musculoskeletal disorders, as well as mental health issues, involve high costs for Finland. For our part, we aim to support holistic, preventive practices that help people stay as healthy as possible. Our objective is to harness our health care expertise to enable each individual to live a healthy life, while also serving as the highest quality health care partner in times of illness. This way, we continue to develop the Finnish health care system towards an individualized approach instead of one that is geared towards the system. We want to actively engage in social debate and continue to focus on quality in health care at the national and local levels.

At Terveystalo, we want to be a partner in health for all Finns and be present in individuals' everyday lives, independent of time and place. Our task is to repeatedly win our place in our customers' hearts and minds by working systematically and responsibly, with greater wisdom and transparency.

Naturally, our success is the end result of the dedicated work of our employees. Close to 10,000 health care professionals now work at Terveystalo, about half of whom are private practitioners. We were chosen as the most desired employer by both doctors and health care students for the sixth year in a row, and 93% of our employees were satisfied with Terveystalo as an employer. We are on the right track.

Urjo Närhinen, CEO

Outlook

Employment and consumer confidence remain at a high level in Finland, and the market environment is positive. If the health care and social welfare reform is delayed, demand in public outsourcings is expected to grow. Should the reform move forward it would enable private service providers to offer publicly funded health center services basically similar to the current services. Corporate customers keep up a steady demand, and the relative share of preventive services is increasing. Private customer demand remains likewise at a steady level but new capacity on the market decreases Terveystalo's revenue growth. This capacity growth has reached its peak, however. These views are based on the expected market development within the next six months, compared to the last six months.

In 2018, according to management estimate, after the acquisition of Attendo's Finnish health care operations Terveystalo Group's revenue would have been EUR 976.4 million and the profit EUR 72.4 million if the acquisition of business operations during the financial year had been included in the consolidated financial statements starting from January 1, 2018.

Key figures

EUR million	10-12/ 2018	10-12/ 2017	Change, %	2018	2017	Change, %
Revenue	197.9	189.9	4.2	744.7	689.5	8.0
Adjusted EBITDA*	32.5	29.1	11.9	108.9	92.4	17.9
Adjusted EBITDA, % *	16.4	15.3	-	14.6	13.4	-
EBITDA *	26.6	24.8	7.2	116.6	68.2	70.9
EBITDA, % *	13.4	13.1	-	15.7	9.9	-
Adjusted EBITA *	27.1	23.9	13.6	87.7	73.0	20.3
Adjusted EBITA, % *	13.7	12.6	-	11.8	10.6	-
EBIT	16.1	14.0	14.7	75.4	28.2	167.6
Net profit	10.1	6.1	65.4	68.7	7.2	> 200.0
Net debt				413,3	256,4	61,2
Net debt/adjusted EBITDA (last 12 months)* ***	-	-	-	3.8	2.8	-
Return on equity (ROE), %*	-	-	-	14.2	2.1	-
Equity ratio, % *	-	-	-	44.1	50.7	-

Gearing, %*	-	-	-	80.8	56.1	-
Earnings per share**	0.08	0.05	-	0.54	0.06	-
Operating cash flow	38.6	37.5	2.7	100.6	70.0	43.7
Personnel (end of period)	-	-	-	6,018	4,265	
Private practitioners (end of period)	-	-	-	4,877	4,431	
Number of working days	62	62	-	251	251	-

* Alternative performance measure. Additional information in note 14.

** The effects of share conversion and share split have been taken into account in the weighted average number of shares.

*** The indicator includes the effect of the acquisition of Attendo's Finnish health care operations on December 28, 2018 on net debt but not on EBITDA.

Diacor is included in the consolidated figures for the comparison period for the balance sheet and personnel as of March 31, 2017.

Attendos Finnish health care operations are included in the consolidated figures for the balance sheet and personnel as of 31 December 2018.

Market review

The health care services market remained stable throughout the reporting period. The steady development of the Finnish economy, improved employment rate, and good consumer confidence all contributed to steady demand in the corporate and private customer groups in the review period. Increased clinic and hospital capacity in private health care has created intense competition, especially in Finland's major cities, with the exception of the Helsinki metropolitan area. Significant capacity growth has stalled, however, and the demand for Terveystalo's services has remained strong.

The Government proposal on the health care and social welfare reform is still being reviewed by the Constitutional Law Committee. The Constitutional Law Committee decides whether legislative proposals are in line with the Constitution of Finland. Then, the legislative proposals are returned to the Social Affairs and Health Committee which reviews them and then submits them to Parliament's plenary session for approval. The last plenary session before the parliamentary elections will be held on March 15, 2019. Therefore, it is not yet certain whether the proposed reforms will be approved and carried out. The next parliamentary elections will be held on Sunday, April 14, 2019.

The proposed solution would enable private service providers to offer publicly funded health center services basically similar to the current services. The provider of direct-choice services (provided at health and social services centers) would be paid a so-called capitation payment, on a similar basis as a publicly owned health and social services center. A capitation payment is a fixed amount of money that the county pays per each patient listed as a customer of a health and social services centre and an oral health unit. The size of the payment depends on the customer's age, sex, socioeconomical factors and need for care, etc. According to Terveystalo's assessment, this would provide Terveystalo with the opportunity to increase business in its area of core expertise by utilizing its existing network without significant further investments.

If the proposed health care and social welfare reform is postponed, demand is expected to grow in various partial and comprehensive outsourcing settings, especially if the act restricting the outsourcing of social and health services by municipalities and municipal federations is removed.

With the most extensive network of clinics and hospitals, the public sector outsourcing expertise of the acquired Attendo's health care operations in Finland and the occupational health care customer base, the company nevertheless expects to be able to continue its strong performance even in the current market structure and to be an attractive partner for various customer groups.

Group revenue

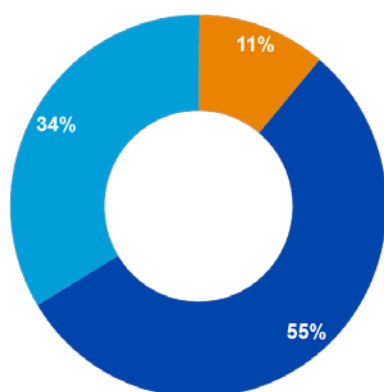
Terveystalo's **revenue for the fourth quarter** increased by 4.2 percent, amounting to EUR 197.9 (189.9) million. Increased demand for Terveystalo's services supported the revenue growth. Terveystalo's competitiveness was reflected in the stable insurance sales, high utilization rates, and the increased number of physicians. Tighter competition and increased capacity decreased the number of Terveystalo's physician appointments by approximately 3 percent. As a whole, the number of appointments made with other professional groups increased significantly, however. Significantly increased revenue from public customers had a large impact on revenue growth in the third quarter.

The full year revenue increased by 8.0 percent year-on-year to EUR 744.7 million (689.5). The Diacor acquisition made in the first quarter of 2017 contributed significantly to revenue growth year-on-year as its full impact is included in 2018 revenue while 2017 revenue included Diacor for nine months.

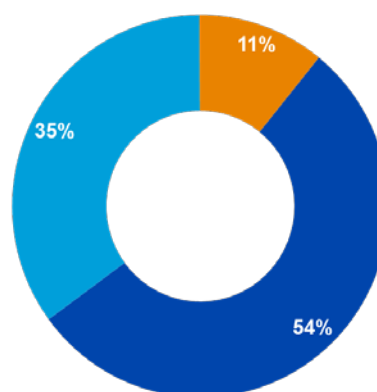
	EUR million	10–12/2018	10–12/2017	Change, %	2018	2017	Change, %
Corporate customers		109.3	105.8	3.3	402.7	372.1	8.2
Private customers		66.8	67.0	-0.2	260.7	253.8	2.8
Public sector customers		21.8	17.2	27.1	81.2	63.6	27.6
Total		197.9	189.9	4.2	744.7	689.5	8.0

Revenue by payer group

Q4 revenue by customer group, %



2018 revenue by customer group, %



■ Corporate ■ Private ■ Public

Corporate customers

Corporate customers constitute Terveystalo's largest customer group. Terveystalo's corporate customers consist of the company's occupational health care customers, excluding municipal occupational health care customers. The company provides statutory occupational health services and other occupational health and wellbeing services for corporate customers of all sizes.

Terveystalo is the largest provider of occupational health care services in Finland in terms of revenue and number of end-users. Terveystalo provides occupational healthcare services for over 23,000 companies, and in 2018, the company provided occupational health services for a total of approximately 670,000 customers.

Revenue for the fourth quarter from corporate customers increased by 3.3 percent, amounting to EUR 109.3 (105.8) million, without being significantly affected by acquisitions. Sales of preventive* occupational health services and well-being services** developed favorably, and the number of administered influenza vaccines increased by 20%, for example. The demand for illness-related appointments decreased. There was no significant change in the number of occupational health care end customers when compared to the reference period.

The growth of preventive services is supported, for example, by My Health Plan, the new digital health and treatment plan launched last spring, with as many as approximately 170,000 plans already prepared. Also the demand for digital services showed strong growth.

The full year revenue grew by 8.2 percent, amounting to EUR 402.7 (372.1) million. The acquisition of Diacor in March 2017 again contributed significantly to revenue growth. In addition, the favorable development of preventative occupational health services promoted revenue growth. Sales of well-being services and digital services increased substantially as well.

**The statutory task of occupational health care is to prevent work-related adverse health effects. Preventive services include, for example, workplace surveys to examine the conditions and exposures at the workplace; health examinations; suggested measures to improve work conditions and to promote the employees' ability to work; guidance and counseling; participation in the planning and implementation of measures that maintain work ability; promotion of coping at work and, when necessary, referrals to rehabilitation in case of reduced work ability; guidance in first aid preparedness at the workplace; and assessment and monitoring of the quality and impact of occupational health care activities.*

***Well-being services include, for example, physiotherapy, mental well-being services (psychologists and psychotherapists), nutritional therapy, work ability coaching and massage services at Rela hierojat (Terveystalo's subsidiary).*

Private customers

Private customers are Terveystalo's second-largest customer group. Private customers include private individuals and families. The company's strong brand, easy access to services without long waiting times, extensive service portfolio for private customers, families, and senior citizens, and personalized digital services give Terveystalo a competitive edge over public health care services and encourage customers to invest in their own health. Services for private customers are paid for either by the customers themselves or by their insurance companies.

Revenue for the fourth quarter from private customers remained unchanged from the previous year at EUR 66.8 (67.0) million. The fourth quarter witnessed stable demand, and the amount of private services used by occupational health customers remained at the level of the reference period. New hospitals and clinics have increased the capacity and thus the competition especially in larger cities, with the exception of the Helsinki metropolitan area. Regional differences remain substantial. The utilization rates of Terveystalo's physicians' appointment services nevertheless remained exceptionally high during the fourth quarter, but the number of physician appointments offered showed a year-on-year decrease. The number of physicians who have a contractual relationship with Terveystalo increased slightly, however, and the number of appointments offered by Terveystalo decreased relatively less than the capacity increased. Sales of diagnostic services remained at the same level as last year. Strengthened insurance company referral lowered the volume of surgical services. Strong demand for well-being and digital services and the acquisitions in well-being business increased the revenue, however.

The full year revenue grew by 2.8 percent, amounting to EUR 260.7 (253.8) million. The factors contributing to revenue growth during the review period included, organic growth, the expansion of the oral health service network and supply, and acquisitions. The expansion of the network of oral health services increased revenue to a lesser extent. The full contribution of Diacor acquisition is also included in 2018 revenue.

Public sector customers

Terveystalo's public customer group is made up of Finnish public sector organizations, such as municipalities, municipal federations, and hospital districts, as well as municipal occupational health care customers. Terveystalo's broad nationwide platform, digital offering, good reputation, and established brand, as well as its thorough expertise and experience in health care services throughout the chain of care, make Terveystalo an attractive partner for the public sector. Terveystalo's services for public sector customers are mainly financed by municipalities and government budgets.

The **fourth quarter** witnessed **strong growth in revenue from public customers**. Revenue grew by 27.1 percent, amounting to EUR 21.8 (17.2) million. The increase in revenue was particularly supported by new outsourcing contracts in Lumijoki and Tervola, and specialized care outsourcing at Iisalmi Hospital. Revenue from service sales and municipal occupational health services remained at the same level as in the previous year.

Terveystalo is participating in freedom of choice pilots in Ylä-Savo (Iisalmi, Sonkajärvi, Vieremä, Kiuruvesi), Central Uusimaa (Hyinkää, Järvenpää, Mäntsälä), Hämeenlinna, Jyväskylä, Lahti and Kuopio. The number of freedom of choice experiments and the revenue derived from them increased substantially year-on-year.

The full year revenue grew by 27.6 percent, amounting to EUR 81.2 (63.6) million.

Financial performance

Adjusted EBITDA for **the fourth quarter** increased by 11.9 percent year-on-year to EUR 32.5 million (29.1). The increase in adjusted EBITDA was mainly due to increased revenue, improved operational efficiency and the cost synergies from the integrations. Material costs and the volume of purchased services increased in line with revenue. Investments in digitalization, outsourcing business and remote services increased personnel costs by 5.8%.

Despite the shift of the sales mix towards more personnel intensive preventive, well-being and outsourcing services, adjusted EBITDA represented 16.4 (15.3) percent of revenue. EBITDA increased by 7.2 percent year-on-year to EUR 26.6 (24.8) million. Earnings before interest, taxes and amortization (EBITA) relative to revenue increased by 0.4 percentage points, to 10.7 (10.3) percent.

Operating profit for the fourth quarter amounted to EUR 16.1 million (14.0), and profit before tax was EUR 13.9 (4.4). Profit for the period was EUR 10.1 (6.1) million, and earnings per share was EUR 0.08 (0.05).

Transaction costs for the Attendo acquisition, EUR 5.5 million, affected the comparability of EBITDA and EBITA in the review period. Extraordinary items related to the initial public offering (IPO), a total of EUR 4.3 million, affected the result for the comparison period.

Adjusted EBITDA for **the full year 2018** increased by 17.9 percent year-on-year to EUR 108.9 million (92.4). The increase in adjusted EBITDA was mainly due to increased revenue, improved operational efficiency and the cost synergies from the integrations of Diacor and Porin Lääkäritalo. Adjusted EBITDA represented 14.6 (13.4) percent of revenue.

EBITDA for the full year increased by 70.9 percent year-on-year to EUR 116.6 (68.2) million. Earnings before interest, taxes and amortization (EBITA) relative to revenue increased by 5.7 percentage points, to 12.8 (7.1) percent.

Costs related to acquisitions and restructuring and capital gains from the sale of shares in subsidiaries and other entities affected the comparability of EBITDA and EBITA in 2018. Terveystalo recognized a capital gain of EUR 16.1 million during the period, primarily from the sale of Ava Clinic and the real estate in Pori. Terveystalo's operating profit more than doubled and amounted to EUR 75.4 (28.2) million.

In 2018, the net financial expenses decreased by 61.9 percent, mainly due to refinancing arrangements made in conjunction with the IPO, and amounted to EUR -9.2 (-24.1) million. Financial expenses for the comparison period included the remaining financial expenses of previous bank loans recognized in conjunction with the IPO, EUR 7.2 million, allocated over the term of the loan using the effective interest rate method. Operating cash flow increased 43.7%, amounting to EUR 100.6 million (70.0). The growth was mainly due to improved profitability and more efficient net working capital management.

The cash flow from investing activities more than doubled to EUR -224.4 (-102.7) million due to the Attendo acquisition. The acquisitions of subsidiaries and businesses accounted for EUR -229.8 (-81.6) million. Cash flows related to the sale of subsidiaries allocated to the review period accounted for EUR 24.1 (0) million.

In 2018, cash flow from financing activities amounted to EUR 127.6 (26.5) million. This cash flow included the long-term loan for financing the Attendo acquisition, EUR 160.0 million, and a short-term loan of EUR 10 million. In addition, the cash flow includes cash flows of EUR -6.7 million (0) related to acquisitions of own shares.

Terveystalo's full-year profit before tax was EUR 68.2 (3.9) million. Following the completion of a tax audit, Terveystalo recognized EUR 13.0 million in deferred tax assets based on outstanding tax losses in the first quarter, with a non-recurring positive effect on the result. Unused tax losses amounting to EUR 77.6 million have been used during the financial year, resulting in EUR 15.5 million in income tax expenses due to decrease of deferred tax assets. Profit for the review period was EUR 68.7 (7.2) million and earnings per share was EUR 0.54 (0.06).

Group's financial position

Terveystalo's liquidity position is good. Cash and cash equivalents at the end of the period amounted to EUR 36.9 million (EUR 33.0 million in December 2017). Total assets of the Group amounted to EUR 1,162.3 million (EUR 902.3 million in December 2017). The growth was mainly attributable to the allocation of the purchase price to intangible assets in connection with the Attendo acquisition and the goodwill generated by the acquisition.

Deferred tax assets are recognized from unused tax losses to the extent that is probable that future taxable profits will be available against which the losses can be used. Unused tax losses amount to EUR 11.4 (89.0) million, of which deferred tax assets has been fully recognized in consequence of concluded tax audit.

Equity attributable to owners of the parent company totaled EUR 511.7 (457.3) million. The growth was mainly attributable to items related the sales of subsidiaries and to improved profitability.

Gearing at the end of the review period was 80.8 (56.1) percent, and net interest-bearing debt amounted to EUR 413.3 (256.4) million. The consolidated balance sheet includes the combined balance sheets of the Finnish health care operations of Attendo acquired at the end of December. It also includes the long-term loan of EUR 160 million and the short-term loan of EUR 10 million drawn for financing of the purchase price.

At the end of the reporting period, return on equity was 14.2 (2.1) percent and equity ratio 44.1 (50.7) percent. Following the completed tax audit, the profit for 2018 includes fully recognized deferred tax assets of EUR 13.0 million relating to outstanding tax losses carried forward.

Seasonal variation and the impact of the number of business days

Terveystalo's revenue has typically been lower during the holiday seasons, particularly in July and August. The number of business days has an effect on revenue and earnings development, particularly when comparing quarterly performance. Due to the seasonal nature of business, the required net working capital varies during the year and the company's net working capital decreases toward the end of the year. Variation is due to the timing of pension and VAT payments, vacation pay obligations and service fees related to occupational health care, etc.

Investments and acquisitions

Net investments for 2018, including M&A, amounted to EUR 236.1 (204.3) million. This was mainly attributable to the acquisition of the Finnish health care operations of Attendo at the end of December. The Group's net cash capital expenditure, excluding M&A, was EUR 17.7 (16.3) million and the corresponding non-cash capital expenditure EUR 9.9 (12.9) million. These investments consisted mainly of investments in digital applications as well as investments in service development, medical equipment and the network. The relative share of intangible investments in gross investments increased, whereas the number of investments in devices, equipment and improvement of real estates fell, respectively.

Net investments related to acquisitions totaled EUR 208.5 (175.1) million. Terveystalo has made several acquisitions in 2018:

- In January, the company acquired the business operations of Hammas Jaarli Oy. In February–March, Terveystalo strengthened its network by acquiring the Naantali-based Naantalin Yksityislääkärit Oy as well as Juha Uusimäki Oy (Lääkäriasema ILO), which operates in Tuuri and Vimpeli. In the second quarter, the company sold the entire share capital of Porin Linnankulma Mutual Real Estate Company.
- In the third quarter, Terveystalo acquired the entire share capital of Fysiatrinen osaamiskeskus Prima Oy. Fysiatrinen osaamiskeskus Prima Oy is a private provider of physiotherapy services. In addition, the agreement to acquire Jämsä unit of Jämsän Fysikaalinen Hoitolaitos Oy acquisition, signed by Terveystalo in June, was implemented at the end of September. Terveystalo also sold the entire share capital of Ava Clinic, a Riga-based subsidiary, in the third quarter. In August 2017, Terveystalo gave up its assisted reproduction business in Finland, and selling of the Ava Clinic marked the end of the company's fertilization business.

During the fourth quarter, Terveystalo acquired several companies to supplement its business operations particularly in the area of well-being business. It acquired the operations of the Rela companies (Rela-hierojat Oy, Hierojakoulu Relaxi Oy, and Rela-Group Oy); operations of Fysiatrinen osaamiskeskus Prima Oy, a provider of physiotherapy services; operations of ONNI hammas dental

clinic in Porvoo; operations of Puistosairaalan Silmälääkärit Oy and Jyväskylän Silmätutkimuslaboratorio Oy; as well as the operations of Kuntoutumisasema Ote Oy in Forssa and Tampere. In addition, the company acquired 20% of Etsimo Healthcare Oy.

Terveystalo completed the acquisition of Attendo's Finnish Health Services at the end of December, and the combined operations started on January 2, 2019.

The investments in the comparison period included the acquisition prices of Porin Lääkäritalo group and Diacor group, which affected cash flow, as well as EUR 93.9 million in non-cash capital expenditure related to the Diacor acquisition.

Attendo's Finnish Health Services








Attendo's Finnish Health operations include primary health care, specialist care, personnel services and oral care. Approximately half of the revenue comes from outsourcing in the public sector and oral health: Seven full outsourcings under the "Kuntaturva" brand, a system where Attendo assumes full responsibility for the social and health services of a municipality, and 15 outsourced health care centers and oral health units. Attendo's Finnish Health operations is a market leader in outsourcing of the public sector, thanks to its high-quality and cost efficient operations. In 2017, revenue from the personnel services amounted to EUR 78 million. The rest of the revenue is divided between private oral health services and occupational health services. In 2017, approximately 85% of the offered services were publicly financed. The personnel services consists of approximately 2,600 health care professionals, i.e. physicians, specialists and dentists.

In the future, outsourcing of health services and personnel services will be reported under the revenue of public customers. The rest of the revenue is divided between private oral health services and occupational health services. The integrations are proceeding as planned. The oral health services and the occupational health business are planned to be integrated during the spring and other businesses are planned to be integrated during the rest of 2019.

In 2018, according to management estimate, Terveystalo Group's revenue would have been EUR 976.4 million and the profit EUR 72.4 million if the acquisition of business operations during the financial year had been included in the consolidated financial statements starting from January 1, 2018.

The most important quality and responsibility targets and results

In 2018, customer satisfaction and accessibility of services at Terveystalo improved considerably from the previous year. We developed preventive care by way of the revised electronic Oma Suunnitelma plan and by expanding our well-being service range, for example. Terveystalo was chosen as the most attractive employer in the sector for the sixth time in a row. Nearly 93 percent of employees were satisfied with Terveystalo as a workplace.

QUALITY PROMISE	TARGET	INDICATOR	YEAR 2018	YEAR 2017	ACHIEVEMENT LEVEL
CUSTOMER EXPERIENCE QUALITY					
Service recommended by customers	Appointment NPS at least 70 Hospital services NPS at least 91	NPS, appointments NPS, hospital services	70.9 91.0	66.9 88.3	
CLINICAL QUALITY					
Quick access to care	Next free appointment time is available on the same day (physicians)	The third next free appointment time (T3), the total network average	0.70	0.60	
We promote health	Personal health plan is prepared in connection with a health examination	% of health examinations in connection of which a personal health plan is prepared	50%	new KPI	
PERSONNEL					
The best workplace for professionals	The most attractive employer in the industry	Physicians' employer image survey by Mediutiset	The most attractive employer brand in the healthcare sector	The most attractive employer brand in the healthcare sector	
Personnel's wellbeing	Sickness absences below the general average	Sickness absences	3.9%	3.7%	
Personnel's wellbeing	More than 90 percent of employees are satisfied with Terveystalo as a workplace	Job satisfaction	92.7 %	92.4%	
Personnel's wellbeing	Accident occurrence rate below 39, the sector average	Accident occurrence rate	26	23	
Evolving workplace		Number of training hours	2,154 hours	1,165 hours	
Equal workplace	No discrimination cases	Discrimination cases	No discrimination cases	No discrimination cases	

The most important commitments, policies and principles

Terveystalo's operations are based on Terveystalo's values and mission. Work is guided by Terveystalo's strategy, operating principles and Code of Conduct aimed for the personnel and partners. Key group policies that guide Terveystalo's operations include, for example, a risk management policy, a financing policy, a data protection policy, an information security policy and a security policy. Terveystalo's management is described on the company's website and in the Corporate Governance Statement, included in the Annual report to be published in week 9.

Terveystalo's acquisitions are based on the ethical principles for Terveystalo's purchase operations. In its operations, Terveystalo has committed to supporting UN's sustainable development goals. In line with Terveystalo's human rights commitment, the company respects all internationally recognised human rights.

Terveystalo's quality and responsibility management consists of six areas: Clinical quality, Experienced quality, Operational efficiency, Ethical practices, Personnel and the society.

Clinical quality

The quality and effectiveness of services are at the core of Terveystalo's strategy, and improvement of quality is based on Terveystalo's Quality Triangle of clinical, operational and experienced quality. Patient safety is the foundation for clinical quality. Everyone working at Terveystalo is obliged to comply with Terveystalo's guidance and practices that support patient safety and quality. At

Terveystalo, patient safety is monitored using key indicators. These are patient injury reports, compensated patient injuries, notifications and complaints, as well as audit nonconformities and incidents related to patient safety and data protection. Development of clinical quality is reported in the Quality and Corporate Responsibility Book, to be published in week 9.

Experienced quality

As a private provider of health services, Terveystalo's task is to create health value for its customers and to produce value for money. As a result, measuring customer satisfaction is of utmost importance and a decrease in customer satisfaction is an important business risk. Terveystalo gathers customer feedback on an ongoing basis and measures customer satisfaction during various steps of the customer path and in different channels. Customer feedback helps us to constantly improve the customer experience. The Company also promotes dialogue between the patients and the medical staff by training its personnel in the field of customer service and communication and by developing new channels for patient communication. The Net Promoter Score (NPS), an indicator of the customer experience, improved in all of the measured areas. The NPS trend for appointments and hospitals was positive: the NPS for appointments clearly improved and was 70.9 (66.9), and the NPS for hospital services reached a record high of 91 (88.3). New areas to measure were added during the year to oral health services and screening, for instance. Targeted NPS measurements were also systematically used for the management of digital development projects.

Operational efficiency

Terveystalo continuously creates new, more efficient ways of working and applies best practices in all of the Company's clinics. Developing operational quality is based, among other things, on streamlining processes and utilizing digitalisation. Streamlined processes ensure the smart allocation of resources and the reliability of operations. All services provided by Terveystalo are supported by comprehensive and certified quality management system. Operational quality aims to support the quality of care, patient safety and customer experience. The most important measures in 2018 included the implementation of the synergies from the Diacor acquisition, improvement of the efficiency of purchase operations, and optimization of our service supply through process design.

Ethical practices

The Code of Conduct helps to ensure that everyone working at Terveystalo shares the same values and principles that guide their daily work. The personnel of the entire Terveystalo Group is required to comply with the Code of Conduct and participate in e-training concerning the Code of Conduct. Internal audit of Terveystalo Group verifies and ensures that the company's management, internal control, risk management and corporate governance structure are functional and efficient.

The personnel can ask questions and give feedback in their own unit but also directly to the senior management through Terveystalo's Whistle blowing channel, for example. Feedback can be given as yourself or anonymously.

Terveystalo's Supplier Code of Conduct was introduced in the fall of 2018, and it is already widely used in the standard agreements of Terveystalo Group. In accordance with Group guidelines, contractual clauses on the Supplier Code of Conduct must be included in agreements under which the companies of Terveystalo Group acquire products and services from external suppliers. In 2018,

no cases related to cases of misconduct or malpractice were brought to the attention of the company.

Personnel

The number of Terveystalo's employed staff increased significantly after the acquisition of Attendo's Finnish Health Services and on December 31, 2018 amounted to 6,018 (4,265). The number of private practitioners increased as well to 4,877 (4,431) at the end of the review period.

Terveystalo's personnel policy, equality and non-discrimination policy, Code of Conduct and common operating principles guide human resource management at Terveystalo. Goal setting, performance management, personnel development and rewarding are based on knowledge based management. Recruiting is based on needs, accepted resource plan and identified change programs. The most suitable person is selected for each position, and external assessment is used when filling certain positions.

The personnel's satisfaction and well-being at work is measured, and the results are used to create development measures on different organization levels. Proactive management of the personnel's well-being at work and work ability aims to reduce the number of sickness absences and to prevent occupational accidents and disability pensions.

Job satisfaction at Terveystalo was excellent, and 92.7% (92.4%) of the employees were satisfied with Terveystalo as a workplace. For the fifth year in a row, physicians and healthcare students rated Terveystalo as the most appealing employer in a survey carried out by Mediutiset and Universum Finland. The number of sickness absences was almost unchanged from the previous year, 3.9 (3.7), clearly below the general average. In 2018, also the Lost Time Injury Rate (LTIR), an indicator of accident rate, was 26 (23), i.e. clearly below the national average (LTIR 39).

Society

Private healthcare has a vital role in the society and it supplements public services by providing fast access to care and timely and effective services. Terveystalo plays a significant role in ensuring the availability of health services; in 2018, approximately 3.5 million physician visits took place at Terveystalo and on average, the next physician's appointment was available on the same day. In addition, Terveystalo is responsible for the occupational health care of approximately 700,000 working-age Finns and, consequently, of the work ability of Finns and the competitiveness of companies. Terveystalo actively cooperates with other operators to promote the wellbeing of citizens and to solve social challenges related to healthcare through, for example, improving access to care and cost-efficiency. In 2018, Terveystalo improved the availability and cost-effectiveness of services by, among other things, offering over 94,000 remote appointments. Terveystalo wants to shift the emphasis from curing illnesses to identifying risk groups and providing preventive care. It also wants to help the customers to make choices that promote their wellbeing. Designed to monitor and develop the health and well-being of the customer, the Oma Suunnitelma, a personal health plan, is an example of Terveystalo's unique, preventive service. The digital plan launched at the end of 2017 has already been implemented for more than 170,000 individuals. Terveystalo also attempts to utilize the health data recorded in its patient database for the benefit of the Finnish society and the public health.

Work left undone costs the Finnish companies and society approximately EUR 6.4 billion a year. (Tekemättömän työn vuosikatsaus 2018, Annual review 2018 of the work left undone) in 2017, disability cost Finnish major companies approximately EUR 2,735 per person-year. In medium-sized

companies, the average cost of work left undone is higher than in major companies. Management of the ability to work allows for savings of several millions and lengthens careers.

Since 2014, Terveystalo has offered the Terveystalo Cost Analysis service for medium-sized and large employers. It provides a big picture of the development of costs related to work left undone and the related savings potential. With Terveystalo's cooperation model and tools, the costs of work left undone have been decreased by up to 2,5 percentage points, which corresponds to EUR 1,080 per man-year.

One in two Finns suffers from mental health problems at some point of their life. Sickness absences caused by mental health problems have increased in recent years in all age groups. Among Terveystalo's customers, mental health problems are the fourth most common reason for seeking medical care and the second most common reason for sickness absence. Terveystalo has invested heavily in developing mental well-being services and improving access to them to lower the threshold for seeking care. In 2018, we have strengthened our network of psychologists and psychotherapists, and preventive and care services are available for patients of all ages both face-to-face and through digital channels. In 2018, Terveystalo launched low-threshold chat services called Mielen chat (mental chat) and Mielen Sparri (mental sparring).

The environment

Some of Terveystalo's clinics have the ISO 14001:2015 Environmental Management System certificate. In 2018, Terveystalo Porin Lääkäritalo and Terveystalo Rauma updated their certificate to comply with the ISO 14001:2015 environmental certificate. Terveystalo's environmental policy and program guide the operations of all Terveystalo Group's units and meet the requirements of the environmental certificate. Terveystalo's key partners are expected to respect the principles of environmental management. Terveystalo's most significant direct environmental impacts include emissions caused by the production of electricity and thermal energy, and the waste produced in hospitals and clinics. Terveystalo combats climate change by improving energy efficiency, reducing the amount of hazardous waste and mixed waste and promoting recycling of waste.

In 2018, environmental responsibility was one of the key priorities of quality, and indicators and goals were defined for its monitoring. Effectiveness is assessed by, for example, energy and paper consumption, material waste, utilization rate of premises, and the quantities of different types of waste. The network's environmental awareness was promoted with training, and the clinics specified their respective measures in accordance with Terveystalo's environmental policy. In 2018, Terveystalo's electricity consumption was 7,561,728 kWh, decrease of approximately 4 percent compared to 2017. The reported electricity consumption covers about 65% of the units. The amount of hazardous waste was 25.7 tonnes, an increase of approximately 6% in relation to the number of customer visits since 2017 due to improved recycling. Respectively, the amount of mixed waste was 58 tonnes and was 11.5% lower than in the previous year. Together with Lassila & Tikanoja, Terveystalo implemented a plastic recycling pilot with excellent results. The aim is to extend the pilot to all hospital clinics during spring 2019 and later to all clinics. In 2019, Terveystalo will go through the opportunities and means for improving energy efficiency within the framework of the environmental program and will set targets accordingly.

Shares, shareholders and Board's authorizations

At the end of December 2018, Terveystalo's market value was EUR 1,028 million (1,138) and the closing price was EUR 8.03 (8.90). In 2018, the highest price of Terveystalo's share on Nasdaq Helsinki Ltd was EUR 11.40 (10.60), the lowest price EUR 6.98 (8.70) and the average price EUR 9.61 (9.81). In 2018, a total of 36.8 million shares were traded (93.6). At the end of the reporting period, the number of Terveystalo shares registered in the Trade Register was 128,036,531. The following tables list the largest shareholders, distribution of ownership and owner groups.

The largest registered shareholders on December 31, 2018

Name	Number of shares	% of shares	Votes	% of votes
Varma Mutual Insurance Company	22,151,945	17.3	22,151,945	17.3
Rettig Group AB	21,153,191	16.5	21,153,191	16.5
Hartwall Capital	14,431,690	11.3	14,431,690	11.3
Helsinki Deaconess Institute Foundation	13,470,705	10.5	13,470,705	10.5
Ilmarinen Mutual Pension Insurance Company	5,686,888	4.4	5,686,888	4.4
Elo Mutual Pension Insurance Company	5,122,951	4.0	5,122,951	4.0
Mandatum Life Insurance Company	3,110,281	2.4	3,110,281	2.4
Investmentfund OP-Suomi	2,423,907	1.9	2,423,907	1.9
ODCO OY	1,225,000	1.0	1,225,000	1.0
Mandatum Life	1,131,417	0.9	1,131,417	0.9
Ten largest, in total	89,907,975	70.2	89,907,975	70.2

The list is based on the share register, and it does not include nominee-registered shares.

According to its own notification and its custodian's notification, **Lannebo Fonder** owns a total of **5,160,240** shares, which corresponds to **4.0%** of all shares.

Yrjö Närhinen owns a total of **1,316,459** shares, which corresponds to **1.0%** of all shares. His ownership consists of 556,353 shares held by Närhinen pesä Oy, which he controls, and 760,106 shares held by Mandatum Life Insurance Company Limited, Mr. Närhinen being the ultimate beneficiary.

Distribution of ownership, December 31, 2018

Number of shares	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1–100	5,472	34.8	351,565	0.275	351,565	0.275
101–500	7,792	49.5	1,931,173	1.508	1,931,173	1.508
501–1,000	1,323	8.4	1,045,605	0.817	1,045,605	0.817
1,001–5,000	885	5.6	1,847,827	1.443	1,847,827	1.443
5,001–10,000	94	0.6	677,326	0.529	677,326	0.529
10,001–50,000	97	0.6	2,063,224	1.611	2,063,224	1.611
50,001–100,000	24	0.2	1,726,787	1.349	1,726,787	1.349
100,001–500,000	35	0.2	7,097,949	5.544	7,097,949	5.544
500,001–	23	0.1	111,293,539	86.923	111,293,539	86.923
Total	15,745	100	128,034,995	99.999	128,034,995	99.999
of which nominee-registered	9		12,947,011	10.112	12,947,011	10.112
Non-transferred, total	0		0	0.000	0	0.000
In general account			1,536	0.001	1,536	0.001
In special accounts, total			0	0.000	0	0.000
Total issued			128,036,531	100.000	128,036,531	100.000

Shareholder groups, December 31, 2018

Shareholders by sector	Number of shares	% of shares
Households	7,687,875	6.76
Public entities	34,607,970	30.42
Financial and insurance institutions	14,662,040	12.89
Companies	19,837,050	17.43
Non-profit institutions	15,234,840	13.39
Foreign owners	21,752,139	16.99
Total	113,783,790	100.00
In general account	1,536	0.00
Of which nominee-registered	12,947,011	10.112

Notifications of major shareholdings

In 2018, Terveystalo received 3 notifications of major shareholdings.

According to a notification received by Terveystalo Plc, a transaction on December 17, 2018, reduced the total holdings in Terveystalo shares and votes held by Ilmarinen Mutual Pension Insurance Company decreased to 4.44% (5,686,888 shares) of the outstanding shares in Terveystalo.

According to a notification received on May 21, 2018, by Terveystalo, the total holdings in Terveystalo shares and votes indirectly held by Rettig Capital Oy Ab (directly held by Rettig Group AB increased to 16.52 percent (21,153,191 shares) of all of the outstanding shares in Terveystalo.

According to a notification received by Terveystalo, the total holdings in Terveystalo shares and votes indirectly held by EQT VI Limited (directly held by Lotta Holding I S.à r.l. ("Lotta Holding")) decreased to zero on May 21, 2018, as a result of a transaction whereby Lotta Holding sold its entire holding of 14,510,320 shares in Terveystalo.

Shareholders' agreements

Terveystalo is not aware of any shareholder's agreements regarding the ownership of the Company and voting rights.

Share-based incentive schemes and the Board's authorizations

In November 2017, the Company announced a new long-term incentive scheme, which came into effect on January 1, 2018.

The incentive scheme consists of three performance periods, the calendar years 2018, 2019 and 2020. The Board of Directors decides on the performance criteria and the required performance levels for each criterion at the beginning of each performance period.

During the performance period 2018, the plan offered the key employees the possibility to earn rewards based on the Company achieving the required operational targets and Total Shareholder Return (TSR) levels. No rewards were paid for the performance period 2018.

The Board has been authorized to resolve on the repurchase of the company's own shares using the unrestricted equity of the company. The authorization covers a maximum of 12,803,653 own shares in total, which corresponds to approximately 10 per cent of the company's currently registered shares.

The Board has also been authorized to resolve on the issuance of shares and special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorization covers of a maximum of 25,607,306 shares in total, which corresponds to approximately 20 per cent of the company's currently registered shares. The authorization can be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing share-based incentive plans or the payment of the annual remuneration payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

In its July meeting, the Board made a decision concerning the acquisition and management of Terveystalo Plc's shares with Evi Awards Management Oy, in accordance with the section of the Limited Liability Companies Act concerning incentives and financing the acquisition of company shares. For this arrangement, EAM established EAM TTALO Holding Oy (a holding company) to purchase Terveystalo's shares financed by Terveystalo, in accordance with the agreement. The shares are used as part of Terveystalo's share-based incentive system, in accordance with the terms of the system. During the review period, EAM TTALO Holding Oy acquired 730,000 Terveystalo's shares.

Dividend Policy and distribution of profits proposed by Members of the Board

The aim of Terveystalo's Dividend Policy is to distribute at least one third of net profit as dividends during the business cycle. The current financial performance, development potential, financial position and capital requirements are taken into account. In 2018, earnings per share* were EUR 0.54 (0.06).

The parent company's distributable funds totaled EUR 518.2 million, of which EUR 9.2 million is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that EUR 0.20 per share be distributed for 2018 from the unrestricted equity reserve, totaling EUR 25.5 million. No substantial changes have occurred in the company's financial position since the end of the financial year. The company's liquidity is good and, in the Board's opinion, will not be jeopardized by the proposed distribution of profits.

Changes in Management

Petri Bono, born in 1970, MD, Adjunct Professor, has been appointed as Terveystalo's Chief Medical Officer as of 1 February 2019. He will become a member of the Terveystalo Management Group and report to CEO Yrjö Närhinen.

Petri Bono joins Terveystalo from Helsinki University Central Hospital (HUCH), where he has held the position of Chief Medical Officer since 2016. In addition, Mr. Bono has held the position of Adjunct Professor (cancer biology) in the University of Helsinki since 2006. Before his current role, Petri Bono held various leadership roles within HUCH, such as the Director of the Comprehensive Cancer Center.

Decisions of the Annual General Meeting 2018 and the first Board meeting

The Annual General Meeting of Terveystalo Plc was held on Thursday, April 12, 2018, in Helsinki, Finland. The Annual General Meeting adopted the financial statements for the year 2017 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting approved the proposals of the Shareholders' Nomination Board and the Board of Directors without any changes.

As proposed by the Board of Directors, the Annual General Meeting resolved that the loss from the financial period 2017 of EUR 10.1 million will be retained in the company's retained earnings and that EUR 0.06 per share (totaling EUR 7.7 million) will be distributed from the invested non-restricted equity reserve. The distribution was paid on April 27, 2018.

The number of Board members was confirmed as eight and Ulf Fredrik Cappelen, Olli Holmström, Vesa Koskinen and Åse Aulie Michelet were re-elected as members of the Board, and Eeva Ahdekivi, Lasse Heinonen, Katri Viippola and Tomas von Rettig were elected as new members of the Board.

KPMG Oy was re-elected as the company's auditor, with APA Jari Härmälä as the auditor in charge.

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase of the company's own shares using the unrestricted equity of the company. The authorization covers a maximum of 12,803,653 own shares in total, which corresponds to approximately 10 per cent of the company's currently registered shares.

The Annual General Meeting also authorized the Board of Directors to resolve on the issuance of shares and special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorization covers a maximum of 25,607,306 shares in total, which corresponds to approximately 20 per cent of the company's currently registered shares. The authorization can be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing share-based incentive plans or the payment of the annual remuneration payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

The Annual General Meeting authorized the Board of Directors to decide on donations of a total maximum of EUR 150,000 for charitable or corresponding purposes.

All of the authorizations will remain effective until the end of the Annual General Meeting 2019 and in any event no longer than for a period of 18 months from the date of the resolution of the Annual General Meeting.

The new Board of Directors elected Fredrik Cappelen as its Chairman and Tomas von Rettig as its Vice-Chairman. Lasse Heinonen was elected as Chairman of the Audit Committee and Eeva Ahdekivi and Olli Holmström as members of the Audit Committee. Fredrik Cappelen was elected as Chairman of the Remuneration Committee, and Åse Michelet and Vesa Koskinen as members of the Remuneration Committee.

Corporate governance

Corporate Governance Statement and Remuneration Statement for the year 2018 are published on week 9 as documents separate from the Report of the Board of Directors and as a part of the Annual Report.

The most significant risks and uncertainty factors

Terwestalo's risk management is guided by the risk management policy approved by the Board. The policy defines goals, principles, organizations, responsibilities and practices for risk management. Management of financial risks complies with the Group's financing policy approved by Terwestalo's Board.

The risks and uncertainty factors described below are considered to potentially have a significant impact on the company's business operations, financial results and future outlook within the next 12 months. The list is not intended to be exhaustive.

- Changes in the competitive landscape, new competitors entering the markets and increasing price competition may have a negative impact on the company's profitability and growth potential.
- The development and implementation of information system projects and services, service products and operating models involves risks.
- The company's business operations rely on its capacity to identify, recruit, and retain competent and professional health care professionals, employees, and executives. The increased supply of services and increased competition may affect the availability of healthcare professionals, particularly in major cities. Turnover in key employees involves the risk of losing knowledge and expertise.
- The company may not be able to find suitable acquisition targets or expansion opportunities under favorable terms, and the integrations are not necessarily realized as planned.
- The company's business is highly dependent on functioning information and communication systems and external service providers. Interference can be caused, for example, by hardware bugs, software bugs, or cyber threats. Long-term malfunctions in information systems or payment transactions can cause significant loss of revenue and loss of customer satisfaction.
- Breach of data security or protection may result in loss, damage claims, and compromise on reputation.
- The importance of sustainability aspects, such as ensuring the sustainability of the product supply chain, fair and equitable treatment of employees, avoiding corruption, and protecting the environment, is increasingly important to customers. Possible failures in the implementation of responsible business practices would result in negative publicity for Terveystalo and could cause operational and financial damage. The challenges of Terveystalo's sustainability work include, for example, communicating material sustainability aspects to key stakeholders and ensuring responsible business practices throughout the service supply chain.
- The company is a party to, and may become a party to, legal action or administrative procedures initiated by the authorities, patients, or third parties. The company's view is that its currently pending legal obligations and court cases are not significant in nature.

Risk management at Terveystalo and risks related to the company's business are described in more detail on the company website at <https://www.terveystalo.com/en/investors/Corporate-governance/Risk-management-and-risks/> and in the company's Annual Review.

Events after the reporting period

The Shareholders' Nomination Board of Terveystalo has submitted its proposal on the Board of Directors to the Annual General Meeting 2019.

The Shareholders' Nomination Board proposes to the Annual General Meeting that the number of members of the Board of Directors be eight (8). It also proposes that, for a term that ends at the end of the Annual General Meeting 2020, Lasse Heinonen, Olli Holmström, Åse Aulie Michelet, Katri Viippola and Tomas von Rettig be re-elected as members of the Board and that Dag Andersson, Paul Hartwall and Kari Kauniskangas be elected as new members of the Board.

The Nomination Board recommends that Kari Kauniskangas is elected as Chairman of the Board and Tomas von Rettig is re-elected as its Vice-Chairman. Kari Kauniskangas is independent of the company and its major shareholders.

The Shareholders' Nomination Board also proposes that the following remuneration be paid to the members of the Board during the next term:

- Annual remuneration of the Chairman EUR 80,000
- Annual remuneration of the Vice-Chairman EUR 49,000
- Annual remuneration of the members EUR 39,000
- Annual remuneration of the Chairman of the Audit Committee EUR 49,000

Additionally, the following attendance fees shall be paid for each Board and Committee meeting: EUR 600 for members residing in Finland, EUR 1,200 for members residing elsewhere in Europe and EUR 2,400 for members residing outside of Europe. For Board and Committee meetings that are held by telephone or other electronic means, the attendance fee shall be EUR 600. It is proposed that travel expenses be reimbursed in accordance with the Company's travel policy.

In addition, the Nomination Board proposes that the annual remuneration of the Board be paid as a combination of company shares and cash in such a manner that 40% of the annual remuneration is paid in shares in the possession of the company or, if this is not possible, in company shares purchased from the market, and 60% is paid in cash. The Company will reimburse the transaction costs and capital transfer tax related to trading. It is proposed that attendance fees be paid in cash.

In January 2019 Terveystalo signed an agreement to acquire Länsi-Vantaan Hammaslääkärit Oy, a private clinic that offers oral health services in Vantaa. In 2017, Länsi-Vantaan Hammaslääkärit Oy had a revenue of approximately EUR 1.9 million and it employs 8 dentists, 2 dental hygienists and 6 dental nurses.

Financial reporting and General Meeting of Shareholders 2019

In 2019, Terveystalo Plc will publish financial reports as follows:

- Annual Report 2018 on week 9, 2019
- Interim report for January–March 2019 on Thursday, May 9, 2019
- Half-Year Report for January–June 2019 on Thursday, August 8, 2019
- Interim report for January–September 2019 on Thursday, October 31, 2019

The financial reviews 2019 will be published at approximately 9:00 a.m. EET. Financial reports are published in Finnish and English.

Terveystalo Financial Statements and the Report of the Board of Directors are published as a part of the Annual Report 2018 on week 9.

Annual General Meeting of Terveystalo Plc will be held on Thursday, April 4, 2019 starting at 3:00 pm EET, at Marina Congress Center, Katajanokanlaituri 6, 00160 Helsinki, Finland..

Briefing

Terveystalo will hold a result briefing and live webcast in English on February 14, 2019, starting at 11:00 a.m. EET, at Terveystalo Piazza, Jaakonkatu 3 B, (3rd floor), 00100 Helsinki, Finland. You can watch the webcast online at: <https://terveystalo.videosync.fi/financial-statement-2018>

To ask questions, please join the telephone conference 5–10 minutes prior to the start time using your local number (Finland: +358 (0)9 8171 0310, Sweden: +46 (0)8 5664 2651, UK: +44 (0)33 3300 0804, US: +1 63 1913 1422). If you are calling from another location, please use any of the numbers above. The Participant Passcode is 54831204#.

Helsinki, February 14, 2019
Terveystalo Plc
Board of Directors

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Terveystalo in brief

Terveystalo is a listed company on the Helsinki Stock Exchange. Terveystalo is the largest healthcare service company in Finland with net sales and network. The company offers versatile primary and secondary health care services for corporate and private customers and the public sector. The nationwide network covers 180 locations across Finland, complemented by 24/7 digital services.

In 2017, Terveystalo had approximately 1.2 million individual customers and approximately 3.3 million doctor visits. Nearly 9,000 healthcare professionals work in Terveystalo, about half of whom are private practitioners. Terveystalo's services carry the KeyFlag symbol and the company is a member of the Association for Finnish Work. www.terveystalo.com

Condensed consolidated statement of income

EUR mill.	Note	10-12/2018	10-12/2017	Change, %	2018	2017	Change, %
Revenue	4	197.9	189.9	4.2	744.7	689.5	8.0
Other operating income		0.7	0.5	34.8	18.2	2.1	> 200,0
Materials and services	5	-93.5	-89.1	5.0	-351.3	-324.3	8.3
Employee benefit expenses	6, 9	-50.9	-48.1	5.8	-197.1	-189.5	4.0
Depreciation, amortisation and impairment losses		-10.5	-10.8	-2.7	-41.1	-40.0	2.8
Other operating expenses	7	-27.5	-28.4	-3.1	-97.9	-109.6	-10.7
Operating profit/loss		16.1	14.0	14.7	75.4	28.2	167.6
Financial income		0.3	0.0	>200,0	0.3	0.1	148.2
Financial expenses		-2.4	-9.6	-74.6	-9.5	-24.2	-60.7
Net finance expenses		-2.2	-9.6	-77.3	-9.2	-24.1	-61.9
Share of results in associated companies		-0,0	-0,0	-91.5	1.9	-0.2	> 200,0
Profit/loss before taxes		13.9	4.4	> 200,0	68.2	3.9	> 200,0
Income tax expense	8	-3.8	1.7	>-200,0	0.5	3.3	-83.6
Profit/loss for the period		10.1	6.1	65.4	68.7	7.2	> 200,0
Profit attributable to:							
Owners of the parent company		10.1	6.1	65.7	68.7	7.2	> 200,0
Non-controlling interests		0.0	0.0	>200,0	0.0	0.0	30.4

Consolidated statement of comprehensive income

EUR mill.	Note	10-12/2018	10-12/2017	Change, %	2018	2017	Change, %
Profit/loss for the period		10.1	6.1	65.4	68.7	7.2	> 200,0
Total comprehensive income		10.1	6.1	65.4	68.7	7.2	> 200,0
Total comprehensive income attributable to:							
Owners of the parent company		10.1	6.1	65.7	68.7	7.2	> 200,0
Non-controlling interest		0.0	0.0	>200,0	0.0	0.0	30.4
Earnings per share for profit attributable to the shareholders of the parent company, in euro *							
Basic earnings per share		0.08	0.05		0.54	0.06	
Diluted earnings per share		0.08	0.05		0.54	0.06	

* The effects of share conversion and share split have been taken into account in the weighted average number of shares in the comparative period.

The notes are an integral part of the consolidated interim financial statements.

Condensed consolidated statement of financial position

EUR mill.	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	83.6	92.1
Goodwill	10	768.7	583.3
Other intangible assets	10	167.7	109.2
Investment properties		0.6	0.6
Investments in associates		2.4	0.3
Other receivables		0.0	0.0
Deferred tax assets		5.8	7.4
Total non-current assets		1,028.7	792.9
Current assets			
Inventories		5.8	5.2
Trade and other receivables		89.9	70.0
Cash and cash equivalents		36.9	33.0
Total current assets		132.5	108.2
Non-current assets held for sale		1.1	1.2
TOTAL ASSETS		1,162.3	902.3
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		0.1	0.1
Invested non-restricted equity reserve		518.2	525.9
Treasury shares		-6.7	-
Retained earnings		0.1	-68.8
Non-controlling interest		0.1	0.1
TOTAL EQUITY		511.8	457.3
Non-current liabilities			
Non-current financial liabilities		400.4	270.2
Deferred tax liabilities		34.1	24.1
Provisions		9.1	6.6
Other liabilities		7.8	6.3
Total non-current liabilities		451.4	307.2
Current liabilities			
Provisions		2.3	1.4
Trade and other payables		146.9	117.1
Current tax liabilities		0.2	0.1
Current financial liabilities		49.8	19.2
Total current liabilities		199.1	137.8
TOTAL LIABILITIES		650.5	445.0
TOTAL EQUITY AND LIABILITIES		1,162.3	902.3

The notes are an integral part of the consolidated interim financial statements.

Consolidated statement of changes in equity

Equity attributable to owners of the parent company							
EUR mill.	Share capital	Invested non-restricted equity reserve	Treasury shares	Retained deficit	Total	Non-controlling interests	Total equity
Equity 1 Jan 2018	0.1	525.9	-	-68.8	457.2	0.1	457.3
Comprehensive income							
Profit for the period	-	-	-	68.7	68.7	0.0	68.7
Transactions with owners							
Share-based payments		-	-	0.2	0.2	-	0.2
Equity repayment		-7.7	-	-	-7.7	-	-7.7
Acquisition of treasury shares		-	-6.7	-	-6.7	-	-6.7
Equity 31 Dec 2018	0.1	518.2	-6.7	0.1	511.7	0.1	511.8

Equity attributable to owners of the parent company							
EUR mill.	Share capital	Invested non-restricted equity reserve	Treasury shares	Retained deficit	Total	Non-controlling interests	Total equity
Equity 1 Jan 2017	0.0	308.0	-	-76.2	231.8	0.4	232.3
Comprehensive income							
Profit for the period	-	-	-	7.2	7.2	0.0	7.2
Transactions with owners							
Share capital increase	0.1	-0.1	-	-	-	-	-
Directed share issue	-	93.9	-	-	93.9	-	93.9
Equity investment without consideration	-	25.0	-	-	25.0	-	25.0
Share issue	-	100.0	-	-	100.0	-	100.0
Transaction costs paid in connection with share issue, net of tax	-	-0.9	-	-	-0.9	-	-0.9
Share-based payments, personnel offering	-	-	-	0.2	0.2	-	0.2
Transactions with non-controlling interests							
Change in non-controlling interests	-	-	-	-	-	-0.4	-0.4
Equity 31 Dec 2017	0.1	525.9	-	-68.8	457.2	0.1	457.3

The notes are an integral part of the consolidated interim financial statements.

Condensed consolidated statement of cash flows

EUR mill.	10-12/2018	10-12/2017	2018	2017
Cash flows from operating activities				
Profit before income taxes	13.9	4.4	68.2	3.9
Adjustments for				
Non-cash transactions				
Depreciation, amortisation and impairment losses	10.5	10.8	41.1	40.0
Change in provisions	-0.2	-0.3	-2.1	-0.8
Other non-cash transactions	-0.8	0.4	-2.3	1.1
Gains and Losses on sale of property, plant, equipment and other changes	0.1	0.1	-15.9	-0.2
Net finance expenses	2.2	9.6	9.2	24.1
Changes in working capital				
Trade and other receivables	4.2	0.2	1.9	1.0
Inventories	0.6	0.4	0.3	0.0
Trade and other payables	8.0	11.7	0.0	1.3
Interest received	0.1	0.0	0.2	0.1
Income taxes paid	0.0	0.3	0.3	-0.6
Net cash from operating activities	38.6	37.5	100.6	70.0
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-228.2	-25.0	-229.8	-81.6
Acquisition of property, plant and equipment	-2.2	-2.6	-9.4	-11.4
Acquisition of intangible assets	-4.5	-2.0	-10.4	-5.1
Proceeds from the disposal of subsidiaries, net of cash disposed of	0.0	-	24.1	-
Investments to associated companies	-1.8	-	-1.8	-
Proceeds from sale of available-for-sale financial assets	0.3	-	1.9	0.1
Acquisition of business operation, net of cash acquired	-0.4	-0.1	-0.9	-0.7
Proceeds from sale of business operations, net of cash disposed of	-	-	-	1.1
Repayment of borrowings	-	-	-	-5.1
Proceeds from sale of property, plant and equipment	-	-	0.3	-
Dividends received	1.7	0.0	1.7	0.0
Net cash from investing activities	-235.1	-29.7	-224.4	-102.7
Cash flows from financing activities				
Share issue	-	100.0	-	100.0
Equity investment without consideration in the invested non-restricted equity reserve	-	25.0	-	25.0
Acquisition of treasury shares	-	-	-6.7	-
Proceeds from non-current borrowings	160.0	257.0	160.0	297.8
Repayment of non-current borrowings	-10.7	-337.9	-11.4	-344.9
Proceeds from current borrowings	10.0	-	10.0	20.0
Repayment of current borrowings	-0.0	-4.7	-0.8	-31.6
Payment of finance lease liabilities	-1.0	-10.1	-4.1	-14.6
Payment of hire purchase liabilities	-0.9	-6.7	-3.3	-9.4
Interests and other financial expenses paid	-3.4	-3.1	-8.4	-15.5
Acquisition of non-controlling interests	-	-	-	-0.3
Equity repayment	-	-	-7.7	-
Net cash from financing activities	154.0	19.5	127.6	26.5
Net change in cash and cash equivalents	-42.6	27.3	3.9	-6.1
Cash and cash equivalents at the beginning of the period	79.4	5.7	33.0	39.1
Cash and cash equivalents at the end of the period	36.9	33.0	36.9	33.0

The notes are an integral part of the consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of accounting principles

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting -standard, and should be read in conjunction with the Group's latest annual consolidated financial statements as at and for the year ended 31 December 2017. The accounting policies adopted are consistent with those of the annual financial statements for 2017 with the exception of new and amended IFRS standards which have been adopted on 1 January 2018. All presented figures have been rounded. Financial ratios have been calculated using exact figures.

Following standards and their amendments were adopted on 1 January 2018:

- IFRS 9 Financial Instruments: IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The new standard did not have a significant impact on Terveystalo's consolidated financial statements.
- Amendments to IFRS 2 Clarification and Measurement of Share-based Payment Transactions. The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. Terveystalo took the changes into account on 1 January 2018 when applying IFRS 2 on share-based key employee incentive plan.
- Amendments to IAS 40 – Transfers of Investment Property. When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to a property under construction or development as well as to completed property. The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.
- Annual Improvements to IFRSs (2014–2016 cycle). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 1 and IAS 28. The new improvements did not have a significant impact on Terveystalo's consolidated financial statements.

Terveystalo Group has not adopted yet the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognize the lease agreements on the statement of financial position as a right of use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. Terveystalo has assessed the impacts of IFRS 16 on its consolidated financial statements. The most significant impact identified is that Terveystalo will recognize new assets and liabilities, mainly for its operating leases of facilities. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities reported under financing expenses. Terveystalo's ongoing IFRS 16 implementation project has proceeded according to the plan, and has been completed by the end of the year concerning the device and premises lease contracts that are classified under the general requirements of IFRS 16 standard and on responsibility of Terveystalo Group as per 31 December

2018. Based on the impact assessment, the most significant lease agreements are the lease contracts of the premises.

Terveystalo has decided to apply the IFRS 16 using the modified retrospective approach without restatement of comparatives. The right of use assets will be primarily recognised at an amount equal to the lease liability. Terveystalo is planning to recognise the right of use asset and lease liability according to the general requirements of IFRS 16, and Terveystalo is not planning to make any adjustments to its IAS 17 classified lease contract balances in transition.

Terveystalo has made impact analysis about the quantitative impact of the IFRS 16 on the group's financial statement for financial year 2019. These assessments have been made on basis of the lease contracts valid as per 31 December 2018 and in this impact analysis the lease liability has been measured at the present value of the remaining lease payments discounted using the incremental borrowing rate. Terveystalo's lease contracts have been classified into three separate interest categories on basis of the length of the contract. Classifications are contracts with a length between 1–3 years, between 4–10 years and contracts with a length over ten years. Each one of these three categories have been defined its own incremental borrowing rate.

Lease contracts of the premises, which transferred to Terveystalo at the end of the December in the acquisition of Attendo's healthcare operations in Finland, have been defined according to the requirements of the IFRS 16 and the above mentioned accounting principles of Terveystalo Group.

The following table presents the preliminary impact what the 1 January 2019 recognized lease liabilities and the right of use assets has to consolidated statement of income during financial year 2019, as well as the opening balances recognized on consolidated statement of financial position as per 1 January 2019. Concerning the new lease contract of the premises made during 2019, the Group will complete the analysis of those as contracts follows.

Estimated effect of IFRS 16 to the consolidated financial statements of 2019

Consolidated statement of income 1.1.-31.12.2019

EUR mill.	Terveystalo	Attendo Suomen Terveyspalvelut	Total
Rental expenses	35.4	4.6	40.0
EBITDA	35.4	4.6	40.0
Depreciation	-34.4	-4.4	-38.7
Operating profit	1.0	0.2	1.2
Financial expenses	-3.2	-0.3	-3.5
Deferred taxes	0.4	0.0	0.5
Profit for the period	-1.8	-0.1	-1.8

Consolidated statement of financial position on Jan 1 2019

EUR mill.	Lease contracts of the premises	
	Assets	Liabilities
Terveystalo	185.3	185.3
Attendo Suomen Terveyspalvelut	17.2	17.2
Total	202.5	202.5

2. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

3. Events after the reporting period

Terveystalo has signed an agreement to acquire Länsi-Vantaan Hammaslääkärit Oy, a private clinic that offers oral health services in Vantaa. The company's employees will be transferred to Terveystalo as old employees and the operations will continue on the same premises as before. In 2017, Länsi-Vantaan Hammaslääkärit Oy had a revenue of approximately EUR 1.9 million and it employs 8 dentists, 2 dental hygienists and 6 dental nurses.

4. Revenue

The Group's distribution of revenue is based on the customer types. The Group does not have customers whose revenue exceeds 10 percent of the Group's total revenue. Terveystalo offers its primary and outpatient secondary healthcare services to three distinct customer groups: corporate customers, private customers and public customers.

Corporate customers constitute Terveystalo's largest customer group. Terveystalo's corporate customers consist of the company's occupational healthcare customers, excluding municipal occupational healthcare customers. The company provides statutory occupational health services and other occupational health and wellbeing services for corporate customers of all sizes. Terveystalo is the largest provider of occupational healthcare services in Finland in terms of revenue and the number of end-users. Terveystalo provides occupational healthcare services for over 23,000 companies.

Private customers are Terveystalo's second-largest customer group. Private customers include private individuals and families. The company's strong brand, easy access to services without long waiting times, leading service portfolio for private customers, families, and senior citizens, and personalized digital services give Terveystalo a competitive edge over public healthcare services and encourage customers to invest in their own health. Services for private customers are paid for either by the customers themselves or by their insurance companies.

Terveystalo's public customer group is made up of Finnish public sector organizations, such as municipalities, municipal federations, and hospital districts, as well as municipal occupational healthcare customers. Terveystalo's broad nationwide platform, digital offering, good reputation, and established brand, as well as its thorough expertise and experience in healthcare services throughout the chain of care, make Terveystalo an attractive partner for the public sector. Terveystalo's services for public sector customers are mainly financed by municipalities and government budgets.

Disaggregation of revenue

EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Corporate*	109.3	105.8	3.3	402.7	372.1	8.2
Private	66.8	67.0	-0.2	260.7	253.8	2.8
Public*	21.8	17.2	27.1	81.2	63.6	27.6
Total	197.9	189.9	4.2	744.7	689.5	8.0

* Disaggregation of revenue for the year 2017 has been adjusted to correspond the current definition. The changes have a minor effect on the figures for corporate and public customers.

5. Materials and services

EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Purchase of materials	-7.5	-7.4	0.4	-28.4	-27.8	2.2
Change in inventories	-0.5	-0.4	41.3	-0.2	0.0	>200,0
External services	-85.5	-81.2	5.2	-322.7	-296.5	8.8
Total	-93.5	-89.1	5.0	-351.3	-324.3	8.3

6. Employee benefit expenses

EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Salaries and fees	-43.3	-39.8	8.8	-163.2	-155.2	5.1
Share-based payments	0.5	-0.2	200,0	-0.2	-0.2	-6.1
Other personnel expenses	-8.1	-8.1	-0.2	-33.7	-34.0	-0.9
Total	-50.9	-48.1	5.8	-197.1	-189.5	4.0

7. Other operating expenses

EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Rents, leases and premises	-10.9	-11.9	-8.4	-45.3	-44.1	2.7
Other operating expenses	-16.6	-16.5	0.8	-52.6	-65.5	-19.7
Total	-27.5	-28.4	-3.1	-97.9	-109.6	-10.7

8. Income taxes

Income taxes in the statement of income

EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Current tax for the reporting year	0.0	0.1	-132.9	-0.1	-0.6	-78.9
Income taxes for prior periods	-0.0	-		-0.0	-0.0	-69.1
Deferred taxes	-3.8	1.6	-200.0	0.7	3.9	-82.7
Total income taxes	-3.8	1.7	-200.0	0.5	3.3	-83.6

Deferred taxes have been calculated using the enacted tax rate of 20 %.

9. Share-based payments

The Board of Directors of Terveystalo Plc has resolved to establish a new share-based incentive plan directed to the Group's key employees. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to retain the key employees at the Company, and to offer them a competitive reward plan that is based on earning and accumulating shares of the Company.

The Performance Share Plan includes three performance periods, calendar years 2018, 2019 and 2020. The Board of Directors will resolve on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

During the performance period 2018 performance criteria are based on Total Shareholder Return (TSR) levels and profitability of the Company.

The potential rewards from the performance share plan will be paid partly in Terveystalo Plc shares and partly in cash approximately two years after the performance periods. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the plan participants. As a rule, no reward will be paid if a plan participant terminates his or her employment or service before the reward payment.

The rewards to be paid on the basis of the performance period 2018 correspond to an approximate maximum total of 943,000 Terveystalo Plc shares, including currently allocated and unallocated shares as well as the proportion to be paid in cash. The plan is directed approximately to 80 key employees, including the members of the Management Group during the performance period 2018.

In its July meeting, the Board made a decision concerning the acquisition and management of Terveystalo Plc's shares with Evli Awards Management Oy, in accordance with the section of the Limited Liability Companies Act concerning incentives and financing the acquisition of company shares. For this arrangement, EAM established EAM TTALO Holding Oy (a holding company) to purchase Terveystalo's shares financed by Terveystalo, in accordance with the agreement. The shares are used as part of Terveystalo's share-based incentive system, in accordance with the terms of the system. During the review period, EAM TTALO Holding Oy acquired 730,000 Terveystalo's shares worth EUR 6.7 million. There were no expenses in 2018 related to the Performance Share Plan.

Program	2018
Grant date	30 Jan 2018
Maximum number of shares, pcs	943,000
Fair value at grant date	6.87
Validity	31 Dec 2018
Estimated vesting period	3 years
Vesting conditions	Total Shareholder Return (TSR) and profitability
Exercised	In shares and cash

10. Intangible assets

2018	Goodwill	Customer relationships	Trademarks	Other intangible assets and advances paid	Total
EUR mill.					
Acquisition cost 1 Jan 2018	651.3	83.8	82.9	30.0	848.0
Business combination	185.4	65.7	-	2.3	253.4
Additions	-	-	-	10.3	10.3
Reclassifications	-	-	-	-0.0	-0.0
Acquisition cost 31 Dec 2018	836.7	149.5	82.9	42.7	1,111.7
Accumulated amortisations and impairment losses 1 Jan 2018	-68.0	-51.3	-16.9	-19.3	-155.5
Amortisation for the reporting period	-	-10.8	-4.1	-5.0	-19.9
Accumulated amortisations and impairment losses 31 Dec 2018	-68.0	-62.1	-21.0	-24.4	-175.4
Carrying amount 1 Jan 2018	583.3	32.5	66.0	10.7	692.5
Carrying amount 31 Dec 2018	768.7	87.4	61.9	18.4	936.4

2017	Goodwill	Customer relationships	Trademarks	Other intangible assets and advances paid	Total
EUR mill.					
Acquisition cost 1 Jan 2017	517.1	74.5	83.0	23.7	698.4
Business combination	134.1	9.3	-	1.5	145.0
Additions	-	-	-	5.1	5.1
Disposals	-	-	-0.1	-0.3	-0.5
Acquisition cost 31 Dec 2017	651.3	83.8	82.9	30.0	848.0
Accumulated amortisations and impairment losses 1 Jan 2017	-68.0	-40.9	-12.7	-13.8	-135.3
Amortisation for the reporting period	-	-10.4	-4.2	-5.1	-19.8
Impairment losses	-	-	-	-0.4	-0.4
Accumulated amortisations and impairment losses 31 Dec 2017	-68.0	-51.3	-16.9	-19.3	-155.5
Carrying amount 1 Jan 2017	449.1	33.6	70.3	10.0	563.0
Carrying amount 31 Dec 2017	583.3	32.5	66.0	10.7	692.5

11. Property, plant and equipment

2018	Land and water	Buildings and constructions	Machinery and equipment	Improvement to premises	Other tangible assets and advances paid	Total
EUR mill.						
Acquisition cost 1 Jan 2018	1.9	39.8	83.5	33.4	4.4	163.0
Business combination	-	0.1	3.1	0.6	0.0	3.8
Additions	-	1.1	14.7	3.0	0.7	19.5
Disposals	-1.9	-7.8	-0.7	-0.1	-	-10.5
Reclassifications	-	-	0.3	1.1	-1.4	-
Acquisition cost 31 Dec 2018	0.1	33.2	100.8	38.0	3.7	175.8
Accumulated depreciation and impairment losses 1 Jan 2018	-	-12.6	-48.0	-9.2	-1.1	-70.9
Depreciation for the reporting period	-	-2.5	-13.4	-4.7	-0.6	-21.1
Impairment losses	-0.0	-0.1	-	-	-0.0	-0.1
Accumulated depreciation and impairment losses 31 Dec 2018	-	-15.2	-61.3	-13.9	-1.6	-92.1
Carrying amount 1 Jan 2018	1.9	27.1	35.5	24.2	3.3	92.1
Carrying amount 31 Dec 2018	0.0	18.0	39.5	24.1	2.1	83.6

2017	Land and water	Buildings and constructions	Machinery and equipment	Improvement to premises	Other tangible assets and advances paid	Total
EUR mill.						
Acquisition cost 1 Jan 2017	0.1	35.2	62.8	15.7	3.0	116.8
Business combination	1.9	9.8	5.7	6.4	-	23.7
Additions	-	0.8	16.3	5.7	1.4	24.2
Disposals	-0.0	-0.0	-1.3	-0.6	-0.0	-2.0
Reclassifications	-	-6.0	-	6.3	-	0.3
Acquisition cost 31 Dec 2017	1.9	39.8	83.5	33.4	4.4	163.0
Accumulated depreciation and impairment losses 1 Jan 2017	-	-8.9	-35.9	-5.8	-0.7	-51.3
Depreciation for the reporting period	-	-3.6	-12.0	-3.4	-0.4	-19.4
Impairment losses	-	-0.2	-0.0	-	-0.0	-0.2
Accumulated depreciation and impairment losses 31 Dec 2017	-	-12.6	-48.0	-9.2	-1.1	-70.9
Carrying amount 1 Jan 2017	0.1	26.4	26.9	9.8	2.3	65.5
Carrying amount 31 Dec 2017	1.9	27.1	35.5	24.2	3.3	92.1

12. Business combination

During 2018 the Group has made several business acquisitions. The biggest acquisition is presented separately, whereas the other smaller acquisitions are disclosed in aggregate.

Acquisition of Attendo Terveyspalvelut Oy

On 28 December 2018, Terveystalo Healthcare Oy acquired 100 percent of the shares of Attendo Terveyspalvelut Oy. As a part of the acquisition the Group also gained control of the following companies, which are subsidiaries of the Attendo Terveyspalvelut Oy: Attendo Kuntaturva Oy, Attendo Ålands Tandläkarna Oy, Attendo Estonia OÜ, Attendo Hammaslääkärikeskukset Oy, Attendo Työterveyspalvelut Oy, Attendo Hammaslääkäripalvelut Oy, Attendo Aaria Oy and Attendo Hammaslääkäriasemat Oy. The acquisition improves Terveystalo's competitiveness and growth opportunities particularly within services offered to the public sector. The acquired subsidiaries have been consolidated to Group's financial statements from end of December 2018 onwards.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the date of acquisition. The statement of financial position has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

Consideration transferred

EUR mill.	
Cash	250.5
Total consideration transferred	250.5

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	25.7
Intangible assets	67.6
Property, plant and equipment	3.4
Investments in associates	0.0
Deferred tax receivables	1.1
Investments	0.0
Inventories	0.9
Trade and other receivables	21.0
Trade and other payables	-28.6
Provisions	-5.5
Deferred tax liabilities	-13.3
Interest bearing liabilities	-0.8
Total identifiable net assets acquired	71.7

Goodwill	178.7
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The tangible assets acquired in the business combination described above were measured at fair value. In the business combination, the Group has acquired customer relationships. The fair value of customer contracts and related customer relationships included in other intangible assets has been determined on the basis of the duration of customer relationships and the discounted net cash flows from existing customer contracts. The customer relationships valuations are preliminary. The acquisition resulted preliminary in a goodwill amounting to EUR 178.7 million. The

goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is not deductible for tax purposes.

The fair value of the acquired trade and other receivables amounts to EUR 21.0 million for which the risk of impairment has been deemed non-significant.

The Group incurred acquisition-related expenses of EUR 6.2 million related transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

If the acquisition had occurred on 1 January 2018, management estimates that the Group's consolidated revenue in 2018 would have been EUR 976.4 million and the consolidated profit would have been EUR 72.4 million.

Other business combinations

On 31 January 2018 Suomen Terveystalo Oy acquired the business from Hammas Jaarli Oy as an asset deal. The acquisition includes a possible contingent consideration that is under consideration.

On 28 February 2018 Terveystalo Healthcare Oy acquired 100 percent of the shares of Naantalin Yksityislääkärit Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards.

On 29 March 2018 Terveystalo Healthcare Oy acquired 100 percent of the shares of Juha Uusimäki Oy (Lääkärikeskus Ilo). The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.1 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 28 September 2018 Suomen Terveystalo Oy acquired the business from Jämsän Fysikaalinen Hoitolaitos Oy as an asset deal.

On 28 September 2018 Terveystalo Healthcare Oy acquired 100 percent of the shares of Fysiatriinen osaamiskeskus Prima Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.3 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 1 October 2018 Terveystalo Healthcare acquired 100 percent of the shares of Rela-Hierojat Oy, Hierojakoulu Relaxi Oy and Rela-Group Oy. The acquired subsidiaries have been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 1.1 million. The contingent consideration is tied to the EBITDA during the next 36 months period, starting from the acquisition date.

On 25 October 2018 Suomen Terveystalo Oy acquired the business from ONNI hammas dental clinic in Porvoo as an asset deal. The acquisition includes a possible contingent consideration that is under consideration.

On 31 October 2018 Terveystalo Healthcare Oy acquired 100 percent of the shares of Puistosairaalan Silmälääkärit Oy and Jyväskylän Silmäntutkimuslaboratorio Oy. The acquired subsidiaries have been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.2 million. The contingent consideration is tied to the sales during the next 12 months period, starting from the acquisition date.

On 14 December 2018 Terveystalo Healthcare Oy acquired 100 percent of the shares of Kuntoutumisasema OTE Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a possible contingent consideration that is under consideration.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the date of acquisition. The statement of financial

position of acquired companies has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect. The net assets relating to asset deals have been adjusted to correspond Terveystalo Group's accounting principles in all material respect.

Consideration transferred

EUR mill.	
Cash	7.7
Contingent consideration	1.7
Total consideration transferred	9.4

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	1.9
Intangible assets	0.4
Property, plant and equipment	0.2
Investments	0.0
Inventories	0.0
Trade and other receivables	0.9
Trade and other payables	-0.7
Deferred tax liabilities	-0.1
Total identifiable net assets acquired	2.7

Goodwill	6.7
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As a result of these business combinations, a preliminary goodwill amounting to EUR 6.7 million was recognized. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is tax deductible as far as it is related to asset deals.

The fair value of the acquired trade and other receivables amounted to EUR 0.9 million, for which the risk of impairment has been deemed non-significant.

The Group has incurred acquisition-related expenses of EUR 0.3 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

The contributed recognized revenue from these acquisitions in 2018 was EUR 2.7 million and the result was EUR 0.2 million.

If the acquisition had occurred on 1 January 2018, management estimates that the Group's consolidated revenue in 2018 would have been EUR 752.6 million and the consolidated result would have been EUR 70.0 million.

Business combinations on period 1.1.–31.12.2017

During 2017 the Group made several business acquisitions. The two biggest acquisitions are presented separately, whereas the other smaller acquisitions are disclosed in aggregate.

Acquisition of Diacor terveyspalvelut Oy Group

On 24 March 2017, Terveystalo Healthcare Oy acquired 100 percent of the shares of Diacor terveyspalvelut Oy ("Diacor"). As a part of the acquisition the Group also gained control of Eloni Oy, a subsidiary of Diacor terveyspalvelut Oy. The acquisition strengthens Terveystalo's position as one of the leading healthcare service providers especially in Helsinki metropolitan area and Turku. The financial statements of acquired companies have been included in the consolidated financial statements of Terveystalo from the end of March, 2017.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the date of acquisition. The statement of financial position has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

Consideration transferred

EUR mill.	
Cash	19.8
Shares	93.9
Total consideration transferred	113.7

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	5.7
Intangible assets	7.6
Property, plant and equipment	12.7
Deferred tax assets	0.4
Inventories	0.7
Trade and other receivables	15.9
Trade and other payables	-16.0
Provisions	-0.0
Deferred tax liabilities	-1.7
Interest bearing liabilities	-13.5
Total identifiable net assets acquired	12.0

Goodwill	101.7
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The tangible assets acquired in the business combination described above were measured at fair value based on the market prices of corresponding assets. In the business combination, the Group has acquired customer relationships. The fair value of customer contracts and related customer relationships included in other intangible assets has been determined on the basis of the estimated duration of customer relationships and the discounted net cash flows from existing customer contracts. The acquisition resulted in a goodwill amounting to EUR 101.7 million. The goodwill is attributable to skills of the workforce and synergies expected to be achieved from integrating acquired businesses into Terveystalo's existing operations. The recognized goodwill is not deductible for tax purposes.

The fair value of the acquired trade and other receivables amounts to EUR 15.9 million for which the risk of impairment has been deemed non-significant.

The Group incurred acquisition-related expenses of EUR 2.5 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses. From the acquisition, revenue of EUR 83.4 million and loss of EUR -0.0 million were recognized in year 2017 to the Group's consolidated results.

If the acquisition had occurred on 1 January 2017, management estimates that the Group's consolidated revenue in 2017 would have been EUR 724.1 million and the consolidated profit would have been EUR 8.3 million.

As a part of the acquisition, Terveystalo made certain commitments that are comparable to contingent consideration. Management estimates that the realization of these commitments is unlikely.

Acquisition of Porin Lääkäritalo Group

On 2 January 2017, Terveystalo Healthcare Oy acquired 100 percent of the shares of Porin Lääkäritalo Oy ("Pori"). As a part of the acquisition, the Group also gained control of the subsidiaries Koy Porin Linnankulma, Curia Oy and Porin Lääkärikeskus Oy. Porin Lääkärikeskus owns 7.79 percent of the shares of Porin Lääkäritalo. The acquisition strengthens Terveystalo's position as one of the leading healthcare service providers in Pori region. The financial statements of the acquired companies have been included in the consolidated financial statements of Terveystalo from the date of acquisition.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the date of acquisition. The statement of financial position has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

Consideration transferred

EUR mill.	
Cash	43.4
Total consideration transferred	43.4

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	2.3
Intangible assets	2.0
Property, plant and equipment	11.4
Inventories	0.1
Trade and other receivables	1.6
Trade and other payables	-2.4
Provisions	-0.0
Deferred tax liabilities	-0.4
Interest bearing liabilities	-2.1
Total identifiable net assets acquired	12.5

Goodwill	30.9
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The tangible assets acquired in the business combination described above were measured at fair value based on the market prices of corresponding assets. In the business combination, the Group has acquired customer relationships. The fair value of customer contracts and related customer relationships included in other intangible assets has been determined on the basis of the estimated duration of customer relationships and the discounted net cash flows from existing customer contracts. The acquisition resulted in a goodwill amounting to EUR 30.9 million. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is not deductible for tax purposes.

The fair value of the acquired trade and other receivables amounts to EUR 1.6 million for which the risk of impairment has been deemed non-significant.

The Group incurred acquisition-related expenses of EUR 0.8 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

From the acquisition, revenue of EUR 22.6 million and profit of EUR 1.1 million were recognized in year 2017 to the Group's consolidated results.

Other business combinations

On 31 March 2017, Terveystalo Healthcare Oy acquired 100 percent of the shares of Ky Läkkitörin Hammaslääkäriasema. The acquired subsidiary has been consolidated to the Group's financial statements from the acquisition month onwards.

On 19 April 2017, Suomen Terveystalo Oy acquired the dental business from Data Plaza Oy as an asset deal.

On 2 May 2017, Suomen Terveystalo Oy acquired the dental business from Crossdental Oy as an asset deal. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of the acquisition with a fair value of EUR 0.3 million. The contingent consideration is tied to the 2018–2020 sales.

On 30 November 2017, Suomen Terveystalo Oy acquired the musculoskeletal disease business from City Akuutti Oy as an asset deal. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value of EUR 0.1 million. The contingent consideration is tied to the 2018–2019 sales.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the date of acquisition. The net assets have been adjusted to correspond Terveystalo Group's accounting principles in all material respect.

Consideration transferred

EUR mill.	
Cash	1.6
Contingent consideration	0.4
Total consideration transferred	1.9

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	0.2
Property, plant and equipment	0.7
Inventories	0.1
Trade and other receivables	0.0
Trade and other payables	-0.4
Interest bearing liabilities	-0.5
Total identifiable net assets acquired	0.1

Goodwill	1.9
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The tangible assets acquired in the business combinations described above were measured at fair value based on the market prices of corresponding assets. The acquisition resulted in a goodwill amounting to EUR 1.9 million. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is not deductible for tax purposes.

The fair value of the acquired trade and other receivables amounts to EUR 0.0 million, for which the risk of impairment has been deemed non-significant. The Group has incurred acquisition-related expenses of EUR 0.0 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

From these other business combinations, revenue of EUR 2.6 million and profit of EUR 0.2 million were recognized in year 2017 to the Group's consolidated results.

If these other acquisitions had occurred on 1 January 2017, management estimates that the Group's consolidated revenue for the nine months ended 30 September 2017 would have been EUR 690.6 million and consolidated profit would have been EUR 7.3 million.

13. Group's key financial ratios

Terveystalo Group, EUR mill.	10-12/2018	10-12/2017	Change, %	1-12/2018	1-12/2017	Change, %
Revenue	197.9	189.9	4.2	744.7	689.5	8.0
Adjusted EBITDA*, **	32.5	29.1	11.9	108.9	92.4	17.9
Adjusted EBITDA, %*, **	16.4	15.3	-	14.6	13.4	-
EBITDA*	26.6	24.8	7.2	116.6	68.2	70.9
EBITDA, %*	13.4	13.1	-	15.7	9.9	-
Adjusted EBITA*, **	27.1	23.9	13.6	87.7	73.0	20.3
Adjusted EBITA, %*, **	13.7	12.6	-	11.8	10.6	-
EBITA*	21.2	19.6	8.0	95.5	48.8	95.6
EBITA, %*	10.7	10.3	-	12.8	7.1	-
Adjusted operating profit (EBIT)*, **	22.0	18.3	20.4	67.7	52.3	29.4
Adjusted operating profit (EBIT), %*, **	11.1	9.6	-	9.1	7.6	-
Operating profit (EBIT)*	16.1	14.0	14.7	75.4	28.2	167.6
Operating profit (EBIT), %*	8.1	7.4	-	10.1	4.1	-
Return on equity (ROE), %*	-	-	-	14.2	2.1	-
Equity ratio, %*	-	-	-	44.1	50.7	-
Earnings per share (€)***	0.08	0.05	-	0.54	0.06	-
Gearing, %*	-	-	-	80.8	56.1	-
Net debt/Adjusted EBITDA (LTM)*, **, ****	-	-	-	3.8	2.8	-
Total assets	-	-	-	1,162.3	902.3	28.8
Average personnel FTE	-	-	-	3,498	3,180	10.0
Personnel (end of period)	-	-	-	6,018	4,265	41.1
Private practitioners (end of period)	-	-	-	4,877	4,431	10.1

The statement of financial position and personnel numbers of Attendo's healthcare operations in Finland have been included in the consolidated financial statements since the end of December 2018.

* Alternative performance measure. Terveystalo presents alternative performance measures as additional information to financial measures defined in IFRS. Those are performance measures that the company monitors internally and they provide management, investors, securities analysts and other parties with significant additional information related to the company's results of operations, financial position and cash flows. These should not be considered in isolation or as substitute to the measures under IFRS.

** Adjustments are material items outside the ordinary course of business and these relate to acquisition related expenses, restructuring related expenses, gain on sale of assets, strategic projects including the IPO, new operations and other items affecting comparability.

*** The effects of share conversion and share split have been taken into account in the weighted average number of shares. Comparative figures have been adjusted accordingly.

**** Alternative performance measure includes the net debt effect but it does not include the EBITDA effect of acquired Attendo's healthcare operations in Finland.

14. Calculation of financial ratios and alternative performance measures

Financial ratios

$$\text{Earnings per share, (EUR)} = \frac{\text{Profit for the period attributable to owners of the parent company}}{\text{Average number of shares during the period}}$$

Terveystalo presents alternative performance measures as additional information to financial measures defined in IFRS. Those are performance measures that the company monitors internally and they provide significant additional information related to the company's results of operations, financial position and cash flows to the management, investors, securities analysts and other parties. These should not be considered in isolation or as substitute to the measures under IFRS.

Alternative performance measures to the statement of financial position

The company presents the following alternative performance measures to the statement of financial position as they are, in the company's view, useful indicators of the company's ability to obtain financing and service its debt.

$$\text{Return on equity, \%} = \frac{\text{Profit/loss for the period (LTM)}}{\text{Equity (including non-controlling interest) (average)}} \times 100\%$$

$$\text{Equity ratio, \%} = \frac{\text{Equity (including non-controlling interest)}}{\text{Total assets - advances received}} \times 100\%$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities - interest-bearing receivables and cash and cash equivalents}}{\text{Equity}} \times 100\%$$

$$\text{Net debt/Adjusted EBITDA (LTM) *} = \frac{\text{Interest-bearing liabilities - interest-bearing receivables and cash and cash equivalents}}{\text{Adjusted EBITDA (LTM)}}$$

Alternative performance measures to the statement of income

The company presents the following alternative performance measures to the statement of income as in the company's view, they increase understanding of the company's results of operations. In addition, the adjusted alternative performance measures are widely used by analysts, investors and other parties and facilitates comparability between periods.

$$\text{Adjusted EBITDA}^* = \text{Earnings Before Interest, Taxes, Depreciation, Amortisation, impairment losses and adjustments}$$

$$\text{Adjusted EBITDA, \%}^* = \frac{\text{Earnings Before Interest, Taxes, Depreciation, Amortisation, impairment losses and adjustments}}{\text{Revenue}} \times 100\%$$

$$\text{Adjusted EBITA}^* = \text{Earnings Before Interest, Taxes, Amortisation, impairment losses and adjustments}$$

$$\text{Adjusted EBITA, \%}^* = \frac{\text{Earnings Before Interest, Taxes, Amortisation, impairment losses and adjustments}}{\text{Revenue}} \times 100\%$$

$$\text{Adjusted operating profit (EBIT)}^* = \text{Earnings Before Interest, Taxes and Share of profits in associated companies, and adjustments}$$

$$\text{Adjusted operating profit (EBIT), \%} = \frac{\text{Earnings Before Interest, Taxes and Share of profits in associated companies, and adjustments}}{\text{Revenue}} \times 100\%$$

$$\text{EBITDA} = \text{Earnings Before Interest, Taxes, Depreciation and Amortisation and impairment losses}$$

$$\text{EBITDA, \%} = \frac{\text{Earnings Before Interest, Taxes, Depreciation and Amortisation and impairment losses}}{\text{Revenue}} \times 100\%$$

$$\text{EBITA} = \text{Earnings Before Interest, Taxes, Amortisation and impairment losses}$$

$$\text{EBITA, \%} = \frac{\text{Earnings Before Interest, Taxes, Amortisation and impairment losses}}{\text{Revenue}} \times 100\%$$

$$\text{Operating profit (EBIT)} = \text{Earnings Before Interest, Taxes and Share of profits in associated companies}$$

$$\text{Operating profit (EBIT), \%} = \frac{\text{Earnings Before Interest, Taxes and Share of profits in associated companies}}{\text{Revenue}} \times 100\%$$

* Adjustments are material items outside the ordinary course of business and these relate to acquisition related expenses, restructuring related expenses, gain on sale of assets, strategic projects, new operations and other items affecting comparability.

15. Reconciliation of alternative performance measures

Return on equity, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit/loss for the period (LTM)	-	-	68.7	7.2
Equity (including non-controlling interest) (average)	-	-	484.5	344.8
Return on equity, %	-	-	14.2	2.1

Equity ratio, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Equity (including non-controlling interest)	-	-	511.8	457.3
Total assets	-	-	1162.3	902.3
Advances received	-	-	1.8	1.2
Equity ratio, %	-	-	44.1	50.7

Gearing, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Interest-bearing liabilities	-	-	450.1	289.4
Interest-bearing receivables and cash and cash equivalents	-	-	36.9	33.0
Equity	-	-	511.8	457.3
Gearing, %	-	-	80.8	56.1

Net debt/Adjusted EBITDA (LTM)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Interest-bearing liabilities	-	-	450.1	289.4
Interest-bearing receivables and cash and cash equivalents	-	-	36.9	33.0
Adjusted EBITDA (LTM)	-	-	108.9	92.4
Net debt/Adjusted EBITDA (LTM)	-	-	3.8	2.8

Adjusted EBITDA, EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
Depreciation, amortisation and impairment losses	10.5	10.8	41.1	40.0
Adjustments*	5.9	4.3	-7.7	24.1
Adjusted EBITDA	32.5	29.1	108.9	92.4

Adjusted EBITDA, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Adjusted EBITDA	32.5	29.1	108.9	92.4
Revenue	197.9	189.9	744.7	689.5
Adjusted EBITDA, %	16.4	15.3	14.6	13.4

Adjusted EBITA, EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
Amortisation and impairment losses	5.1	5.6	20.0	20.6
Adjustments*	5.9	4.3	-7.7	24.1
Adjusted EBITA	27.1	23.9	87.7	73.0

Adjusted EBITA, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Adjusted EBITA	27.1	23.9	87.7	73.0
Revenue	197.9	189.9	744.7	689.5
Adjusted EBITA, %	13.7	12.6	11.8	10.6

Adjusted operating profit (EBIT), EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
Adjustments*	5.9	4.3	-7.7	24.1
Adjusted operating profit (EBIT)	22.0	18.3	67.7	52.3

Adjusted operating profit, (EBIT), %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Adjusted operating profit (EBIT)	22.0	18.3	67.7	52.3
Revenue	197.9	189.9	744.7	689.5
Adjusted operating profit (EBIT), %	11.1	9.6	9.1	7.6

EBITDA, EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
Depreciation, amortisation and impairment losses	10.5	10.8	41.1	40.0
EBITDA	26.6	24.8	116.6	68.2

EBITDA, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
EBITDA	26.6	24.8	116.6	68.2
Revenue	197.9	189.9	744.7	689.5
EBITDA, %	13.4	13.1	15.7	9.9

EBITA, EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
Amortisation and impairment losses	5.1	5.6	20.0	20.6
EBITA	21.2	19.6	95.5	48.8

EBITA, %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
EBITA	21.2	19.6	95.5	48.8
Revenue	197.9	189.9	744.7	689.5
EBITA, %	10.7	10.3	12.8	7.1

Operating profit (EBIT), EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Profit (loss) for the period	10.1	6.1	68.7	7.2
Income tax expense	3.8	-1.7	-0.5	-3.3
Share of profits in associated companies	0.0	0.0	-1.9	0.2
Net finance expenses	2.2	9.6	9.2	24.1
EBIT	16.1	14.0	75.4	28.2

Operating profit, (EBIT), %	10-12/2018	10-12/2017	1-12/2018	1-12/2017
EBIT	16.1	14.0	75.4	28.2
Revenue	197.9	189.9	744.7	689.5
EBIT, %	8.1	7.4	10.1	4.1

Adjustments*, EUR mill.	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Acquisition related expenses ⁽¹⁾	5.6	2.9	6.6	17.7
Restructuring related expenses ⁽²⁾	0.4	1.2	1.4	5.8
Gain on sale of asset	0.1	0.1	-15.8	-0.2
Strategic projects, new operations and other items affecting to comparability	-0.2	0.0	0.1	0.8
Adjustments	5.9	4.3	-7.7	24.1

* Adjustments are material items outside the ordinary course of business and these relate to acquisition related expenses, restructuring related expenses, gain on sale of assets, strategic projects including the IPO, new operations and other items affecting comparability.

¹⁾ Including transaction costs and expenses from integration of acquired businesses as well as IPO related expenses.

²⁾ Including restructuring of network and business operations, start up losses, provisions for onerous contracts (lease agreements and other contracts).

16. Collateral and other contingent liabilities

EUR mill.	31 Dec 2018	31 Dec 2017
Liabilities secured by mortgages and pledged shares		
Loans from financial institutions*	-	0.7
Total	-	0.7
Business mortgages	0.5	0.7
Real estate mortgages	-	11.9
Total	0.5	12.6
Securities for own debts		
Deposits	0.1	0.0
Guarantees	0.8	0.6
Total	0.9	0.6
Other operating lease liabilities**		
Less than one year	37.4	31.0
Between one year and five years	107.5	95.2
Later	56.7	66.9
Total	201.7	193.1

* The nominal value of loans, which differs from the carrying value.

** The minimum lease payments relate to rented medical and office facilities. The minimum lease payments for fixed term contracts are determined by multiplying the remaining term of lease and the lease amount. Until further notice contracts are determined using the minimum rents for notice.

The Group is obligated to audit value added tax depreciations it has made on a property investment if the taxable use of the property decreases during the audit period. There was no responsibility remaining on 31 December 2018 (EUR 0.1 million on 31 December 2017).