

TERVEYSTALO PLC

ANNUAL REVIEW 2019



CONTENTS

YEAR 2019

| | |
|------------------------------------|----|
| Terveystalo in brief..... | 6 |
| Year 2019 | 8 |
| CEO's review | 10 |
| Operating environment | 12 |
| Strategy | 15 |
| This is how we create value | 18 |
| Terveystalo as an investment | 20 |

CORPORATE GOVERNANCE

| | |
|--------------------------------------|----|
| Corporate governance statement | 24 |
| Board of directors | 31 |
| Executive team | 33 |
| Remuneration policy | 36 |
| Remuneration statement..... | 40 |
| Information for shareholders | 42 |

FINANCIALS

| | |
|----------------------------------|-----|
| Board of Directors' report | 50 |
| Financial statements | 62 |
| Auditors' report..... | 114 |



FOREWORD

This report is for shareholders, investors, analysts, media, clients, personnel, and other stakeholders who are interested in Terveystalo. The business of Terveystalo Group focuses on comprehensive healthcare. We offer a wide variety of primary and secondary healthcare and wellbeing services for corporate and private customers and the public sector. Our nationwide network covers approximately 300 clinics across Finland. The network of clinics is supplemented by 24/7 digital services.

This Annual Report and its sister publication, [the Sustainability Report](#) and [Quality Book](#), report on the company's financial, social, and environmental impact and explain their strategic significance for the company's business.

The Annual Report includes Terveystalo's highlights in 2019, the CEO's review, a description of the operating environment, the strategy and value creation section, the Corporate Governance Statement, and the remuneration policy statement, as well as the Report of the Board of Directors and the financial statements with notes.

The Statement of Non-Financial Information as required by the Accounting Act is included in the Report of the Board of Directors found in the financials section of the Annual Report. Sustainability management and results at Terveystalo are reported more extensively in the company's Sustainability Report. Clinical quality is discussed in the Quality Book 2019.

AN OVERVIEW OF 2019

In 2019, Terveystalo had approximately 1.2 million customers with approximately 3.7 million visits to a physician, which means approximately 15 percent of all physician visits in Finland. Our revenue increased by 38 percent to over a billion euros, and we employed a total of 13,000 professionals directly and indirectly. This year, we particularly invested in the development of preventive and comprehensive wellbeing services, improvement of access to services, customer experience, and advancement of digital services.



TERVEYSTALO IN BRIEF

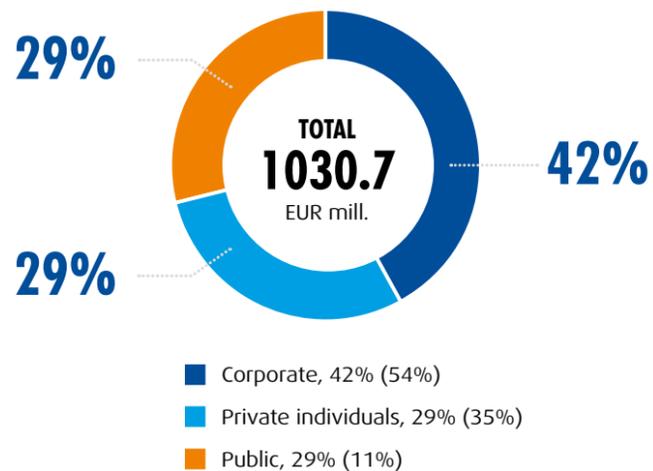
Terveystalo is a listed company on the Helsinki Stock Exchange. Terveystalo is the largest private healthcare service company in Finland in terms of revenue and network. The company offers versatile primary and secondary healthcare services for corporate and private customers as well as the public sector. The nationwide network covers approximately 300 clinics across Finland. The clinic network is supplemented by 24/7 digital services.

TERVEYSTALO IS THE LARGEST PRIVATE HEALTHCARE SERVICE PROVIDER IN FINLAND

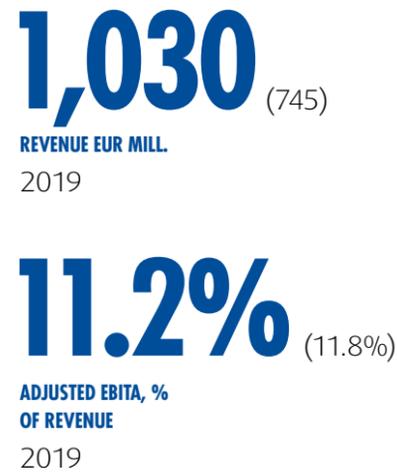


FINLAND'S LARGEST IN TERMS OF REVENUE AND NUMBER OF CLINICS

REVENUE BY CUSTOMER GROUP 2019



KEY FIGURES



SERVICE OFFERING

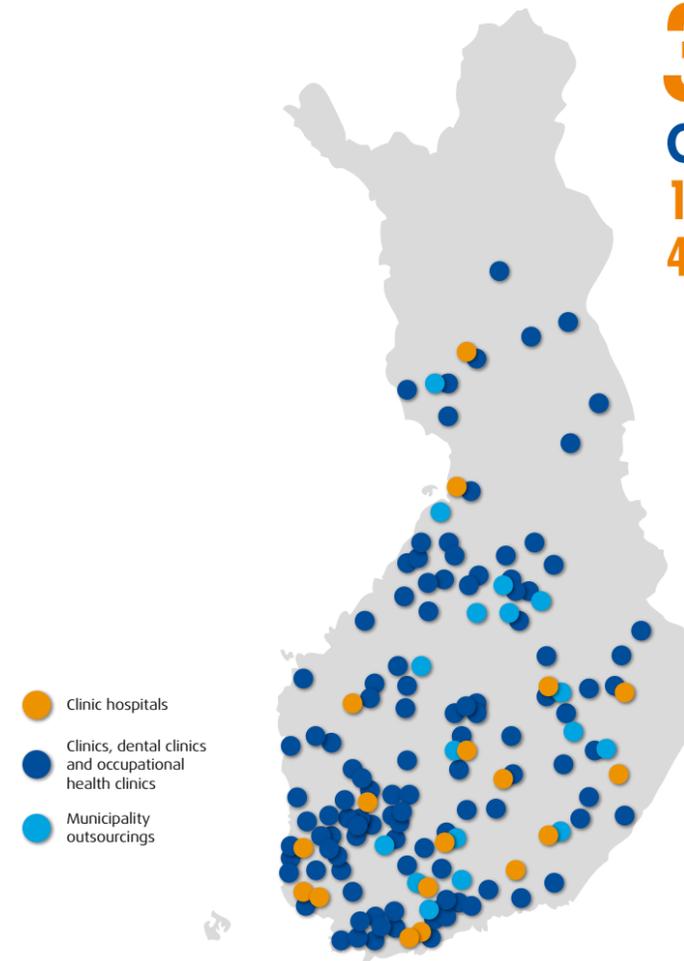
- OCCUPATIONAL HEALTH CARE
- PRIMARY AND SPECIALTY CARE
- WELL-BEING SERVICES
- IMAGING AND LABS
- DAY SURGERY
- HEALTHCARE OUTSOURCING
- HEALTHCARE STAFFING



USERS OF TERVEYSTALO'S DIGITAL SERVICES ON DECEMBER 31, 2019



300 CLINICS, OF WHICH **17** CLINIC HOSPITALS AND **40** DENTAL CLINICS



47 CLINICS WITH IMAGING SERVICES

170 CLINICS WITH PHYSIOTHERAPY

2019

In 2019, Terveystalo made the use of services even easier and improved their accessibility by means such as a broad range of digital services. This spread includes some of the highlights of 2019.



FEBRUARY

TERVEYSTALO BECOMES SHAREHOLDER IN THE OLO JOINT VENTURE PHARMACY CHAIN THAT DEVELOPS HEALTHCARE SERVICES

Terveystalo became a shareholder in the Olo joint venture pharmacy chain, which aims to develop pharmacies into customer-oriented local health and wellbeing service points.

TERVEYSTALO EXPANDS ITS OCCUPATIONAL HEALTH SERVICES

The occupational health services of the Welfare District of Forssa, Kanta-Hämeen Työsyke Oy, and Etelä-Karjalan Työkunto Oy became part of Terveystalo.

MAY-JUNE

JULY

RECORD NUMBER OF DIGITAL APPOINTMENTS

The number of chat and video appointments at Terveystalo peaked in July. Their number was higher than physical appointments at Terveystalo in Southwest Finland. Remote appointments significantly improve the accessibility of our services.

SEPTEMBER

ENHANCED OMA TERVEYS SERVICE

The Oma Terveys application includes new features, such as the 24/7 chat service for mental wellbeing and video appointments with a physician. The 24/7 chat service enables access to a physician in about seven seconds on average.

AUGUST

VILLE IHO BECOMES CEO OF TERVEYSTALO

Terveystalo's long-time CEO, Yrjö Närhinen, left the company and the Board of Directors appointed Ville Iho as the new CEO. Mr. Iho started in his post in December.

SEPTEMBER



SUPPORT FOR PROFESSIONALS: THE TERVEYSTALO PRO APPLICATION

The Pro application is designed for healthcare professionals. They will soon be able to manage their physical and digital appointments in real time.

OCTOBER

EVALUA BECOMES PART OF TERVEYSTALO

Evalua, established in 2003, specializes in scientific evidence-based health surveys, advanced personnel surveys, and interpretation of results.

OCTOBER

THE NEW FINANCING AGREEMENT SPURS TERVEYSTALO'S SUSTAINABILITY WORK

Terveystalo agreed on loan financing of EUR 410 million. The interest rate margin depends on how Terveystalo achieves its sustainability goals.



ISS ESG GRANTS PRIME STATUS TO TERVEYSTALO

Terveystalo was granted Prime status by ISS ESG. This means that Terveystalo meets ISS ESG's strict criteria for sustainability in its field of business.

OCTOBER



“
DOCTOR
APPOINTMENT
VIA CHAT WITHIN
7 SECONDS 24/7

CEO'S REVIEW:

TERVEYSTALO LEADS THE WAY THROUGH THE TRANSFORMATION OF THE INDUSTRY

Technology is reshaping healthcare and the most progressive operators are creating new solutions for the prevention of illnesses and better access to care. Terveystalo is at the forefront of the development the individual-oriented care of the future. Our solutions are effective: our customer satisfaction reached a record-high level in 2019 and our operational profitability increased.

Technological progress and the service innovations it brings are reshaping all industries, and digital services are also becoming more common in healthcare. The significance of comprehensive wellbeing is growing and the industry megatrends, along with customer comparisons against services in other sectors, are shaping customer expectations in healthcare. The ageing of the Western population will increase service needs and lead to higher healthcare costs.

At the same time, there are shortages of healthcare professionals in many areas. Amidst these pressures, the quality and availability of healthcare services are often viewed as a zero-sum game, and it is believed that outcomes can only be influenced by increasing resources or shifting existing resources from one area to another.

At Terveystalo, the leading private company in its field, we have a unique opportunity, and responsibility, to be a trendsetter in this regard. We create new operating methods that help society as a whole respond to the challenges presented by ageing, diseases of affluence, and growing healthcare costs. Instead of seeing a zero-sum game, we challenge ourselves to continuously innovate and resolve bottlenecks in care chains. We invest in the development of new service solutions and processes with the aim of supporting the overall health of our customers more accurately and effectively.

Our digital tools are a good example of the solutions we have implemented to respond to our customers' needs effectively regardless of time and place, around the clock. We also make use of analytics in our services to further increase the efficiency of care chains. In addition, we engage in increasing dialog with our customers. Combined with the data we collect regarding treatment, this helps us to develop preventive services.

Alongside technological development, we are building the strongest working community in our industry, making purposeful use of our experts and guiding our customers to meet the right expert through the appropriate service at the appropriate time, using the appropriate channel.

A YEAR OF FINANCIAL AND OPERATIONAL EXCELLENCE

Terveystalo had an excellent year in 2019 in terms of financial and operational results. In spite of the resource-related challenges in our industry, we have achieved growth in our service provision while ensuring high service quality and quick access to care for our customers. Much of the credit for this goes to new processes and digital solutions.

Our remote chat appointments with physicians, for example, are available with an average waiting time of seven seconds.

Our growth in customer volume was paralleled by our customer satisfaction rising to an all-time high. Meanwhile, the growth of our business continued, and we exceeded EUR 1 billion in total revenue for the first time while maintaining our profitability at a level that is among the highest in our industry. Our operational profitability improved, supported by organic growth, in spite of the lower profit margin of the acquired Attendo health services business. We are confident that we will achieve our medium-term profitability target.

We are also increasingly challenging ourselves when it comes to sustainability. For example, in November, we agreed on loan financing of EUR 410 million with an interest margin that takes into account Terveystalo's sustainability target achievements.

DEEP EXPERTISE MOVES US TOWARD INDIVIDUAL-ORIENTED AND PREVENTIVE CARE

As Terveystalo's new CEO, I am very impressed by the company's strong culture and competencies. The people of Terveystalo have deep professional expertise and a willingness to work together across the boundaries between various areas. At the same time, they are actively seeking new and concrete solutions to the industry's needs. Our experts have a high level of ambition when it comes to clinical, operational and experienced quality, and our organization has a deeply ingrained culture of data-driven management. Terveystalo's mission, "We are fighting for a healthier life," takes concrete shape every day in the form of a tremendous work ethic.

The transformation of the industry provides Terveystalo with new opportunities for taking advantage of its key competencies. As we move forward, we will continue to drive the industry's development towards more individual-oriented and preventive care while also promoting transparency and the comparability of the quality of care. We are building our industry's strongest working community and the best team. We want our customers to feel that they are receiving the best possible care regardless of the service or channel they use.

Our strengths provide an excellent foundation for making future strategic choices.

Ville Iho
CEO
Terveystalo

OPERATING ENVIRONMENT AND GENERAL MEGATRENDS

GENERAL MEGATRENDS

The healthcare field is influenced by a number of global megatrends, such as the digital revolution, aging populations, and the increasing importance of comprehensive wellbeing. By identifying these trends, we can even more efficiently anticipate future challenges and opportunities and respond to trends even better.

Megatrends also influence healthcare customers' expectations. In the Western world, the population is aging, and the lifestyle of today's seniors is different from that of the previous generations. They consume more and use more healthcare services. Likewise, millennials are another important demographic group. They typically follow a healthy lifestyle and digitalization is a natural part of their everyday life.

Automation, robotization, artificial intelligence, and digital platforms modify all fields from industry to knowledge work. Digital services are also becoming more common in healthcare, providing new solutions for the prevention of illnesses and better access to care, among others. For example, customers can use the Terveystalo Oma Terveys application to look at their entire health history and access 24/7 remote appointments, all in one place. With the future-oriented personal My Health Plan, customers can, together with a health professional, set goals to improve their health and take concrete steps to achieve them.

DIGITALIZATION

- Increasing use of digital services
- Ease of use
- Targeted and tailored services based on customer information



OUR RESPONSE

- We provide the best customer experience on e-health
- We provide a wide variety of continuously improving mobile services
- We personalise and target our offering to customers
- We provide our corporate customers with a wide range of digital services

CHANGING CUSTOMER BEHAVIOR AND EXPECTATIONS

- Ageing population
- Polarisation of health & exercising habits
- Increasing importance of holistic, tailored health and well-being services
- Increasing amount of data

OUR RESPONSE

- We continuously develop our service concepts by utilising customer information
- We tailor our range of services locally based on customer demand



HEALTHCARE TRENDS REFLECT GLOBAL MEGATRENDS

Aging populations increase healthcare costs and cause more pressure for revision of the regulation environment. At the same time, many areas suffer from a shortage of healthcare professionals. Digital services provide some tools to respond to the challenges of healthcare. Digital services are growing in popularity, as services can be efficiently provided round the clock, regardless of time and place. Through digital services, it is also possible to reach a healthcare professional if a lack of personnel makes physical appointments unavailable or the waiting time is long.

The importance of proactive and preventive care is also emphasized, and digitalization will transform the healthcare service chains. Some parts of the treatment chain can already be replaced with digital services.

GLOBAL TRENDS CHANGE THE WAY HEALTHCARE IS PROVIDED AND FUNDED



Change in demographics

- Aging → increased healthcare costs → regulatory reforms inevitable
- AI-based (diagnosis) support → role of doctors changing
- Role of nation's state creates uncertainties for the healthcare industry



Depleting resources

- Lack of professional resources
- Role of nurses and other professionals increasing



The empowered consumer

- Customers increasingly own their data and select their own services
- Customer experience and digital personalization



Chronic diseases

- Increasing need for cost-effective population management
- Monetization models change. E.g., From Fee for Service model to subscription based services



The distrustful consumer

- New type of competitors (from start-ups to tech giants)
- Competitive advantage from data and quality metrics
- Digital platforms as a source of competitive advantage



DigitalHealth

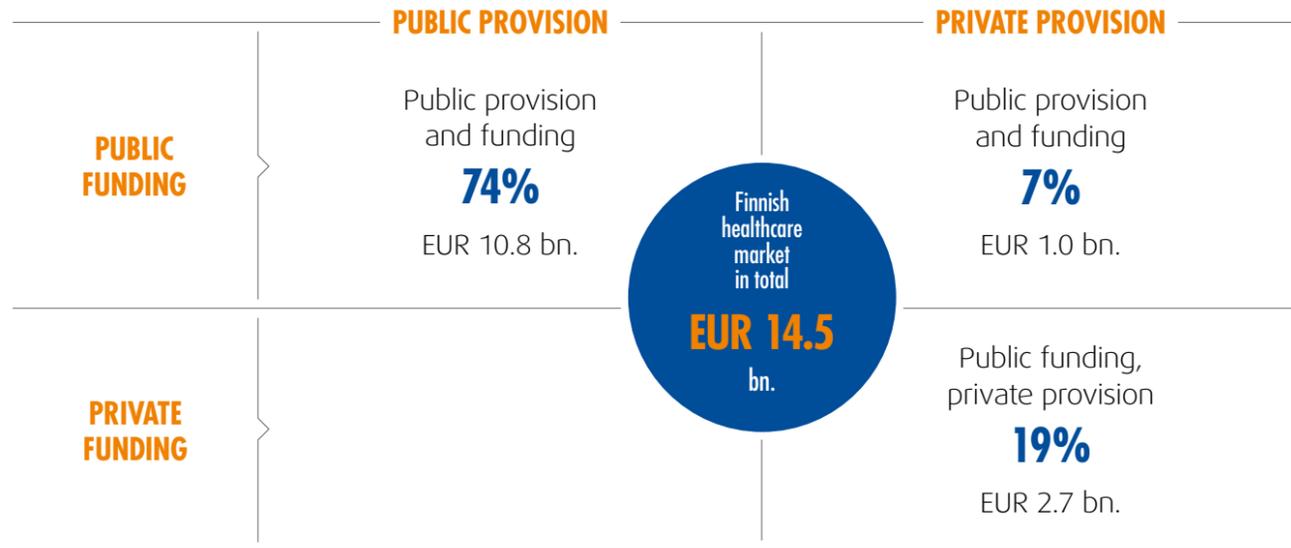
- Growing preference of digital channels
- Role of proactive and preventative care enforced
- More frequent interactions
- Service chain transformation digital diagnosis & diagnostics, only then to a doctor

THE FINNISH HEALTHCARE MARKET

The total annual cost of healthcare in Finland is approximately EUR 15 billion. Publicly funded and provided healthcare constitutes 74 percent of the amount. Private healthcare plays a significant role in the Finnish system.

Finland has an internationally unique occupational health system that covers 1.9 million Finns. This has effects on public health as well

as the total cost of healthcare. According to studies, companies can benefit from systematically investing in work ability management. One euro of investment generates six euros of return as a result of lower sickness absence and pension costs.



In 2017 according to Nordic Healthcare Group estimate

OPERATING ENVIRONMENT

| INFLUENTIAL TRENDS | DESCRIPTION AND EFFECT OF RISKS | MANAGEMENT | OPPORTUNITY |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Market conditions and development of the employment rate | Development of the Finnish economy and the employment rate affect demand for Terveystalo's services. | Promotion of cost-efficiency, productivity, and other aspects of competitiveness in accordance with the chosen strategy. | Terveystalo's strong balance sheet and focus on competitiveness reduce risks and can provide strategic opportunities (incl. acquisitions). |
| Changes in market demand and supply | Changes in demand or supply have an effect on the company's growth expectations. | Continuous improvement of competitiveness, continuous development of services. | An extensive network and continuous improvement of competitiveness and quality promote customer loyalty. |
| Regulatory changes and changes in subsidies or taxes | Regulatory changes are delayed, or significant changes take place in the regulatory environment. | Early recognition of regulatory changes, compliance, continuous improvement of competitiveness and quality, reorganisation of the ways of providing services, social influence. | Regulatory changes may result in new demand and encourage customers to favour service providers that invest in quality and competitiveness. |
| Digitalization and technological development | The role of digital services is growing and shaping the industry. Requirements for data privacy and security are increasing. | Continuous investments in the development of digital services and tools. Data privacy and security are managed as part of overall security management through a variety of methods and processes. | Digitalisation can provide new solutions for disease prevention and improve access to care. |
| The growing importance of corporate responsibility | Shortcomings in corporate responsibility can have a significant negative impact on the company's reputation and operations. | Continuous development of quality and corporate responsibility as part of the company's strategy. | Sustainable operations and transparent reporting can create a competitive advantage. |

STRATEGY

Terveystalo's customer-driven high-quality services promote the health of Finns and, thereby, the wellbeing of Finnish society as a whole. The core of Terveystalo's strategy is constituted by continuous improvement of clinical, operational, and experienced quality, together with profitable growth through organic growth and supplementary acquisitions. Our mission statement is: We are fighting for a healthier life.

We provide a broad range of healthcare and wellbeing services for private, corporate, and public sector customers. Our competitive advantages include a wide and comprehensive network, scalable business model, and a broad range of digital services. Together with our development-oriented culture, they attract the field's best talent.

SUPERIOR CUSTOMER EXPERIENCE

A positive customer experience promotes customers' commitment and loyalty. We want to provide a superior experience in all of our service channels. This requires active identification and fulfilment of the customer's individual expectations and needs. Our digital tools, which support the service, are an integral part of the customer experience.

THE PREFERRED PARTNER TO OUR CUSTOMERS

Our objective is to be the preferred provider of healthcare services for all customer groups. We continuously develop our service range and network in order to cater to our customers' individual needs even better.

THE PREFERRED EMPLOYER FOR PROFESSIONALS

The ability to attract and retain competent, motivated professionals is critical for us: only in this way can we achieve the operational efficiency, superior service experience, and clinical quality that form the core of our strategy. Good customer satisfaction and high-quality care are not possible without satisfied employees.

LOCAL QUALITY LEADER WITH NATIONWIDE SCALE BENEFITS

Our comprehensive network and extensive service range form a platform for providing efficient, individual, and local services for customers. Because of the operating leverage of our business, we can continuously invest in digitalization, service development, and operational efficiency.

MEASURED EFFECTIVENESS

Clinical quality is created through the medical expertise of healthcare professionals, excellent facilities, continuous training, and efficient processes. We want to be the frontrunner in our field in measuring and reporting the quality and effectiveness of care.

RESPONSIBLE SOCIAL INNOVATOR

We participate actively in the development of healthcare services in Finland and the promotion of the wellbeing and health of Finns. We aim to develop customer-oriented cooperation models with the public sector and engage in active dialogue on the future of healthcare. We offer effective tools for the prevention of lifestyle diseases with an impact on the national economy and we supplement public healthcare services.

BUSINESS AND STRATEGY

| INFLUENTIAL TRENDS | DESCRIPTION AND EFFECT OF RISKS | MANAGEMENT | OPPORTUNITY |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Continuous improvement of competitiveness. | Reduced relative competitiveness has an impact on profitability and increases risks related to the operating environment. | Commercial strategies, a culture of continuous improvement, and a strong perception of continuous improvement of productivity. Development of services. | Increased relative competitiveness promotes profitability and reduces risks related to the operating environment. |
| Choice and implementation of acquisitions. | Integration challenges related to customer relations, resources, systems, processes, and culture. The pursued benefits are achieved only partially or not at all. | Systematic choice of targets and preparation in order to ensure strategic compatibility, accurate valuation, and efficient integration. Stakeholder cooperation. | Growth, new customers and business operations, geographic expansion, extended competencies |
| Ability to hire and retain competent personnel with a wide range of expertise. | Challenges related to the planning and implementation of business operations that have an effect on profitability and creation of value. | Development of competence, incentive systems, development of well-being at work, value-based management, and ethical practices. | Attractiveness as a workplace enables better availability of competent personnel compared with our competitors. Committed personnel who are capable of first-class performance enable the implementation of the strategy and the success of the company. |
| Development and commercialization of innovations and new services. | A lost opportunity to develop and commercialise new services. | A systematic development project portfolio, R&D cooperation and partnerships, development of the business model. | Revision of the current services and supplementary services to create added value. New services can be a significant source of growth and value for the company. |

SYSTEMATIC PROGRESS OF GROWTH STRATEGY IMPLEMENTATION

The main strategic measures in 2019 included the integration of Attendo health services and an increase in available appointments through process development and digital tools.

The Net Promoter Score* (NPS) for customer experience was strong in all of the measured areas. Personnel job satisfaction at Terveystalo was at an excellent level, but the employee net promoter score (eNPS) remained at an average level. (9) The improvement measures identified on the basis of the personnel survey have been initiated. Terveystalo's comprehensive overall health service range

continued to expand, and the expected synergies from completed acquisitions were achieved as planned. As a result of the acquisitions and strong organic growth, revenue increased by 38 percent, and profitability according to adjusted EBITA remained strong at 11.2 percent of revenue.

Corporate responsibility is one of Terveystalo's strategic key priorities. In addition to the Quality Book, the company published its first corporate responsibility report for 2019 and was granted Prime status by ISS ESG as the first Finnish healthcare service company.

TERVEYSTALO GROWTH STRATEGY

MISSION:

CHAMPIONS OF A HEALTHIER LIFE



OUR GROWTH IS BASED ON SIX STRATEGIC CHOICES:

| | | | | | |
|---------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------|
| SUPERIOR CUSTOMER EXPERIENCE NPS appointments | THE PREFERRED PARTNER TO OUR CUSTOMERS Customer Experience quality | THE PREFERRED EMPLOYER FOR PROFESSIONALS ENPS | LOCAL QUALITY LEADER WITH NATIONWIDE SCALE BENEFITS Operational quality | MEASURED EFFECTIVENESS Medical quality | RESPONSIBLE SOCIAL INNOVATOR |
|---------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------|

FINANCIAL TARGETS:

| | | | |
|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| GROWTH 6–8% annual revenue growth ¹ | PROFITABILITY An Adjusted EBITA margin 12–13% ² | CAPITAL STRUCTURE Net Debt / Adjusted EBITDA not to exceed 3.5x ³ | DIVIDEND POLICY At least 30 % of net profit distributed ⁴ |
|----------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|

OUR STRENGTHS:

| | | | |
|------------------------|-------------------------------|--------------------|-------------------------------------|
| LARGEST NETWORK | LARGEST AMOUNT OF DATA | SCALABILITY | DEVELOPMENT ORIENTED CULTURE |
|------------------------|-------------------------------|--------------------|-------------------------------------|

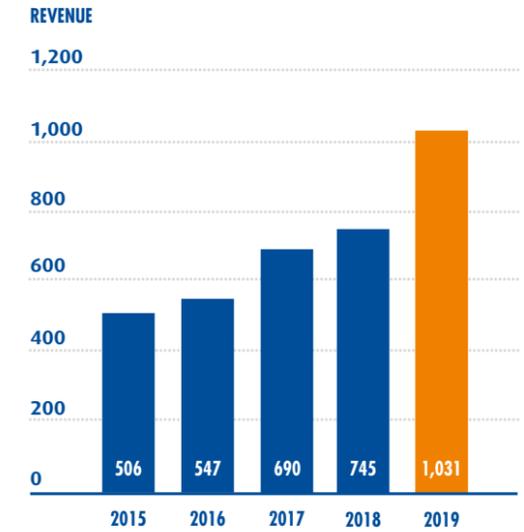
OUR VALUES:

KNOW-HOW AND CARING

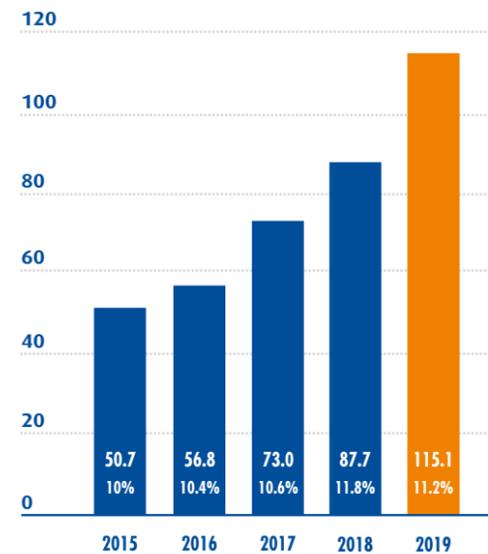
¹ Growth in the long term through a combination of organic growth and bolt-on acquisitions.
² An Adjusted EBITA margin 12–13% of revenue in the medium- to long-term.
³ Indebtedness may temporarily exceed the target level, for example, in conjunction with acquisitions.
⁴ Taking Terveystalo's long-term development potential and financial position into account.

ACHIEVEMENT OF FINANCIAL TARGETS

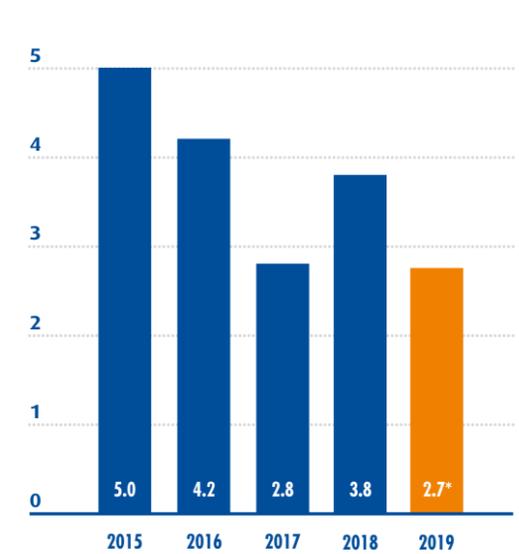
| TARGET | REALISED IN 2019 | TARGET LEVEL |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase in revenue | 38 % | Annual growth of 6 to 8 percent In the long term through a combination of organic growth and bolt-on acquisitions |
| Profitability | 11.2 % | Adjusted EBITA margin* 12–13% of revenue *before interest, taxes, depreciation and amortisation in the medium to long term |
| Capital Structure | 2.7 (comparable) | Interest-bearing Net Debt / Adjusted EBITDA not to exceed 3.5 times Indebtedness may temporarily exceed the target level, for example, in conjunction with acquisitions |
| Payment of dividends | No dividend was paid for the 2018 financial year. Funds were distributed from the invested unrestricted equity fund at EUR 0.20 per share (277% of net profit for the period). | At least 30% of the profit for the financial period Taking Terveystalo's long-term development potential and financial position into account |



ADJUSTED EBITA, EUR MILL. AND % OF REVENUE



NET DEBT/ADJUSTED EBITDA



*Before IFRS 16 impact (comparable)

VALUE CREATION MODEL

RESOURCES AND KEY CAPITAL:

PERSONNEL AND COMPETENCE

- We employed over 13,000 people, of whom more than 5,000 are private practitioners: approximately 5,000 doctors from ~30 specialties, over 900 nurses, 130 operating room nurses and over 800 occupational nurses, 350 dentists, 200 psychologists, 140 psychotherapists, 55 nutritionists and about 600 occupational and physiotherapists.

FINANCIAL

- Net debt EUR 548 mill.
- Equity EUR 541 mill.

IMMATERIAL

- ISO 9001: 2015 Quality Certification
- Utilising customer information in the management of medical quality and promoting public health in society
- Care chains based and developed on evidence-based medicine
- Medical Quality Management Tools: Etydi, Medical Reporting, and Dashboard
- A strong brand, the most interesting employer among doctors and healthcare students
- "In the best hands" model in responding to customer needs
- Oma Suunnitelma, a personal health plan for Preventive Health Care
- Medical research: Terveystalo clinical research, biobank

SOCIAL

- Good relationships, especially with private practitioners and other healthcare professionals, investors, suppliers of materials and services, directly affect our ability to deliver high quality, personalized health services
- Close cooperation with industry associations, insurance and pension companies and health insurance funds to promote the sharing of best practices and the efficacy of care
- Good relationships with authorities and decision-makers support our operations and role in the Finnish healthcare system

INFRASTRUCTURE

- About 300 clinics
- 17 Clinic hospitals
- 40 dental clinics
- 45 Relax massage therapy units

NATURAL RESOURCES

- Energy consumption 17,170 MWh (electricity)

BUSINESS MODEL:



QUALITY MANAGEMENT

CLINICAL, EXPERIENCE-RELATED AND OPERATIONAL QUALITY

KEY OPERATIONAL MANAGEMENT SYSTEMS

- Leading professionals
- Quality management
- Network management
- A model for continuous improvement
- Managing profitability and growth

DIGITALIZATION AND INNOVATIONS

- Digital solutions to improve the clinical, operational and customer experience quality
- New services and service models

Governance structures, policies and controls related to good corporate governance, Code of Conduct, risk management and compliance.

OUTPUTS:

- 3.7 mill.. doctor visits for 1.2 mill. individual customers, 15% of all doctor visits in Finland
- 6,2 customer visits
- Over 150,000 remote appointments
- Over 4.7 mill. individuals in electric patient records
- 188,000 new health goals recorded for digital health plans

EMISSION AND WASTE

- Carbon footprint 2,222.5 tonnes CO₂ (Scope 1 & 2)
- Waste 73 tonnes (mixed and hazardous waste)

CREATED VALUE AND IMPACTS:

IMPACT AND VALUE FOR CUSTOMERS (INDIVIDUAL):

- Fast access to care: Chat reception to a general practitioner or occupational health practitioner available 24/7 in 7 seconds average
- Availability of care everywhere in Finland, digital services available 24/7, 75% of Finns live 15 minutes drive away from Terveystalo unit
- High quality and efficacy of care
- Strong patient safety, reminders (0.01%), complaints (0.00%), patient injury complaints (0.01%) all below the industry average
- Decrease in sickness related work absences and the cost of work left undone
- Prevention of illnesses
- High Customer Satisfaction and Net Promoter Score, NPS
- Cost savings and improved access to care in publicly funded services

ECONOMIC IMPACT

- Tax footprint EUR 149 mill.
- Equity repayment EUR 26 mill.
- Investments, excl. M&A EUR 33 mill.
- Materials and services purchased EUR 473 mill.
- Financial expenses (net) of EUR 14 mill.

IMPACT ON PERSONNEL AND PRIVATE

- Wages and salaries, EUR 314 mill.
- Personnel sickness absenteeism rate 3,7 below national average
- Lost work injury frequency rate, LTIR 25, significantly below industry national average
- 92% are satisfied with Terveystalo as an employer
- A total of 2,685 hours of centralised nationwide training sessions.

TERVEYSTALO AS AN INVESTMENT

Terveystalo, a company founded in 2001, has grown through nearly 200 acquisitions into Finland's largest healthcare service company. In recent years, Terveystalo has made some significant investments, particularly in digitalization and customer experience, as well as clinical and operational quality. Terveystalo's customer-oriented business model and corporate culture produce excellent services for all customer groups. Terveystalo's strengths provide it with a number of channels for growth.

1 MEGATRENDS ACCELERATE STRUCTURAL MARKET GROWTH

- Aging populations and high incidence of lifestyle diseases increase both demand for healthcare and healthcare costs.
- People are investing more in health and wellbeing and using more services.

2 COMPETITIVE ADVANTAGE OF SCALE

- Terveystalo's broad and diverse customer base enables cross-selling and efficient use of resources.
- Economies of scale enable continuous improvement of profitability. Terveystalo has an extensive existing network and scalable centralized operations.

3 SERVICES TAILORED FOR DIFFERENT CUSTOMER GROUPS ENABLE GROWTH IN THE CHANGING MARKET

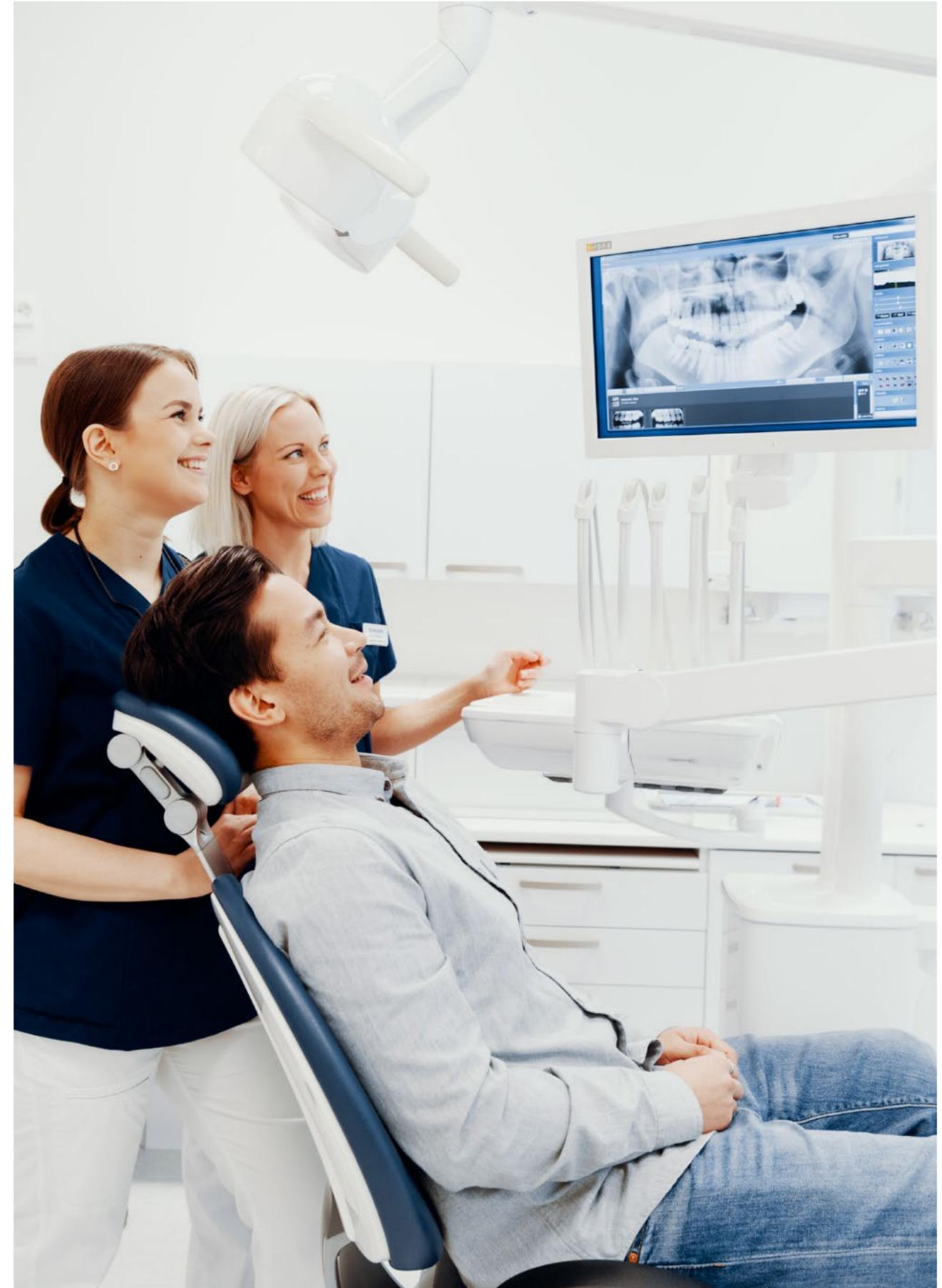
- The objective is to be the preferred provider of healthcare services for all customer groups and to continuously develop the services and network to respond to our customers' individual needs.

4 OPPORTUNITY TO ACCELERATE GROWTH THROUGH ACQUISITIONS

- Since 2001, Terveystalo has completed nearly 200 acquisitions.
- Because of the economies of scale and solid experience in acquisitions, Terveystalo has historically met or exceeded the cost synergy expectations, creating value through acquisitions.

5 COMPANY CULTURE ATTRACTS HEALTHCARE PROFESSIONALS

- Terveystalo has been chosen as the most attractive employer among physicians and healthcare students for six years in a row.



CORPORATE GOVERNANCE

At Terveystalo, the highest power of decision-making is exercised by the shareholders at the General Meeting of Shareholders. The company's Board of Directors and CEO are in charge of the management of Terveystalo. The rest of company management assists and supports the CEO in his duties. The Board of Directors is responsible for ensuring that Terveystalo complies with good corporate governance principles.



CORPORATE GOVERNANCE STATEMENT

I. INTRODUCTION

Governance at Terveystalo Plc (“Terveystalo” or the “Company”) is based on applicable law, the rules and recommendations of Nasdaq Helsinki Ltd (the Helsinki Stock Exchange), and the Company’s Articles of Association. In addition, the Company applies the Finnish Corporate Governance Code 2015 (Corporate Governance Code), issued by the Securities Market Association and is available on its website at www.cgfinland.fi. Terveystalo complies with all the recommendations in the Corporate Governance Code. Terveystalo’s Corporate Governance Statement has been prepared in accordance with the Corporate Governance Reporting section of the Corporate Governance Code.

This statement has been reviewed and approved by Terveystalo’s Audit Committee and Board of Directors, and it has been prepared separately from the Report of the Board of Directors. The statement is available on the company website at www.terveystalo.com/en/investors/Corporate-governance/.

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Terveystalo is a Finnish limited liability company domiciled in Helsinki. The parent company, Terveystalo Plc, and its subsidiaries form the Terveystalo Group. The responsibility for the administration and operations of Terveystalo Group lies with the governing bodies of the parent company, Terveystalo Plc. These governing bodies include the General Meeting of Shareholders, the Board of Directors, and the CEO. The General Meeting of Shareholders elects the members of the Board of Directors on the basis of the proposal of the Nomination Board consisting of major shareholders, and the Board appoints the company’s CEO. The Board of Directors is aided by two committees. The Board elects the committee members from among its number. The Management Group assists the CEO with the management of Terveystalo Group’s operations. The work of the Board of Directors, its committees, the CEO, and the Management Group is governed by the Company’s corporate governance principles, adopted by the Board of Directors. These principles include the Charters of the Board and its committees, the division of responsibilities between the decision-making bodies, and the principles concerning the arrangement of internal control and risk management. The Company’s governance structure is described below.

TERVEYSTALO’S GOVERNANCE STRUCTURE



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is Terveystalo’s most authoritative decision-making body. The Annual General Meeting is held annually on a date determined by the Board of Directors, within six (6) months of the end of the financial year.

The Annual General Meeting deals with matters falling within its competence pursuant to the Finnish Limited Liability Companies Act and Terveystalo’s Articles of Association, and any other possible matters that are requested to be handled by the Annual General Meeting. An Extraordinary General Meeting is convened when necessary. More detailed information about the General Meeting of Shareholders is provided in Terveystalo’s Articles of Association, which can be found on the company website at www.terveystalo.com/en/investors/Corporate-governance/.

The Annual General Meeting for 2019 was held on April 4, 2019. The decisions of each General Meeting can be found on Terveystalo’s website at www.terveystalo.com/en/investors/Corporate-governance/General-Meeting-of-Shareholders/.

SHAREHOLDERS’ NOMINATION BOARD

In accordance with the decision of the General Meeting of Shareholders, Shareholders’ Nomination Board prepares annual proposals for the next Annual General Meeting concerning the number of Directors and their election and remuneration. The Shareholders’ Nomination Board consists of the Chairman of the Company’s Board of Directors and representatives of the Company’s four largest shareholders. However, if the holding of the fifth largest shareholder exceeds ten (10) per cent of all the shares and votes in the Company, the five largest shareholders shall be represented on the Shareholders’ Nomination Board. The Nomination Board consists of representatives of the four (or five) largest shareholders and the Chairman of the Board of Directors, as determined by shareholdings on September 1 in each calendar year. The Chairman of the Board of Directors convenes the first meeting of the Shareholders’ Nomination Board, and the Shareholders’ Nomination Board elects a Chairman from among its number. Subsequent meetings of the Nomination Board are convened by the elected Chairman. If more than half of the members of the Shareholders’ Nomination Board are present, they constitute a

quorum. The Nomination Board has a written Charter which includes a more detailed description of the election process and the duties of the Nomination Board members as well as the procedures of the Nomination Board’s meetings. The charter of the Nomination Board can be found on the company website at www.terveystalo.com/en/investors/Corporate-governance/shareholders-nomination-board/.

In accordance with shareholdings on September 1, 2019, Terveystalo’s Nomination Board consists of the Company’s four largest shareholders and the Chairman of the Board of Directors. In accordance with the above, the members of Terveystalo’s Nomination Board from September 10, 2019 are Risto Murto (Varma Mutual Pension Insurance Company), Matts Rosenberg (Rettig Group AB), Peter Therman (Hartwall Capital), Laura Raitio (Helsinki Deaconess Institute Foundation), and Kari Kauniskangas (Chairman of the Board of Directors of Terveystalo Plc).

In its organization meeting held on September 10, 2019, the Nomination Board elected Risto Murto as its chairman. The Shareholders’ Nomination Board will forward its proposals for the Annual General Meeting to Terveystalo’s Board of Directors on 31 January 2020 at the latest. In 2019, the Nomination Board convened six times. The attendance rate of members was 97 per cent.

| Name | Meetings attended | Attendance rate |
|-------------------|-------------------|-----------------|
| Risto Murto | 6/6 | 100 % |
| Matts Rosenberg | 4/4 | 100 % |
| Peter Therman | 4/4 | 100 % |
| Kari Kauniskangas | 4/4 | 100 % |

Members of the Nomination Board until 9 September 2019:

| | | |
|------------------|-----|-------|
| Ole Johansson | 2/2 | 100 % |
| Tomas von Rettig | 2/2 | 100 % |
| Fredrik Cappelen | 1/2 | 50 % |

Member of the Nomination Board until 4 December 2019:

| | | |
|--------------|-----|-------|
| Laura Raitio | 4/4 | 100 % |
|--------------|-----|-------|

Member of the Nomination Board as of 9 December 2019:

| | | |
|--------------|-----|-------|
| Olli Lehtilä | 1/1 | 100 % |
|--------------|-----|-------|

BOARD OF DIRECTORS

According to Terveystalo's Articles of Association, the Board of Directors has a minimum of five (5) and a maximum of eight (8) ordinary members. The Annual General Meeting of Shareholders elects the members of the Board of Directors. The Board of Directors elects the Chairman from among their number. In 2019, the General Meeting of Shareholders elected eight members to the Board of Directors: Dag Andersson, Paul Hartwall, Lasse Heinonen, Olli Holmström, Kari Kauniskangas, Åse Aulie Michelet, Katri Viippola, and Tomas von Rettig. The Board of Directors elected Kari Kauniskangas as the Chairman of the Board. All the members of the Board are independent of the Company. Kari Kauniskangas, Dag Andersson, Lasse Heinonen, and Åse Aulie Michelet are independent of major shareholders of the Company; Paul Hartwall is a member of the Board of Directors of Hartwall Capital, Olli Holmström is the CEO of the Helsinki Deaconess Institute Foundation; Katri Viippola is Senior Vice President for Communications, HR, and CSR at Varma; and Tomas von Rettig is the Chairman of the Board of Directors of Rettig Group Oy AB.

In accordance with the decision of the Annual General Meeting of 2019, Fredrik Cappelen (Chairman), Eeva Ahdekivi, Lasse Heinonen, Olli Holmström, Vesa Koskinen, Åse Aulie Michelet, Katri Viippola, and Tomas von Rettig were members of the Board of Directors until April 4, 2019.

HOLDINGS OF THE BOARD MEMBERS AND THEIR CONTROLLED ENTITIES IN THE GROUP, DECEMBER 31, 2019

| | |
|--------------------|--------|
| Kari Kauniskangas | 4,248 |
| Dag Andersson | 1,695 |
| Paul Hartwall | 1,695 |
| Lasse Heinonen | 10,938 |
| Olli Holmström | 3,134 |
| Åse Aulie Michelet | 25,758 |
| Katri Viippola | 3,134 |
| Tomas von Rettig | 3,938 |

Biographical details of the Board members are provided below under Group Management.

DIVERSITY OF THE BOARD OF DIRECTORS

The principles concerning the diversity of the Board of Directors, prepared by the Company, came into effect on September 27, 2017. The Company regards the diversity of the Board of Directors as a material contributor to the achievement of the Company's strategic targets. The work of the Board of Directors requires understanding differences in culture, values, and business practices. Diversity is assessed from different perspectives, including age, gender, education, and professional background. Both genders shall be represented on

the Board of Directors. The Shareholders' Nomination Board plans the composition of the Board of Directors from the perspective of the Company's current and future business needs, taking into account diversity of the Board. In 2019, the Company's Board of Directors met the diversity criteria. The age range of Board members is 38 to 66 years. Two of the Board members are women and six are men.

DESCRIPTION OF THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors has prepared and adopted a written Charter of the Board. It supplements the provisions of the Articles of Association and the applicable laws and regulations. The Charter of the Board of Directors describes the Board's composition, the election process of the Directors, the responsibilities of the Board, meeting arrangements, division of responsibilities among the Board members, and reporting to the Board of Directors. The CEO attends Board meetings. The Chief Financial Officer (CFO) and other members of the Management Group attend Board meetings upon invitation by the Board of Directors. The Board of Directors has general competence to decide and act in matters that do not fall within the competence of any other corporate governing body under law or the Company's Articles of Association. The Board of Directors is responsible for the Company's administration and the appropriate arrangement of its functions. In addition, the Board of Directors is responsible for ensuring appropriate supervision of the Company's accounting and asset management. The Board of Directors decides on matters of principle and on any issues that could have broad-ranging implications for the Company. It decides on major corporate plans and transactions, as well as establishes limits for capital expenditure, investments, divestments, and financial commitments. The Board of Directors' responsibilities include reviewing and approving the strategic objectives and strategic plans of the Company and its business areas, as well as monitoring their implementation. The Board of Directors also reviews and approves the Company's financial targets. In addition, the Board of Directors monitors and assesses the Company's financial reporting system, approves the Company's financial reports, and monitors the Company's external audit process. It also ensures that the Company has defined the operating principles of internal control, internal auditing, and risk management, and monitors compliance with these principles. In all situations, the Board of Directors must act in the best interest of the Company and its shareholders. The Board of Directors appoints and dismisses the CEO, supervises the CEO's actions, and approves the CEO's service contract and remuneration upon the recommendation of the Remuneration Committee. Upon the proposal of the CEO, the Board of Directors appoints the Management Group reporting directly to the CEO and approves the service contracts and remuneration of the Management Group members upon the recommendation of the Remuneration Committee. In addition, the CEO must consult the Chairman of the Board of Directors on any dismissal

of members of the Management Group reporting directly to the CEO. The number of terms or the age of Board members is not limited.

The Board of Directors may establish committees to assist the Board with the preparation and performance of its duties and responsibilities. The Board of Directors may determine the size and composition of such committees and approve their charters.

In 2019, the Board of Directors convened 16 times. The average attendance rate at Board meetings was 97 per cent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2019.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company's Board of Directors has established two committees: the Audit Committee and the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee carries out its responsibilities under its Charter adopted by the Board of Directors. The Audit Committee assists the Board of Directors in performing and monitoring the supervisory duties related to its financial reporting process. In addition, the Audit Committee assists the Board of Directors in supervising matters related to financial reporting, internal control, internal auditing, and risk management. The Audit Committee monitors the financial reporting processes, the quality and integrity of the financial statements and other financial reports, and the Company's financial performance. In addition, the Audit Committee monitors the statutory audit of the financial statements, consolidated financial statements, and the annual, half-year, and interim reports. The Audit Committee also monitors the efficiency of the Company's internal control, internal auditing, and risk management systems and assesses the performance of internal auditing. Furthermore, the Audit Committee evaluates the qualifications and independence of the external auditor, particularly the provision of non-audit services to the Company, prepares the proposal for the election of the external auditor, and monitors compliance with laws and regulations. The Audit Committee prepares the proposal for the remuneration and election or re-election of the external auditor and submits its recommendation for the appointment of the external auditor to the Board of Directors. In addition, the Audit Committee shall ensure that the Board of Directors is aware of matters which may significantly impact the Company's financial condition or business affairs.

The Audit Committee consists of at least three members appointed by the Board of Directors. The Audit Committee has a Chairman, elected by the Board of Directors. The members of the Audit Committee must meet the independence and expertise criteria and other criteria applicable to Audit Committee members of publicly listed companies in Finland.

Lasse Heinonen serves as Chairman of the Audit Committee, and Paul Hartwall and Olli Holmström are Committee members. The Audit Committee convened 5 times in the financial year 2019. The average attendance rate of the Committee members was 100 per cent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2019.

REMUNERATION COMMITTEE

The Remuneration Committee carries out its responsibilities under its Charter adopted by the Board of Directors. The Charter of the Remuneration Committee came into effect on July 1, 2017. The Remuneration Committee of the Board of Directors identifies individuals qualified to serve as the CEO of the Company and gives its recommendation on the appointment of the CEO to the Board of Directors. It also assists the Board of Directors with any major management reorganizations on the basis of preparation and proposals by the CEO. The Remuneration Committee assists the Board of Directors with the evaluation and remuneration of the CEO and the members of the Management Group reporting directly to the CEO, oversees the Company's remuneration policies, schemes, and plans, as well as defines appropriate succession planning procedures for the Management Group.

The Remuneration Committee consists of a minimum of three members elected by the Board of Directors from among its number. The members of the Remuneration Committee must meet the independence criteria applicable to such committee members of publicly listed companies in Finland, including that the majority of the members of the committee must be independent of the Company. Remuneration Committee members must possess the expertise and experience required for the performance of the duties and responsibilities of the Remuneration Committee. Desirable qualifications for members of the Remuneration Committee include experience in business management, corporate governance, human resources management, and executive remuneration.

The Remuneration Committee establishes its own schedule and meets as frequently as necessary to carry out its responsibilities under its Charter, and in any event at least twice a year.

Kari Kauniskangas is Chairman of the Remuneration Committee and Dag Andersson, Åse Aulie Michelet, and Katri Viippola are Committee members. The Remuneration Committee convened 10 times during the financial year. The average attendance rate of the Committee members was 100 per cent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2019.

ATTENDANCE OF BOARD MEMBERS AT BOARD AND COMMITTEE MEETINGS IN 2019

| NAME | PARTICIPATION IN BOD MEETINGS* | PARTICIPATION IN AUDIT COMMITTEE MEETINGS* | PARTICIPATION IN REMUNERATION COMMITTEE MEETINGS* |
|----------------------------------------|--------------------------------|--------------------------------------------|---------------------------------------------------|
| Kari Kauniskangas | 14/14 | 2/4 | 8/8 |
| Dag Andersson | 11/14 | | 8/8 |
| Paul Hartwall | 14/14 | 4/4 | |
| Lasse Heinenen | 15/16 | 5/5 | |
| Olli Holmström | 16/16 | 5/5 | |
| Åse Aulie Michelet | 15/16 | | 8/8 |
| Katri Viippola | 16/16 | | 8/8 |
| Tomas von Rettig | 15/16 | | |
| Members of the BoD until 4 April 2019: | | | |
| Fredrik Cappelen | 2/2 | | 2/2 |
| Eeva Ahdekivi | 2/2 | 1/1 | |
| Vesa Koskinen | 2/2 | | 2/2 |

*Attendance in meetings is presented according to each member's term-of-office.

CHIEF EXECUTIVE OFFICER

The CEO is responsible for the day-to-day management of the company and for implementing the Company strategy in accordance with the instructions and orders issued by the Board of Directors. The CEO undertakes the execution of measures approved by the Board of Directors and oversees preparations for any strategically important measures. The CEO ensures that the management of the Company is adequately arranged, and the Company's accounting complies with the legislation. In addition, the CEO ensures the appropriate arrangement of the Company's administration and asset management. Ville Iho started as Terveystalo's President and CEO on December 6, 2019. Biographical details of the CEO are provided below under Executive team.

EXECUTIVE TEAM AND MANAGEMENT SYSTEM

The company's CEO serves as the Chairman of the Executive team. In 2019, the Executive team consisted of the Chief Medical Officer (CMO) and the Officers and Vice Presidents responsible for operational activities, digitalization, finances, HR, legal matters, communications, marketing and brand, and business operations. The holdings of the members of the Executive team and controlled entities on December 31, 2019 are presented below.

| | |
|-------------------------------------------------------------------------------------|---------|
| Ville Iho, Chief Executive Officer from December 6, 2019 | 0 |
| Petri Bono, CMO | 0 |
| Jens Jensen, Senior Vice President, Corporate Health | 119,476 |
| Juha Juosila, Chief Digital Officer | 88,495 |
| Susanna Laine, Senior Vice President, Communications, Marketing and Brand | 13,668 |
| Ilkka Laurila, CFO | 314,923 |
| Julia Ormio, Senior Vice President, Legal | 0 |
| Laura Rätty, Senior Vice President, Public Partnerships | 9,078 |
| Siina Saksi, Senior Vice President, Private Customers and Clinics | 50,559 |
| Pia Westman, Senior Vice President, Well-being, Diagnostics and Digital Services | 23,594 |

Biographical details of the Executive team members are provided below under Group Management.

The Executive team meets once or twice a month or as needed. It assists the CEO with tasks such as the preparation and execution of the Company strategy, business plans, matters of principle, and any other important matters. In addition, the Executive team assists the CEO in ensuring the flow of information and sound internal cooperation. The Company's Board of Directors decides on the nomination and remuneration of Executive team members.

GROUP ORGANIZATION

TERVEYSTALO PLC –
THE PARENT COMPANY OF THE GROUP

TERVEYSTALO HEALTHCARE HOLDING OY – FINANCING

TERVEYSTALO HEALTHCARE OY –
GROUP'S CENTRALISED PROCUREMENTSUOMEN TERVEYSTALO OY AND OTHER OPERATIVE
COMPANIES – THE OPERATIVE BUSINESS

Terveystalo Plc's Board of Directors also acts as the Board of Directors for the Group's financing company, Terveystalo Healthcare Holding Oy. At the other subsidiaries, the CEO, CFO, and Legal Officer usually serve as members of the subsidiary's Board of Directors. From the perspective of business operations, the Group subsidiaries operate in accordance with the Group's management system. The Group's business activities are performed by Suomen Terveystalo Oy, and Terveystalo Healthcare Oy is the Group's purchasing company.

III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

RISK MANAGEMENT

Risk management is part of Terveystalo's management system. The company applies a risk management policy adopted by the Board of Directors. The purpose of risk management is to ensure fulfilment of the customer promise, patient and occupational safety, top-notch services, financial performance, business continuity, a good company image, and corporate social responsibility.

Risk management is an integral part of the planning processes as well as monitoring and reporting routines in Terveystalo Group. It is implemented in the day-to-day management and activities at all levels of the organization. Risk management must be consistent and commensurable. It is important to understand the causes and consequences of risks and to ensure that the risk management measures are correct and properly targeted.

The objectives of risk management include:

- Ensuring business continuity
- Ensuring the achievement of strategic and operative objectives
- Managing risks associated with financial transactions
- Supporting decision-making
- Ensuring top quality care and patient safety
- Ensuring employees' expertise and occupational safety
- Avoiding operational risks and risks of damage and minimizing damage if a risk is realized
- Improving risk awareness within the organization
- Identifying the opportunities associated with risk-taking, improving risk tolerance
- Identifying development opportunities within the organization
- Gaining the trust of external and internal stakeholders

Terveystalo strives to proactively identify, analyze, and manage major risks. Risk management is an integral part of management. It contributes to strategic development, helps managers make informed choices, puts measures in priority order, takes into account opportunities, uncertainties, and their effects, and distinguishes between alternative approaches.

The Board of Directors is responsible for risk management and its adequacy and adopts the risk management policy. The CEO is responsible for organizing risk management in the Group. The Executive team supports the CEO in implementing risk management, monitoring operational risks, assessing risks, and implementing measures related to risks.

RISK MANAGEMENT PROCESS

Risks are assessed on all levels of Terveystalo Group's organization. Terveystalo identifies risks using performance indicators, market statistics, effectiveness information, customer feedback, register data, inspection reports and inquiries from the authorities, occupational safety risk surveys, incident information, audit results, and competitor information.

INTERNAL CONTROL

In its operations, the Company applies a risk management and internal control policy, adopted by the Board of Directors. The objectives of internal control related to the financial reporting process are to ensure that Terveystalo's financial reporting is reliable, interim reports and financial statements are prepared in accordance with the accounting principles and policies applied by Terveystalo and give essentially correct information of the Company's finances, and that regulations and policies are complied with. Internal control is based on Terveystalo's risk management system, business culture, and respective practices. The Company values, Code of Conduct, and Group policies and principles, such as the risk management policy, financial policy, procurement policy, credit policy, disclosure policy, and approval authorizations, guide the internal control. The purpose of the Compliance program is to ensure compliance with corporate governance principles throughout the company and the accuracy of financial reporting. The program aims to create a uniform control environment by applying appropriate internal control principles in the business processes.

The party that owns and approves the financial reporting-related policies is usually the CFO. Internal control is carried out by the Board of Directors, the Audit Committee, the operational management and, in respect of the financial reporting process, employees in financial administration. Terveystalo's Board of Directors bears overall responsibility for internal control and risk management in the Company. The Board of Directors has delegated the practical implementation of an efficient control environment and control measures related to the reliability of financial reporting to the CEO. The CFO is responsible for the control environment of financial reporting. The CFO acts as the owner of reporting risks, reporting to the Audit Committee and the Board of Directors on risk management and internal control. Control involves various measures, such as the revision of financial reports, the balancing of accounts, subledgers, and system transfers, logical analyses of reported figures, and reference analyses of forecasts and realizations. Monitoring of monthly performance in relation to the specified targets is an essential factor. These control measures are carried out at different organizational levels.

IV. OTHER INFORMATION PROVIDED IN THE STATEMENT

INTERNAL AUDIT

The primary objective of internal audit is to support the Board of Directors, the other bodies, and the management in performing their control duties. The company has outsourced internal audits to be carried out by an external auditor. The internal audit function reports to the Audit Committee the audits carried out in accordance with its annual audit plan. The purpose of internal audit is to produce impartial and independent information for the Board of Directors and management. Internal audits particularly focus on issues that are important both in the long and short run from the perspective of strategy, business, and operations. When preparing the audit plan and establishing the extent and priorities of internal audit, the following are typically considered: business-driven internal audit, internal audit relating to the company's risk and the implementation of strategy, and internal audit focusing on Corporate Governance and Compliance. The planning and risk assessment process of internal audit also includes reviewing the annual plans and results of the second line of defense players. In 2019, audits were carried out in strategic development program Core and HR processes. The audits planned for 2020 will focus on IT and digital development processes. Terveystalo has obtained quality certification (ISO 9001:2015) for its operations. Activities of internal auditing are also carried out through the processes of the certificate. The company's internal quality function ensures, for instance, compliance with the quality standards in operational service production.

RELATED PARTY TRANSACTIONS

The company has specified the Group companies, the CEO, the Management Group, and the members of the Board of Directors as related parties, including close family members of the aforementioned as well as entities in which they have control, joint control, or significant influence. The company's financial administration monitors related party transaction as part of the Company's normal reporting and control procedures and submits quarterly reports on related party transactions to the Audit Committee. Material transactions between the Company and its related parties are presented annually in Notes to the Consolidated Financial Statements.

MAIN PROCEDURES OF INSIDER MANAGEMENT

Terveystalo complies with the EU's Market Abuse Regulation (MAR), the Finnish Securities Markets Act, the guidelines and regulations issued by the European Securities and Markets Authority (ESMA) and the Finnish Financial Supervisory Authority (FIVA), and the Guidelines for Insiders published by Nasdaq Helsinki Oy. The insider guidelines adopted by the Company's Board of Directors supplement the applicable insider regulation and specify the procedures of the Company's insider management.

The company has specified persons in charge and respective substitutes for insider management tasks. The company does not have a permanent, company-specific insider list. Instead, it has project-specific insider lists. The company has specified the members of the Board of Directors, the CEO, the CFO, and the Senior VP, Legal as executives. The executives must specify the persons and communities closely associated with them and disclose them to Terveystalo as their related parties. Terveystalo's executives and their related

parties must report their transactions with Terveystalo's financial instruments to the Company and the Finnish Financial Supervisory Authority. Terveystalo publishes such transactions in stock exchange releases. The executives and persons involved in the preparation of the Company's financial reviews, that is, those who participate in the preparation or publication of interim reports and annual financial statements/financial statement releases, must not, directly or indirectly, carry out transactions with the Company's financial instruments themselves or on behalf of a third party, or advise anyone to do so, during a silent period of 30 calendar days preceding the publication of the Company's each interim report and annual financial statements release and on the date of publication of such a report.

AUDITOR

The Company's auditor in 2019 was Authorized Public Accountants KPMG Oy Ab, which appointed APA Jari Härmälä as the auditor-in-charge. Auditor's fees paid in 2019 totaled EUR 185.6 thousand and fees paid for other services totaled EUR 25.9 thousand.

GROUP MANAGEMENT BOARD OF DIRECTORS



KARI KAUNISKANGAS

b. 1962, M.Sc. (Econ.), Finnish citizen

Chairman of Terveystalo's Board of Directors since 2019. Independent of the company and its major shareholders.

Committees:

Chairman of the Remuneration Committee, member of the Shareholders' Nomination Board

Main occupation:

Board professional

Relevant work history:

2008–2017, Fiskars Corporation, President and CEO; 1999–2007, Amer Sports Corporation, multiple executive positions, most recently Senior Vice President, Sales & Distribution and Head of Winter & Outdoor Division

Main positions of trust:

Member of the Board of Directors of: 2019– Ahlström Capital Oyj, 2018– Luhta Sportswear Company Oy, 2018– Antti Ahlströmin Perilliset Oy, 2018– Royal Design Group Holding AB, 2017– O.Mustad & Son A.S., 2013– Veho Oy Ab and 2020– CAP Group Oy, 2019– Chairman of the Board of Directors of Veho Oy AB

Main past positions of trust

2018– 2019 Raisio Plc, Vice Chairman of the Board of Directors, 2008–2010 Wärtsilä Corporation, Member of the Board of Directors



DAG ANDERSSON

b. 1961, BBA, MBA, Swedish citizen

Member of Terveystalo's Board of Directors since 2019. Independent of the company and its major shareholders.

Committees:

Member of the Remuneration Committee

Main occupation:

Board professional

Relevant work history:

2008–2018 Diaverum AB (formerly Gambro Health Care), President and CEO, 1998–2007 Mölnlycke Health Care AB, multiple executive positions, most recently President of the Surgical Division

Main positions of trust:

Member of the Board of Directors of: 2014– Nolato AB, 2018– GHP AB and 2018– XVIVO AB

Main past positions of trust:

2018–2019 Diaverum Arabia, Chairman of the Board of Directors, 2009–2011, Terveystalo, Member of the Board of Directors



PAUL HARTWALL

b. 1981, M.Sc. (Econ.), Finnish citizen

Member of Terveystalo's Board of Directors since 2019. Independent of the company.

Main occupation:

Kusinkapital Ab, CEO

Relevant work history:

2008– Kusinkapital Ab, CEO

Main positions of trust:

Member of the Board of Directors of 2010– Hartwall Capital Oy Ab and 2009– Ultivista Oy

Main past positions of trust:

Member of the Board of Directors of 2019–2020 Hoivatilat Plc and 2014–2017, Sponda Plc



LASSE HEINONEN

b. 1968, M.Sc. (Econ.), Finnish citizen

Member of Terveystalo's Board of Directors since 2018. Independent of the company and its major shareholders.

Committees:

Chairman of the Audit Committee

Main occupation:

2018– Ahlström Capital, CEO

Relevant work history:

2011–2018 Tieto Plc, Executive Vice President, CFO, 2015–2016 Tieto Plc, Head of Telecom, Media and Energy. 2004–2011 Leadership roles in Finnair, e.g. EVP Cargo & Aviation Services, Deputy CEO and CFO. 1992–2004 Various leadership roles in Novartis Pharma and Sandoz in Finland, Turkey, and Switzerland in Finance and Supply chain management

Main positions of trust:

Member of the Board of Directors in Ahlstrom-Munksjö Plc, Olvi Plc, Enics Ag, Destia Oy, and Are Oy

GROUP MANAGEMENT BOARD OF DIRECTORS



OLLI HOLMSTRÖM

b. 1960, M.Th., Finnish citizen

Member of Terveystalo's Board of Directors since 2017. Independent of the company.

Committees:

Member of the Audit Committee

Main occupation:

CEO of the Helsinki Deaconess Institute Foundation sr

Relevant work history:

Nokia Plc, Director, HR of the CTO unit, multiple senior positions in human resources management at Nokia Plc

Main positions of trust:

Member of the Board of Directors of Suomen Diakoniaopisto Ltd, Diaconia University of Applied Sciences Ltd, Finnish Association of Private Care Providers, Chairman of the Board of Directors of Helsinki Deaconess Institute Hoiva Ltd

Main past positions of trust:

Chairman of the Board of Diacor Terveyspalvelut Ltd; Chairman of the Finnish Association of Private Care providers, Member of the Board of the Confederation of Finnish Industries, Vice Chairman of the Executive Committee of the Association for Finnish Work, Member of the Board of Medix Laboratoriot Ltd, Joint Medix Laboratoriot Ltd, Chairman of the Board of Rinnekoti Foundation sr.



ÅSE AULIE MICHELET

b. 1952, M. Sc. Pharm. Norwegian citizen

Member of Terveystalo's Board of Directors since 2016. Independent of the company and its major shareholders.

Committees:

Member of the Remuneration Committee

Main occupation:

Board professional

Relevant work history:

Managing Director of Teres Medical Group AS, Managing Director of Marine Harvest ASA, and Senior Management positions at GE Healthcare

Main positions of trust:

Chairman of the Board of Directors at Inven2 AS, Spin Chip Diagnostics AS and BI Norwegian Business School, Member of the Board of Directors of Odjell SE

Main past positions of trust:

Chairman of the Board of Directors of Photocure ASA, Member of the Board of Directors of Royal Greenland AS, Cermaq ASA, Norske Skog ASA, Orkla ASA, and Yara ASA



KATRI VIIPPOLA

b. 1976, Executive MBA, Master of Arts, Finnish citizen

Member of Terveystalo's Board of Directors since 2018. Independent of the company.

Committees:

Member of the Remuneration Committee

Main occupation:

2016– Varma Mutual Pension Insurance Company, SVP, HR, Communications, and Corporate Social Responsibility

Relevant work history:

2013–2015 Keva, HR and Administrative Director, HR Director. 2008–2013 Yle (Finnish Broadcasting Company), Head of Personnel Development, HR Manager, HR Consultant. 2002–2008 Yle, Yle News and Aamu-tv morning show, Journalist and News Anchor

Main positions of trust:

Vice Chairman of The Board, The Finnish Broadcasting Company Yle, Board Member, Economic Information Office TAT



TOMAS VON RETTIG

b. 1980, BBA (Bachelor of Business Administration), CEFA (Certified European Financial Analyst). Finnish citizen

Vice Chairman of the Board of Directors since 2018. Independent of the company.

Committees:

-

Main occupation:

2019– Chairman of the Board, Rettig Group Ltd

Relevant work history:

2016–2019 Rettig Group Ltd, President & CEO. 2015–2019 Rettig Capital Ltd, Deputy CEO. 2013–2015 Rettig Group Ltd, Vice President Corporate Finance and Development. 2011–2012 Rettig Group Ltd, Vice President Business Development. 2011–2011 Rettig Asset Management Oy Ab, Senior Portfolio Manager. 2008–2010 Rettig Asset Management Oy Ab, Portfolio Manager. 2006–2008 Skandinaviska Enskilda Banken Ab (publ), Middle Office

Main positions of trust:

Multiple Board Member and Chairman positions in Rettig Group companies and Chairman of the Board of Directors in Roof Productions Oy

Main past positions of trust:

Finlayson Ltd, Member of the Board of Directors. Board Member and Chairman positions in Rettig Group companies

GROUP MANAGEMENT EXECUTIVE TEAM



VILLE IHO, CEO

b. 1969, M.Sc. (engineering), Finnish citizen

President and Chief Executive Officer from December 6, 2019.

Relevant work history:

CEO of Nurminen Logistics Plc, multiple managerial positions at Finnair, most recently as COO, Deputy CEO, and acting CEO

CFO Ilkka Laurila acted as the interim CEO from September 9, 2019, until Ville Iho, who was appointed as CEO on August 8, 2019, took up his post in December. Yrjö Närhinen was Terveystalo's CEO until September 9, 2019



PETRI BONO, CMO

b. 1970, MD, Docent, Finnish citizen

Chief Medical Officer and member of the Management Group since 2019.

Relevant work history:

Helsinki University Central Hospital (HUCH), Chief Medical Officer, University of Helsinki, docent (cancer biology). Various leadership positions within HUCH, including Director of Comprehensive Cancer Center

Main positions of trust:

TILT therapeutics, Oncorena and Faron Pharmaceuticals, member of the Scientific Advisory Board; Orion Research Foundation, Vice Chairman; Instru Foundation, Board Member

Main past positions of trust:

HUS Kiinteistöt Oy, HYKS Instituutti Oy, Board member; ESMO (European Society for Medical Oncology), member of the Scientific Advisory Board



JENS JENSEN, SENIOR VICE PRESIDENT, CORPORATE HEALTH

b. 1973, M.Sc. (Econ.), Finnish citizen

Senior Vice President, Corporate Health since 2019, Member of the Management Group since 2016.

Relevant work history:

CFO of Terveystalo, Head of Sales and Service, Commercial Finland of If P&C Insurance Company Ltd, various managerial positions at If P&C Insurance Company Ltd.

Main past positions of trust:

Member of the Board of Directors of the Finnish Workers' Compensation Center (Tapaturmavakuutuskeskus).



JUHA JUOSILA, CHIEF DIGITAL OFFICER

b. 1972, M.Sc. (Econ.), Finnish citizen

Chief Digital Officer since 2016, member of the Management Group since 2016.

Relevant work history:

Director of Business Development and Strategy of Sanoma Pro Ltd, Chief Marketing and Technology Officer of Realia Group Oy, several managerial positions at MTV Sisällöt Oy (MTV 3) and Sonera Plc

Main positions of trust:

Member of the Board of Directors at Etsimo Healthcare Oy

Main past positions of trust:

Member of the Board of Directors of Realia Isännöinti Oy, Huoneistokeskus Oy, Huoneistomarkkinointi Oy, Realia Management Oy, SKV Kiinteistönvälitys Oy, Sentraali Oy, and Jokakoti Oy (currently Oikotie Asunnot Oy), a deputy Member of the Board of Directors of Oy Suomen Uutisradio Ab

GROUP MANAGEMENT EXECUTIVE TEAM



JULIA ORMIO, SENIOR VICE PRESIDENT, LEGAL

b. 1970, LL.B., LL.M., Finnish citizen

Senior Vice President, Legal and member of the Management Group of Terveystalo from December 1, 2018 to January 2020.

Relevant work history:

2017–2018 SVP, Legal and Compliance, Sumitomo SHI FW Oy, 2012–2017 Vice President, Legal & Compliance, Artec Foster Wheeler Energia OY Group and Power Group Asia, 2008–2011 Senior Legal Counsel Outotec Oyj, 2006–2008, Senior Associate, Attorney-at-Law, Castrén & Snellman, Attorneys LTD, 2001–2006 Legal Counsel Elcoteq Network Corporation

Main past positions of trust:

2015–2019 Port of Helsinki Oy, Member of the Board of Directors 2011–2013 Revenio Group PLC, Member of the Board of Directors



SUSANNA LAINE, SENIOR VICE PRESIDENT, COMMUNICATIONS AND BRAND

b. 1967, M.Scs., Finnish citizen

Senior Vice President, Communications and Brand since 2015, Member of the Management Group from 2010 to January 2020.

Relevant work history:

Terveystalo Head of Communications, Marketing, Customer Experience and Private Customers, several communication positions at ISS Palvelut Oy (part of ISS Group), Infor Consulting Oy, Oy SRG Finland Ab (Töölön Matkatoimisto), and Oy AC-tiedotus Ab



ILKKA LAURILA, CFO

b. 1977, M.Sc. (Forestry), M.Sc. (Econ.), Finnish citizen

CFO since 2015, Member of the Management Group since 2015.

Relevant work history:

Terveystalo Head of Treasury and Finance and Head of Procurement, Associate Director of Rahoituksen neuvontapalvelut Inspira Oy, managerial positions at Ernst & Young Oy



LAURA RÄTTY, SENIOR VICE PRESIDENT, PUBLIC PARTNERSHIPS

b. 1977, Lic. Med., EMBA, Finnish citizen

Senior Vice President, Public Partnerships since 2016, Member of the Management Group since 2016.

Relevant work history:

Senior Vice President for Public Partnerships in Terveystalo, Deputy Mayor for Social Affairs and Public Health of the City of Helsinki, Minister of Social Affairs and Health, a member of the Finnish Government and Chairperson of the Party Council of the National Coalition Party of Finland, several positions in health care sector entities

Main past positions of trust:

Chairperson of the Board of Directors of Oy Apotti Ab and Keva, Member of the Board of Directors of Helsingin Kansallismedia Oy, Member of the Council of Representatives of Helsinki Cooperative Society HOK-Elanto



SIINA SAKSI, SENIOR VICE PRESIDENT, PRIVATE CUSTOMERS AND CLINICS

b. 1966, MSc. (Econ), EMBA, Finnish citizen

Senior Vice President for Private Customers and Clinics since 2019, Member of the Management Group since 2016.

Relevant work history:

Business Director for the network at Terveystalo, Business Director for Western and Central Finland at Terveystalo, Senior Vice President, HR Specialist Sales at Pohjola Insurance Ltd, Country Manager of Tryg Finland at Tryg Forsikring A/S, Finnish Branch, and a member of Tryg's Sweden-Finland Executive team at Tryg A/S, several managerial positions at Tryg A/S, If P&C Insurance Company Ltd, Merita Bank Plc and Kansallis-Osake-Pankki



PIA WESTMAN, SENIOR VICE PRESIDENT, WELL-BEING, DIAGNOSTICS AND DIGITAL SERVICES

b. 1965, PhD, Finnish citizen

Senior Vice President for Well-being, Diagnostics and Digital Services since 2019, Member of the Management Group since 2016.

Relevant work history:

Senior Vice President for Well-being, Diagnostics and Digital Services at Terveystalo; Business Director, Centralized Services, Helsinki metropolitan area and Uusimaa; Business Director for Southern and South-Eastern Finland; Business Director for Southern Finland; Unit Director of Terveystalo Kamppi; Director of Hospital and Healthcare Services and Director of Hospital Services, several managerial positions at Eira Hospital Ltd and the Finnish Red Cross Blood Transfusion Service



MINTTU SINISALO, SENIOR VICE PRESIDENT, HR

b. 1980, M.Sc. (Econ.) Finnish citizen SVP HR and member of the Executive Team since 2020.

Relevant work history:

Multiple HR leadership positions at Finnair, most recently VP, People and Culture at Finnair Operations business unit. August Associates HR manager and management consultant.

Main past positions of trust:

Finnair Pension Fund Board member and Chairman of the Board.

Johanna Karppi was Senior Vice President for Human Resources until September 30., 2019.

TERVEYSTALO REMUNERATION POLICY FOR GOVERNING BODIES

1. INTRODUCTION

This remuneration Policy of Terveystalo Plc is the Policy referred to in reporting requirements of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on November 1, 2019.

This Policy presents the governance and principles of remuneration for governing bodies at Terveystalo Group. This Policy has been approved by the Board of Directors of Terveystalo Plc and is subject to an advisory vote by the Annual General Meeting (AGM) in April 2020. The Policy will be applied from the AGM 2020 onwards. The Shareholders' Nomination Board has reviewed and participated in the preparation of this Policy.

Remuneration at Terveystalo is based on the principles of performance, fairness and competitiveness. These remuneration principles apply to all Terveystalo employees and the purpose is to ensure that Terveystalo as an employer attracts motivated and competent professionals. Remuneration shall support the achievement of Terveystalo's strategic goals, align management's priorities with the interests of Terveystalo's shareholders, encourage behavior consistent with Terveystalo's values, and reward excellent performance.

The Company's compensation philosophy is based on the un-

derlying principle of shareholder value creation. The incentives are aligned with the company's business strategy. The objective is to reward concrete achievements in implementing the company's strategy and in achieving its business targets. The Company's compensation structures are designed to be competitive in the relevant market. According to the pay for performance principle, incentive plans places emphasis on performance to ensure that management achieves its goals.

Remuneration is designed to attract and retain the desired talent and to motivate the employees to deliver the strategy and to maximize shareholder value creation. The targets and rewards in the incentive systems are balanced between long-term value creation and efficient achievement of short-term goals.

This Policy describes the principles and governance of the remuneration paid to the Company's Board of Directors and to the President and CEO of Terveystalo. In the event that a Deputy was appointed to the CEO position, the same principles would apply to the Deputy CEO.

The Board of Directors may make minor amendments to the remuneration arrangements regarding the President and CEO described in the Policy for regulatory, exchange control, tax or administrative purposes or to take account of changes in the legislation.

2. DESCRIPTION OF THE DECISION-MAKING PROCESS

The Shareholders' Nomination Board reviews and prepares the Remuneration principles for the members of the Board of Directors defined in this Policy. The Shareholders' Nomination Board also prepares its proposal for the remuneration of the members of the Board of Directors annually. The proposal shall be based on the principles defined in this Policy. The AGM makes the final decision on the Board of Directors' remuneration. According to the decision of the AGM, the Chairman of the Board of Directors is a member of the Shareholders' Nomination Board as his/her role in providing insight regarding the Board of Directors' work and composition is crucial.

The Board of Directors reviews and approves the remuneration principles for President and CEO defined in this Policy based on preparatory work carried out by the Board of Directors' Remuneration Committee. The Board of Directors also decides on the salary, incentive schemes and associated targets of the President and CEO based on preparatory work carried out by the Board of Directors' Remuneration Committee. All share based incentive schemes are decided by the Board of Directors based on the preparatory work of the Remuneration Committee.

The President and CEO normally participates in the Remuneration Committee's meetings, except for matters relating to the service terms and remuneration of the President and CEO.

The governance principles in decision-making on remuneration in the Company follow principles aimed at ensuring the prevention

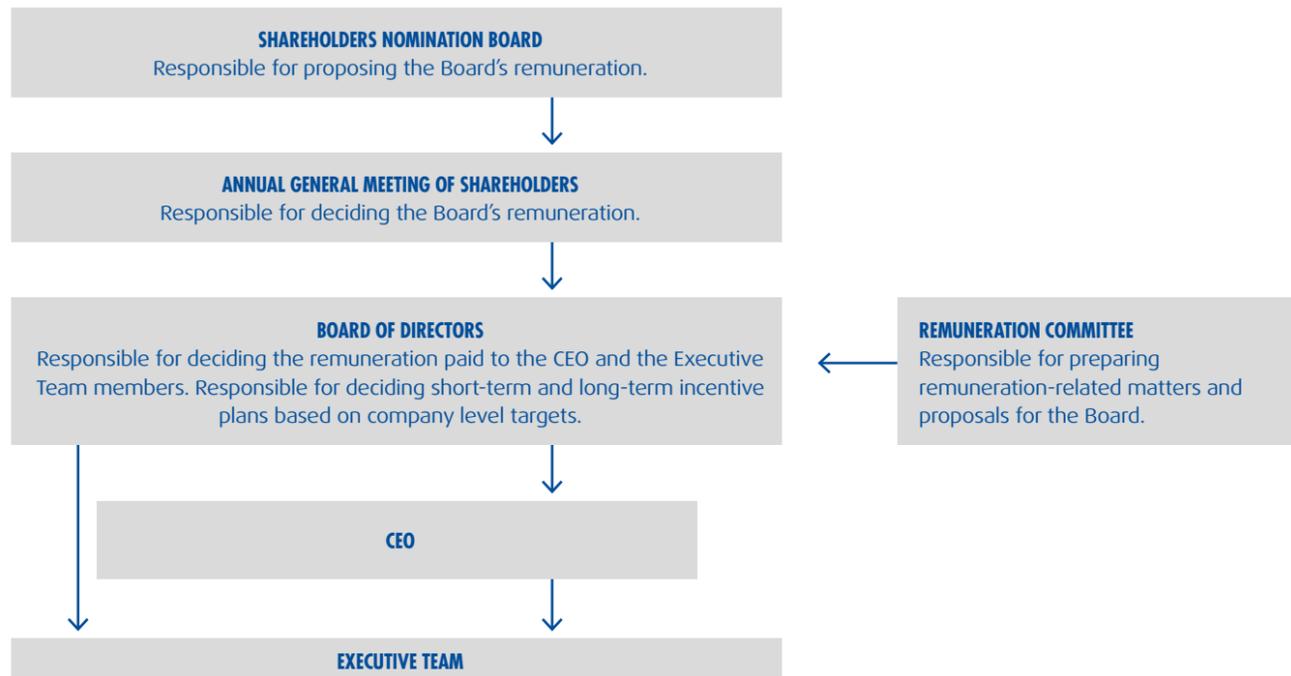
of and for the management of conflicts of interest. The underlying principle is that the corporate organ which elects the respective corporate organ also decides on its remuneration. The Company observes the rules set in its Code of Conduct, the Finnish Companies Act and the Finnish Corporate Governance Code which stipulate governance procedures and rules for the avoidance of conflicts of interest. The decision-making process described above aims at guaranteeing that the decisions are fair and unbiased.

3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

The purpose of the Board remuneration is to ensure that Terveystalo has a Board consisting of highly competent professionals representing a diverse and relevant mix of skills, capabilities and experience. The Board of Directors' remuneration shall be transparent, reasonable and comparable to market levels. The Board of Directors' remuneration is designed to align the Board's interests with those of all shareholders.

The Shareholders' Nomination Board prepares and presents its proposal on the remuneration of the members of the Board of Directors to the AGM. The proposal should take into account the relevant market level and the time and effort required from the members of the Board of Directors, as well as additional responsibilities assigned to the members, such as chairmanship of the Board of Directors or its Committees.

DECISION-MAKING PROCEDURE



| REMUNERATION ELEMENT | PURPOSE AND LINK TO STRATEGY | DESCRIPTION |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual remuneration | The annual remuneration should be sufficient to attract, retain and motivate high-performing individuals. | The Shareholders' Nomination Board prepares and presents its proposal on the remuneration of the members of the Board of Directors to the AGM based on what the AGM decides on the Board's remuneration annually. The proposal should take into account the relevant market level and the time and effort required from the members of the Board of Directors, as well as additional responsibilities assigned to the members, such as chairmanship of the Board of Directors or its Committees. The annual remuneration is paid as a combination of Terveystalo shares and cash or fully in cash. |
| Meeting fees | The meeting fees are intended to link part of the remuneration to the time and effort required from the members of the Board of Directors in respect of the meetings. | Meeting fees are paid in cash. |
| Travel expenses | Intended to reimburse the members of the Board of Directors for reasonable costs and expenses related to their work. | The members of the Board are entitled to reimbursement for reasonable travel expenses related to their work. |

4. DESCRIPTION OF THE REMUNERATION OF THE PRESIDENT AND CEO

Terveystalo’s approach to the remuneration of the President and CEO is that the remuneration should align the interest of the CEO with those of the company’s shareholders. Terveystalo uses various remuneration elements to attract, motivate and retain high performing individuals with the right skills, capabilities and mindset. Performance correlates with reward level, and this promotes sustained high performance and focus to business targets and strategy execution. The remuneration

structure and level should be comparable to the relevant national and industry benchmarks. The CEO is encouraged to accumulate and maintain a personal shareholding in Terveystalo.

REMUNERATION COMPONENTS, GROUNDS FOR DETERMINING VARIABLE REMUNERATION COMPONENTS AND PROPORTIONAL SHARES OF OVERALL REMUNERATION

The remuneration of the President and CEO is defined to be competitive with a significant part of the remuneration being performance-based.

FIXED REMUNERATION

| REMUNERATION ELEMENT | PURPOSE AND LINK TO STRATEGY | DESCRIPTION |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Base salary | Base salary provides a core compensation for the role and attracts, retains and motivates high-caliber individuals. | Base salary is set by the Board of Directors, taking into account a number of factors, such as: <ul style="list-style-type: none"> • recognition of the value of an individual’s personal performance and contribution to the business • the individual’s skills and experience • internal salary levels • relevant external market conditions Base salary is reviewed annually. |
| Benefits and insurance coverage | Insurance coverages and other benefits that are in line with local market practices attract and retain high-caliber individuals | Taxable fringe benefits, standard Terveystalo personnel benefits, and other benefits are included in the base salary. Insurances include leisure time accident insurance, travel insurance and management liability insurance. The Board of Directors has a possibility to decide on supplementary defined contribution pension in line with local market practices. In such case the maximum annual pension contribution may not exceed 20% of annual base salary. |

VARIABLE REMUNERATION

Up-to-date descriptions of ongoing incentive plans are published on the Terveystalo website, at www.terveystalo.com.

| REMUNERATION ELEMENT | PURPOSE AND LINK TO STRATEGY | DESCRIPTION |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Short-term incentives (STI) | The STI is aimed at driving short-term (annual) performance against specific Group targets and individual objectives based on key strategic priorities for the year. | Performance is measured over a one-year period and potential rewards are paid in the following year. The terms of the Short-Term Incentive plan is described on the company website. Performance criteria: <ul style="list-style-type: none"> • Performance criteria are set annually by the Board based on the key priorities for the financial year. Criteria may include both financial and non-financial criteria. Reaching maximum level requires exceptional performance • Following the end of the performance period the Board of Directors confirms the achievement of the criteria and determines the amount of the payout Incentive opportunity: <ul style="list-style-type: none"> • Incentive opportunity at maximum level of performance may not exceed 120% of annual base salary |
| Long-term incentives (LTI) | LTI is aimed at driving long-term performance against specific group targets, as well as committing the CEO to the company and aligning the CEO’s interests with the interests of the shareholders. | The terms and conditions for each Long-Term Incentive plan are decided by the Board of Directors. The terms of ongoing Long-Term Incentive plans are described on the company website. Performance criteria: <ul style="list-style-type: none"> • Performance criteria for each plan are set by the Board of Directors based on the key priorities for the performance period. Reaching the maximum level requires exceptional performance • Following the end of the performance period the Board of Directors confirms the achievement of the criteria and determines the amount of the payout • The LTI performance period shall, as a rule, be no fewer than three years. Performance criteria for each plan are set by the Board of Directors based on the key priorities for and within the performance period Discretion and claw-back: <ul style="list-style-type: none"> • The Board of Directors is entitled, subject to a particularly weighty reason, to change or cancel the incentive payout or to postpone its payment, and, in exceptional cases, such as intentional misstatement of financials underlying the measures, to recover rewards paid prior to said misconduct Incentive opportunity: The Board of Directors decides on LTI allocation on individual level. <ul style="list-style-type: none"> • Incentive opportunity at maximum level performance at grant may not exceed 120% of annual base salary |

PROPORTION OF REMUNERATION ELEMENTS

The remuneration of the President and CEO is defined to be competitive with a significant part of the remuneration being performance-based. Incentive opportunity at maximum level performance of STI is 120% of annual base salary and maximum level performance of LTI at grant is 120% of annual base salary.

OTHER KEY TERMS APPLICABLE TO THE SERVICE CONTRACT

SHARE OWNERSHIP REQUIREMENT

To encourage building a meaningful shareholding in Terveystalo, the President and CEO is expected to retain at least 50% of the net shares received based on the LTI plans until his/her share ownership in Terveystalo corresponds to at least his/her annual gross base salary.

TERMINATION OF THE SERVICE CONTRACT AND SEVERANCE PAY

Regarding the termination of the service contract and severance pay of President and CEO, the agreement may be terminated by both parties by giving six (6) months’ notice. Should the Company terminate the agreement, the Company is required to pay an additional severance pay, equivalent to twelve (12) month’s base salary.

SUPPLEMENTARY INFORMATION

As a benchmarking approach, the Remuneration Committee reviews market benchmark data from Finnish and, where necessary, international healthcare companies of a similar size and complexity to Terveystalo when setting total remuneration packages for the President and CEO. This is used more as a guide than a direct determinant of pay levels. Other factors considered include each individual’s role and experience, as well as Company performance and personal performance.

TERMS FOR DEFERRAL AND POSSIBLE CLAWBACK OF REMUNERATION

Clawback provisions apply to LTI and STI plan awards in exceptional circumstances. The Board of Directors is entitled, subject to a particularly weighty reason, to change or cancel the incentive payout or to postpone its payment, and, in exceptional cases, such as intentional misstatement of financials underlying the measures, to recover rewards paid prior to said misconduct.

PREVIOUSLY AGREED OR GRANTED AWARDS

The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed prior to the presentation of this Policy to the AGM.

5. TEMPORARY DEVIATION

The Board of Directors may temporarily deviate from any sections of the Policy and from any contents of the Policy based on its full discretion in any of the circumstances and on any of the grounds described below:

- a structural change (change in the Company’s corporate, group, business or organizational structure or a material change in its ownership structure),
- a personnel change (such as changes in the Board of Directors or in the top management of the Company or need to recruit a new President and CEO or Deputy to the President and CEO),
- other exceptional or unexpected event or change or materially changed circumstances in the Company or in its business or operating environment or a material change in the Company’s strategy or business plan
- material change in the Company’s financial position or outlook,
- regulatory or judicial changes, changes in governmental or administrative orders or in taxation or taxation practice, or
- other change or circumstances not specified above if the Board of Directors, after careful consideration, deems that a deviation is necessary or advisable in order to safeguard the Company’s long-term interests or sustainability such as, without limitation, in order to ensure the continuity of the Company’s management.

The procedure to be followed in the deviation from this Policy shall be the same as the decision-making procedure for the implementation of this Policy described elsewhere in this Policy. If the deviation concerns Board remuneration, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances. The deviation and its grounds shall be reported in the next annual Remuneration Report and presented to the next AGM as part thereof.

REMUNERATION STATEMENT

This Remuneration Statement of Terveystalo Plc (“Terveystalo” or “Company”) for the financial year 2019 is the statement referred to in reporting requirements of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on October 1, 2015.

The remuneration of Terveystalo’s governing bodies in 2019 was in line with the Company’s remuneration principles, which are based on performance, objectivity and competitiveness. The remuneration supports the achievement of Terveystalo’s strategic goals and the long-term financial success of the Company. In addition to supporting the implementation of strategy, the purpose of remuneration is to maximize the creation of shareholder value. The targets and remuneration of the Company’s incentive schemes maintain a balance between long-term value creation and the efficient achievement of short-term goals.

DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

The Company’s Annual General Meeting decides on the remuneration of the members of the Board of Directors each year. The Remuneration Committee of the Board of Directors assists the Board with its responsibilities relating to the remuneration of the CEO and the other members of the Executive team, and oversees the Company’s remuneration policies. The Board of Directors approves the remuneration of the CEO and the other Executive team members.

The Annual General Meeting held on 4 April 2019 authorized the Board of Directors to resolve on the issuance of shares or special rights entitling to shares. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2020.

The remuneration policy and the decision-making process is described in more detail in Terveystalo remuneration policy for governing bodies.

REMUNERATION OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2019

Terveystalo’s Annual General Meeting, held on 4 April 2019, resolved in accordance with the proposal of the Shareholders’ Nomination Board that the Chairman of the Board of Directors be paid an annual remuneration of EUR 80,000, the Vice Chairman an annual remuneration of EUR 49,000, the rest of the Board members an annual remuneration of EUR 39,000, and the Chairman of the Audit Committee an annual remuneration of EUR 49,000.

In addition, an attendance fee of EUR 600 will be paid for members of the Board of Directors and Committee members residing in Finland, EUR 1,200 for members residing elsewhere in Europe, and EUR 2,400 for members residing outside of Europe for each Board and Committee meeting they attend. For Board and Committee meetings that are held by telephone or other electronic means, the attendance fee would be EUR 600.

Travel expenses are reimbursed in accordance with the Company’s travel policy. The annual remuneration of the Board is paid as a combination of Company shares and cash in such a manner that 40 percent of the annual remuneration is paid in shares and 60 percent is paid in cash. The Company will reimburse the transaction costs and capital transfer tax related to trading. Attendance fees are paid in cash.

The remuneration paid to the members of the Board of Directors in 2019 is presented in the following table:

| NIMI | MEETING FEES OF THE BOARD OF DIRECTORS AND BOARD’S COMMITTEES | | | |
|---------------------------------------------------------------|---------------------------------------------------------------|--------------------|--------------------------|-----|
| | ANNUAL FEE IN SHARES | ANNUAL FEE IN CASH | OTHER FINANCIAL BENEFITS | |
| Kari Kauniskangas | 31,999 | 48,001 | 10,800 | 512 |
| Dag Andersson | 15,595 | 23,405 | 10,800 | 250 |
| Paul Hartwall | 15,595 | 23,405 | 7,800 | 250 |
| Lasse Heinonen | 19,597 | 29,403 | 12,600 | 314 |
| Olli Holmström | 15,595 | 23,405 | 13,800 | 250 |
| Åse Aulie Michelet | 15,595 | 23,405 | 24,000 | 250 |
| Katri Viippola | 15,595 | 23,405 | 14,400 | 250 |
| Tomas von Rettig | 19,597 | 29,403 | 12,600 | 314 |
| Members of the Board of Directors until April 4, 2019: | | | | |
| Fredrik Cappelen | - | - | 11,400 | - |
| Eeva Ahdekivi | - | - | 6,000 | - |
| Vesa Koskinen | - | - | - | - |

*Other financial benefits include transfer tax fees for the annual fees paid in shared.

REMUNERATION OF THE CEO AND OTHER MEMBERS OF THE EXECUTIVE TEAM FOR THE FINANCIAL YEAR 2019

BASE SALARY AND BENEFITS

The remuneration of the CEO and the other Executive team members consists of a fixed monthly salary and customary fringe benefits. In addition, in 2019 one Executive team member was entitled to a defined benefit pension plan, amounting to EUR 8,500 per year. In 2019, the monthly base salary (including benefits) of CEO Yrjö Närhinen was EUR 38,640 and the monthly base salary of CEO Ville Iho was EUR 33,333.

SHORT-TERM INCENTIVE SCHEME

Terveystalo’s Board of Directors decides on the the targets related to the short term incentive schemes for the CEO and other members of the Executive Team. For 2018 and 2019, the key STI performance targets for the CEO and the Executive Team were based on the Company’s adjusted EBITA (earnings before amortization of intangible assets) as well as personal performance targets.

In 2019, the STI payable to the CEO for achieving the set targets was equivalent to ten months’ salary. The bonus payable for exceeding the set targets to an exceptional extent was equivalent to at most 15 months’ salary. The STI payable to the other members of the Executive Team for achieving the set targets was equivalent to five months’ salary, and the STI payable for exceeding the set targets to an exceptional extent was equivalent to at most 7.5 months’ salary.

LONG-TERM INCENTIVE SCHEME

Terveystalo has a share-based rolling long-term incentive scheme currently in effect. The incentive scheme consists of three performance periods, corresponding to the calendar years 2018, 2019 and 2020. Each plan consists of a one-year performance period and a

two-year vesting period, following the performance period. 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 2019, the share-based incentive scheme offered the key employees the possibility to earn rewards based on the Company achieving the required operational targets and Total Shareholder Return (TSR) levels.

Any rewards payable from the performance share plan are paid partly in Terveystalo Plc shares and partly in cash approximately two years after the end of the performance periods. The purpose of the cash component is to cover the taxes and tax-like fees incurred by the participants. As a rule, no reward will be paid if a plan participant terminates his or her employment or service before the reward payment. No LTI rewards were paid in 2019.

In the 2019 performance period, the Company’s operational targets and the performance criteria set for the Total Shareholder Return (TSR) were met for 90% of the maximum. Accordingly, the rewards to be subsequently paid in spring 2022 correspond to approximately 600,000 Terveystalo Plc shares, including shares as well as the cash component.

EMPLOYMENT CONTRACTS AND REDUNDANCY BENEFITS

The CEO’s contract may be terminated by either the CEO or Terveystalo at six months’ notice. If Terveystalo terminates the CEO’s contract, the CEO is entitled to an additional severance pay of an amount equaling his or her monthly salary for 12 months. The contract of a member of the Executive Team may be terminated at three months’ notice. If the Company terminates the employment contract of a member of the Executive team other than the CEO, the member is entitled to additional severance pay equaling his or her monthly salary for 7.5 months.

REMUNERATION PAID DURING THE FINANCIAL YEAR 2019

The remuneration paid to the CEO and the other members of the Executive Team in 2019 is presented in the following table:

| | FIXED ANNUAL SALARY AND BENEFITS | SHORT-TERM INCENTIVE BONUSES | REMUNERATION BASED ON LONG-TERM INCENTIVE SCHEMES | SUPPLEMENTARY PENSION CONTRIBUTIONS | OTHER FINANCIAL BENEFITS |
|------------------------------------------------------------|----------------------------------|------------------------------|---------------------------------------------------|-------------------------------------|--------------------------|
| CEO starting from December 6, 2019 Ville Iho | 27,273 | - | - | - | - |
| CEO January 1–September 9, 2019 Yrjö Närhinen | 488,017 | 384,430 | - | - | 65,322 |
| Other members of the Executive Team in total* | 1,756,153 | 535,536 | - | 8 500 | - |

*The total remuneration of Ilkka Laurila for the period he acted as interim CEO (September 9–December 5, 2019) is included in the total “Other members of the Executive Team”. Laurila received compensation for the period he acted as interim CEO in January 2020. The compensation amounted EUR 50,000. One-time payment of 65 322 was approved by the Board of Directors and paid to CEO Närhinen in spring 2019.

INFORMATION FOR SHAREHOLDERS

GENERAL MEETING OF SHAREHOLDERS

Terveystalo's Annual General Meeting will be held on Thursday, April 2, 2020, starting at 3:00 pm EET, at Finlandia Hall, Mannerheimintie 13 E, 00100 Helsinki, Finland. The reception of persons who have registered for the meeting will commence at 2:00 pm EET. Coffee will be served at the meeting.

NOTICE TO ANNUAL GENERAL MEETING

The notice to Annual General Meeting as well as the Board of Directors' proposals to the AGM are published in a stock exchange release and on Terveystalo's website. The matters to be dealt with at the meeting are listed in the notice to the meeting. Pursuant to the Limited Liability Companies Act, shareholders have the right to have a matter falling within the competence of the general meeting under law dealt with by the General Meeting, provided that the shareholder requests this in writing from the Board of Directors well in advance, so that the matter can be included in the notice to the meeting.

THE RIGHT TO ATTEND

Shareholders who are included in the company's shareholders' register, maintained by Euroclear Finland Ltd, on Monday March 23, 2020 have the right to attend the Annual General Meeting.

REGISTRATION

Shareholders who wish to attend the Annual General Meeting and exercise their right to vote shall inform the company of this by 10:00 am EET on Monday, March 30, 2020.

Registration is possible

- on the internet at: <https://www.terveystalo.com/en/investors/Corporate-governance/General-Meeting-of-Shareholders/> or
- by telephone from Monday to Friday from 9 am to 4 pm EET, +358 20 770 6904, or
- by letter to Terveystalo Plc, Annual General Meeting/Legal matters & Compliance, Jaakonkatu 3B, 00100 Helsinki, Finland.

Holders of nominee-registered shares are advised to request that their custodian bank provide the necessary instructions regarding the registration in the Register of Shareholders, issuing of proxy documents and registration for the Annual General Meeting well in advance. The account management organization of the custodian bank will register a holder of nominee-registered shares who wants to attend the Annual General Meeting to be entered in the temporary Register of Shareholders of the Company at the latest on Monday, March 30, 2020 by 10:00 am EET.

Shareholders may attend the Annual General Meeting or authorize a representative to exercise their rights at the meeting. Please deliver any proxy documents by the registration deadline to:

Terveystalo Plc, Annual General meeting/Legal matters & Compliance, Jaakonkatu 3B, 00100 Helsinki, Finland.



IMPORTANT DATES

MARCH 23, 2020

RECORD DATE OF THE ANNUAL GENERAL MEETING

MARCH 30, 2020 AT 10:00 AM EET

REGISTRATION DEADLINE

APRIL 2, 2020 AT 2:00 PM EET

RECEPTION OF PERSONS REGISTERED FOR THE ANNUAL GENERAL MEETING BEGINS

APRIL 2, 2020 AT 3:00 PM EET

ANNUAL GENERAL MEETING BEGINS

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's distributable funds total EUR 533.7 million, of which EUR 41.1 million is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.13 per share be distributed for 2019 and that the Board be authorized to resolve on the payment of additional dividend in the autumn 2020 (EUR 0.26 (0.20) per share in total).

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.

BASIC SHARE INFORMATION

Listing: Nasdaq Helsinki Oy

Trading ticker: TTALO

ISIN code: FI4000252127

Sector: Healthcare

Number of shares on December 31, 2019: 128,036,531

FINANCIAL REVIEWS IN 2020

In 2020, Terveystalo Plc will publish financial reports as follows:

- Interim report for January-March 2020 on Wednesday, May 6, 2020
- Half-Year Report for January-June 2020 on Thursday, August 6, 2020
- Interim report for January-September 2020 on Thursday, October 29, 2020

Terveystalo's financial reports are prepared in Finnish and English.

Subscribe to receive Terveystalo's information releases by email at: <https://www.terveystalo.com/en/investors/News-room/>

SILENT PERIOD

Terveystalo observes a silent period of 30 days prior to the publication of interim reports and the year-end result. During the silent period, Terveystalo does not comment on any business-related matters or meet with any representatives of the capital markets.

CHANGES OF ADDRESS

Euroclear Finland Ltd maintains lists of Terveystalo Plc's shares, shareholders, and options. Shareholders who wish to make changes to their personal and contact information are kindly asked to contact their own account operator directly. Terveystalo does not make such updates.

EVALUATION OF TERVEYSTALO AS AN INVESTMENT

To the best of our knowledge, the following analysts follow Terveystalo Group regularly. The list is not necessarily exhaustive. Terveystalo assumes no responsibility for any opinions of the analysts following the company.

Carnegie Iiris Theman

+358 9 618 71 241 iiris.theman@carnegie.fi

Danske Bank Panu Laitinmäki

+358 10 2364 867 panu.laitinmaki@danskebank.com

Inderes Olli Vilppo

+358 40 761 9380 olli.vilppo@inderes.fi

Jefferies James Vane-Tempest

+44 207 029 8275 jvane-tempest@jefferies.com

Morgan Stanley Alex Gibson

+44 20 7425 5975 alex.gibson@morganstanley.com

Nordea Sami Sarkamies

+358 9 5300 5176 sami.sarkamies@nordea.com

OP Anssi Raussi

+358 10 252 4392 anssi.raussi@op.fi

SEB Jutta Rahikainen

+358 9 616 28 713 jutta.rahikainen@seb.fi

CONTACT INFORMATION

CONTACT INFORMATION

Customer service and appointment booking

+358 30 6000

Exchange

030 63 311

Email addresses are of the format

firstname.lastname(at)terveystalo.com

PRESS CONTACTS

Expert interviews for media: requests on weekdays
from 9 am to 4 pm EET, tel. +358 50 358 1170

TERVEYSTALO GROUP SERVICES AND MANAGEMENT

Terveystalo Piazza
Jaakonkatu 3 B, 3rd floor
00100 Helsinki, Finland

INVESTOR RELATIONS

Please email flagging notifications to:
investors@terveystalo.com

DIRECTOR, INVESTOR RELATIONS AND FINANCIAL COMMUNICATIONS

Kati Kaksonen, tel. +358 10 345 2034
kati.kaksonen@terveystalo.com



BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

This section includes the Board of Directors' Report for 2019, including Statement of non-financial information, the Financial Statements for 2019 including Notes to the Financial Statements and the Auditor's Report.



CONTENTS

| | | | |
|-------------------------------------------------------------------------------------------------------|------------|--|--|
| REPORT OF THE BOARD OF THE DIRECTORS | 50 | | |
| CONSOLIDATED FINANCIAL STATEMENTS, IFRS | 62 | | |
| Consolidated statement of income and comprehensive income | 62 | | |
| Consolidated statement of financial position | 63 | | |
| Consolidated statement of cash flows | 64 | | |
| Consolidated statement of changes in equity | 65 | | |
| 1. Corporate information | 66 | | |
| 2. Accounting policies for the consolidated financial statements | 66 | | |
| 2.1 Basis of preparation | 66 | | |
| 2.2 Application of new and amended IFRSs | 66 | | |
| 2.3 Critical accounting estimates and judgments | 68 | | |
| 2.4 Principles of consolidation | 69 | | |
| 2.5 Foreign currency transactions | 70 | | |
| 2.6 Property, plant and equipment | 70 | | |
| 2.7 Investment properties | 70 | | |
| 2.8 Goodwill and other intangible assets | 70 | | |
| 2.9 Impairment | 71 | | |
| 2.10 Leases – Group as a lessee | 71 | | |
| 2.11 Financial assets and liabilities | 72 | | |
| 2.12 Inventories | 72 | | |
| 2.13 Employee benefits | 73 | | |
| 2.14 Provisions and contingent liabilities | 73 | | |
| 2.15 Revenue recognition | 73 | | |
| 2.16 Segment information | 73 | | |
| 2.17 Government grants | 73 | | |
| 2.18 Operating profit | 73 | | |
| 2.19 Earnings per share | 74 | | |
| 2.20 Income taxes | 74 | | |
| 3. Business combination | 74 | | |
| 4. Disaggregation of revenue | 76 | | |
| 5. Other operating income | 77 | | |
| 6. Material and services | 77 | | |
| 7. Employee benefit expenses | 77 | | |
| 8. Depreciation, amortisation and impairment | 78 | | |
| 9. Other operating expenses | 78 | | |
| 10. Financial income and expenses | 79 | | |
| 11. Taxes | 79 | | |
| 11.1 Income taxes | 79 | | |
| 11.2 Deferred tax assets and liabilities | 80 | | |
| 12. Earnings per share | 81 | | |
| 13. Property, plant and equipment and right-of-use assets | 82 | | |
| 13.1 Carrying amounts of property, plant and equipment and right-of-use assets | 82 | | |
| 13.2 Finance leases and right-of-use assets | 83 | | |
| 14. Intangible assets | 84 | | |
| 14.1 Carrying amounts of intangible assets | 84 | | |
| 14.2 Development costs | 85 | | |
| 15. Impairment testing of cash-generating units including goodwill | 85 | | |
| 16. Investment properties | 86 | | |
| 17. Associated companies | 87 | | |
| 18. Share-based payments | 87 | | |
| 19. Financial assets and liabilities – carrying amount and fair value and fair value hierarchy | 88 | | |
| 20. Financial risks | 89 | | |
| 20.1 Financial risk management | 89 | | |
| 20.2 Interest rate risk | 89 | | |
| 20.3 Credit risk | 89 | | |
| 20.4 Liquidity risk | 89 | | |
| 20.5 Capital management | 90 | | |
| 21. Trade and other receivables | 90 | | |
| 22. Cash and cash equivalents | 91 | | |
| 23. Non-current assets held for sale | 91 | | |
| 24. Share capital and invested non-restricted equity reserve | 92 | | |
| 25. Financial liabilities | 92 | | |
| 26. Trade and other payables | 94 | | |
| 27. Provisions | 94 | | |
| 28. Collateral and other contingent liabilities | 95 | | |
| 29. Related party transactions | 95 | | |
| 30. Group companies | 96 | | |
| 30.1 Changes in the Group structure | 97 | | |
| 31. Group’s key financial ratios | 98 | | |
| 32. Calculation of financial ratios and alternative performance measures | 99 | | |
| 33. Reconciliation of alternative performance measures | 100 | | |
| 34. Subsequent events | 103 | | |
| PARENT COMPANY’S FINANCIAL STATEMENTS | 104 | | |
| Parent company’s statement of income | 104 | | |
| Parent company’s statement of financial position | 105 | | |
| Parent company’s statement of cash flows | 106 | | |
| Parent company’s accounting policies and measurement and recognition principles and methods | 107 | | |
| Notes to the parent company’s financial statements | 108 | | |
| SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTOR’S REPORT | 113 | | |
| AUDITOR’S REPORT | 114 | | |

BOARD OF DIRECTORS' REPORT

MARKET REVIEW

There were no material changes in the health care market during the reporting period. The health care market and services continue to increasingly expand toward maintaining health and well-being and the prevention of illnesses. Despite weakened consumer confidence, the continued steady development of the Finnish economy and the slightly improved employment rate contributed to strong demand for Terveystalo's services among the corporate and private customer groups during the review period.

Market consolidation continues and a foreign private equity owned health care operator made a cash tender offer for all shares in a listed Finnish health care operator in late 2019. The tender offer is expected to be completed in the latter part of the second quarter of 2020 or, at the latest, in the third quarter of 2020.

Terveystalo's market share among private customers developed favorably during the period. Customer expectations concerning digital tools and solutions have increased substantially and their significance is highlighted particularly in corporate decision-making.

Price competition is intensifying in public customer accounts in occupational health, while in other customer groups, the scope of occupational health services — and well-being services, in particular — is growing. The use of multiple provider models among insurance companies has increased in recent times. Due to Terveystalo's extensive network and diverse service offering, this is a favorable development for the company.

It is estimated that the Government's new health care policies will reduce the number of full outsourcing of health care services in the public sector but, on the other hand, the demand for various types of partial outsourcing, occupational health and health care staffing services is expected to grow. The use of service vouchers is also expected to increase.

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

services is increasing, which is a trend that will be further strengthened by the upcoming change in legislation concerning Kela reimbursements, due to be introduced at the beginning of 2020.

- Private customer demand also remains strong, and the trend of comprehensive well-being is creating broad based growth in service demand. This is particularly reflected in growth in the demand for services other than physician appointments.
- Public sector demand remains strong in various service categories.

These views are based on the expected market development within the next six months, compared to the past six months.

KEY FIGURES

| Terveystalo Group, EUR million | 2019 | 2018 | Change, % |
|------------------------------------------------------------------------------|---------|-------|-----------|
| Revenue | 1,030.7 | 744.7 | 38.4 |
| Adjusted EBITDA * 1) 2) | 176.3 | 108.9 | 62.0 |
| Adjusted EBITDA, % * 1) 2) | 17.1 | 14.6 | - |
| EBITDA 1) 2) | 171.2 | 116.6 | 46.9 |
| EBITDA, % 1) 2) | 16.6 | 15.7 | - |
| Adjusted earnings before interest, taxes and amortization (EBITA) * 1) 2) | 115.1 | 87.7 | 31.2 |
| Adjusted earnings before interest, taxes and amortization (EBITA), % * 1) 2) | 11.2 | 11.8 | - |
| Adjusted earnings before interest and taxes (EBIT) * 1) 2) | 86.5 | 67.7 | 27.7 |
| Adjusted earnings before interest and taxes (EBIT), % * 1) 2) | 8.4 | 9.1 | - |
| Earnings before interest and taxes (EBIT) 2) | 81.4 | 75.4 | 7.9 |
| Net profit 2) 3) | 54.1 | 68.7 | -21.3 |
| Net debt 2) | 548.2 | 413.3 | 32.7 |
| Net debt/adjusted EBITDA (last 12 months) * 1) 2) | 3.1 | 3.8 | - |
| Return on equity (ROE), % 1) 2) 3) | 10.3 | 14.2 | - |
| Equity ratio, % 1) 2) | 39.9 | 44.1 | - |
| Gearing, % 1) 2) | 101.3 | 80.8 | - |
| Earnings per share (€) 2) 3) | 0.43 | 0.54 | - |
| Operating cash flow 2) | 173.6 | 100.6 | 72.5 |
| Personnel (end of period) | 8,685 | 6,018 | 44.3 |
| Private practitioners (end of period) | 5,068 | 4,877 | 3.9 |
| Number of working days | 251 | 251 | |

| Before IFRS 16 impact (comparable), EUR million | 2019 | 2018 | Change, % |
|---------------------------------------------------------------------------|-------|-------|-----------|
| Adjusted EBITDA * 1) | 136.4 | 108.9 | 25.3 |
| Adjusted EBITDA, % * 1) | 13.2 | 14.6 | - |
| Adjusted earnings before interest, taxes and amortization (EBITA) * 1) | 113.4 | 87.7 | 29.3 |
| Adjusted earnings before interest, taxes and amortization (EBITA), % * 1) | 11.0 | 11.8 | - |
| Adjusted net debt * 1) | 369.5 | 413.3 | -10.6 |
| Adjusted net debt/adjusted EBITDA (last 12 months) * 1) | 2.7 | 3.8 | - |

* 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, and other items affecting comparability.

1) Alternative performance measure. Additional information is provided in notes 31 and 32.

2) Not comparable because of the adoption of IFRS 16.

The adoption of IFRS 16 had a significant effect on adjusted EBITDA, which increased by EUR 39.9 million in January–December. The impact of IFRS 16 on earnings before interest, taxes, and amortization (EBITA) was not material. Operating cash flow increased due to the impact of IFRS 16 by EUR 39.9 million in January–December. In addition, the adoption of IFRS 16 increased interest-bearing lease liabilities by EUR 178.7 million.

3) The net profit of the January–December reference period was improved by a non-recurring deferred tax asset of EUR 13.0 million related to confirmed losses and non-recurring capital gains, totaling EUR 15.8 million.

CHANGES IN REPORTING

Terveystalo adopted the IFRS 16 standard on 1 January 2019. In accordance with the IFRS 16 standard, previous lease expenses are replaced with depreciation charges for right-of-use assets and interest expense on lease liabilities in the income statement. As a result, the IFRS 16 standard has a low impact on the operating profit and the profit for the financial year 2019. In 2019, the adoption of IFRS 16 will have a positive impact of approximately EUR 40 million on the operating margin, and it will increase net debt and right-of-use assets on the balance sheet by approximately EUR 180 million. The figures for 2018 have not been adjusted. The adoption of IFRS 16 has affected the income statement, balance sheet, and cash flow. For additional information on the accounting principles, please refer to page 66.

MARKET OUTLOOK

- The market environment remains favorable in spite of weakened consumer confidence.
- Corporate customers keep up a steady demand. Price competition is intensifying in certain customer groups in occupational health. At the same time, the relative share of preventive

FINANCIAL TARGETS

The financial target pertaining to the capital structure has been revised to take into account the computational impact of IFRS 16 adoption. Going forward, interest-bearing Net Debt to Adjusted EBITDA shall not to exceed 3.5 times. However, indebtedness may temporarily exceed the target level, for example, in conjunction with acquisitions.

GROUP REVENUE

Revenue for the full year increased by 38.4 percent year-on-year and amounted to EUR 1,030.7 million (744.7). Revenue was increased by the acquisition of Attendo Health Services completed in late 2018 and broad-based growth in the demand for Terveystalo's services. Terveystalo's competitiveness was reflected in the strong development of insurance company sales, high utilization rates, and a substantial increase in the demand for preventive services and well-being services. Growth in supply was achieved on a broad front, especially in the second half of the year.

| EUR million | 2019 | 2018 | Change, % |
|-----------------------------------|----------------|--------------|-------------|
| Corporate customers | 432.5 | 402.7 | 7.4 |
| Private customers | 303.1 | 260.7 | 16.2 |
| Public sector customers | 295.1 | 81.2 | > 200 |
| Excluding Attendo Health Services | 91.0 | 81.2 | 12.0 |
| Total | 1,030.7 | 744.7 | 38.4 |

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, which are included in the public sector customer group. 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 services in Finland in terms of revenue and the number of end users. Terveystalo provides occupational health services for over 24,000 companies, and in 2019, the company provided occupational health services for a total of approximately 700,000 customers.

Revenue from corporate customers for the full year grew by 7.4 percent, amounting to EUR 432.5 (402.7) million. Strong demand for preventive, well-being and digital services contributed to the growth which increased average sales per end customer. The demand for mental well-being services and digital services in particular increased significantly. The demand for illness-related appointments was nearly on par with the reference period. The number of end customers in occupational health care increased slightly compared to the reference period.

Occupational health services provided by Attendo Health Services were integrated during the second quarter by merging functions and units.

*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 Relä 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 other private operators and 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 from private customers for the full year grew by 16.2 percent, amounting to EUR 303.1 (260.7) million. In addition to acquisitions, growth was especially supported by growth in the supply of appointments with physicians and other health care professionals as well as the strong demand for well-being and digital services. The share of occupational health customers who used private services — and sales to this segment — also grew significantly year-on-year. Health care services for private customers provided by Attendo Health Services (mainly dental health services) were integrated during the second quarter by merging functions and units.

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 from budgets of municipalities, municipal federations, and hospital districts. The services offered to public sector customers include full and partial outsourcing, health care staffing services, specialized care services, other health care services as well as occupational health services for municipalities, municipal federations, and hospital districts.

Revenue from public sector customers for the full year more than tripled thanks to the Attendo acquisition completed at the end of 2018 and significant growth of occupational health services. Revenue amounted to EUR 295.1 (81.2) million of which revenue from Attendo's existing agreements amounted to EUR 204.1 million. Revenue excluding Attendo Health Services increased by 12.0 percent, amounting to EUR 91.0 million. Attendo's occupational health units were integrated during the second quarter by merging functions and units.

With regard to certain agreements, the staffing services faced challenges related to the availability of health care professionals, but the contract portfolio as a whole developed favorably during the second half of the year.

In addition to hospital outsourcings and other partial outsourcings, Terveystalo had 10 full outsourcing agreements in the reporting period. Of these, the full outsourcing agreements in Tohmajärvi and Puolanka terminated at the end of the year. The business is expected to continue to a lesser extent in a different service format.

FINANCIAL PERFORMANCE

Adjusted EBITDA for the full year 2019 increased by 62.0 percent, amounting to EUR 176.3 (108.9) million. The increase in adjusted EBITDA was, in addition to improvement in profitability, mainly due to the adoption of IFRS 16, which had a EUR 39.9 million effect on EBITDA as well as the acquisition of Attendo Health Services.

Full-year adjusted earnings before interest, taxes and amortization (EBITA) and before IFRS 16 impact (comparable) increased by 29.3 percent to EUR 113.4 million (87.7). Adjusted EBITA relative to revenue decreased by 0.8 percentage points, to 11.0 percent. The decrease in adjusted EBITA relative to revenue resulted from changes in the sales mix, with more emphasis on staff-intensive outsourcing services through the Attendo acquisition as well as increased investments in digitalization. The adoption of IFRS 16 did not have a material effect on the adjusted EBITA margin.

Operating profit for the full year amounted to EUR 81.4 (75.4) million. Net financial expenses increased by 56.7 percent during the review period, amounting to EUR -14.4 (-9.2) million. The increase was due to the debt financing of the Attendo acquisition and the adoption of IFRS 16. In addition, a refinancing arrangement was carried out, which included a write-down of EUR 1.0 million recognized

on the amortized loan withdrawal costs of old loans. The refinancing arrangement will reduce interest margins, which will have a positive impact on the financing costs in 2020. The full-year profit before tax was EUR 66.8 (68.2) million. Profit for the period was EUR 54.1 (68.7) million, and earnings per share were EUR 0.43 (0.54). The net profit of the comparison year was improved by a non-recurring deferred tax asset of EUR 13.0 million related to confirmed losses that was recognized following the conclusion of a tax audit as well as non-recurring net capital gains, totaling EUR 15.8 million.

Full-year operating cash flow increased significantly during the review period, amounting to EUR 173.6 (100.6) million. The growth was mainly attributable to the expansion of operations as a result of the Attendo acquisition, the positive development of net working capital as well as the adoption of IFRS 16.

Full-year cash flow from investing activities amounted to EUR -46.7 (-224.4) million. The change was mainly due to a reduction in the acquisition of subsidiaries. Cash flow related to the acquisition of subsidiaries totaled EUR -12.3 million (-229.8) during the review period. Cash flow was also affected by a significant increase in investments related to both tangible and intangible assets. During the review period, there were no investment cash flows related to the sale of subsidiaries, compared to EUR 24.1 million during the reference period.

Full-year cash flow from financing activities amounted to EUR -123.1 (127.6) million. In addition to the effect of IFRS 16 adoption, cash flow from financing activities was decreased by paid return of equity and repayments of long-term liabilities. In the reference period, cash flow from financing activities was increased by bank financing withdrawn in relation to the Attendo acquisition.

THE GROUP'S FINANCIAL POSITION

Terveystalo's liquidity position is good. Cash and cash equivalents at the end of the period amounted to EUR 40.6 million (EUR 36.9 million in December 2018). The total assets of the Group amounted to EUR 1,359.3 million (EUR 1,162.3 million in December 2018). The increase was mainly due to the adoption of IFRS 16. The effect of IFRS 16 on right-of-use assets was EUR 176.4 million.

Equity attributable to owners of the parent company totaled EUR 541.2 (511.7) million. The increase was mainly due to improved profitability.

Gearing at the end of the review period was 101.3 (80.8) percent, and net interest-bearing debt amounted to EUR 548.2 (413.3) million. The effect of IFRS 16 on interest-bearing lease liabilities was EUR 178.7 million.

Terveystalo signed a new financing agreement in the fourth quarter of 2019. The signed syndicated facilities agreement consists of a five-year loan of EUR 410 million to replace the agreements made in connection to the IPO and the acquisition of Attendo healthcare operations. The interest rate margin of the new financing agreement takes into account Terveystalo's achievement of responsibility targets for improvement in customer satisfaction, employee satisfaction and well-being as well as the reduction of mixed waste. The financing agreement also includes conventional covenants related to the company's solvency and debt servicing capacity.

Return on equity for the review period was 10.3 (14.2) percent. The return on equity in the comparison year was improved by a

non-recurring deferred tax asset of EUR 13.0 million related to confirmed losses and non-recurring net capital gains of EUR 15.8 million. The equity ratio was 39.9 (44.1) percent. The key indicators are not comparable because of the adoption of IFRS 16.

SEASONAL VARIATION AND THE IMPACT OF THE NUMBER OF BUSINESS DAYS

Terveystalo's revenue from corporate and private customers has typically been lower during the vacation seasons, particularly in July and August. The number of business days has an effect on the revenue and earnings development, particularly when comparing quarterly performance. Revenue from public sector customers is distributed evenly with the exception of staffing services. Due to the seasonal nature of business, the required net working capital varies during 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* in 2019, including M&A, amounted to EUR 58.2 (236.1) million. The Group's net cash capital expenditure, excluding M&A, was EUR 33.2 (17.7) million and the corresponding non-cash capital expenditure EUR 11.2 (9.9) million. These investments consisted mainly of investments in IT system projects (including ERP and CRM), digital application and service development, medical equipment and the network. The relative share of intangible investments in gross investments increased, whereas the relative share of investments in devices and equipment fell.

Terveystalo made several business acquisitions during the year. In the first quarter, Terveystalo carried out a number of acquisitions to supplement its business operations, particularly in the area of well-being business. It acquired the business operations of Länsi-Vantaan Hammaslääkärit Oy, and Kajaanin OMT-Fysioterapia Oy. In addition, Terveystalo became a shareholder in the new Olo joint venture pharmacy chain company established together by Tamro and independent pharmacists. Terveystalo's holding is approximately 20 percent. Terveystalo is planning to provide a broad range of health and well-being services through the chain pharmacies. The chain company does not own the pharmacies; business is based on a model according to which an independent pharmacist can also be a shareholder or member in the chain company.

In the second quarter, Terveystalo acquired Etelä-Karjalan Työkunto Oy.

Terveystalo made four acquisitions to supplement its business during the third quarter by acquiring Työsyke Oy, Hammaslääkäri trade name Osmo Karinen, Hardent Oy (Hymiö) and the occupational health operations of the Welfare District of Forssa.

Terveystalo carried out two acquisitions in the fourth quarter to complement its business by acquiring the share capital of Evalua International Ltd. Oy and the occupational health operations of the municipality of Säskylä. Evalua, established in 2003, specializes in scientific evidence-based health surveys, advanced personnel surveys, and interpretation of results.

* Net investments do not include the additions of right-of-use assets recognized as a result of the adoption of IFRS 16.

THE STATEMENT OF NON-FINANCIAL INFORMATION

Terveystalo is the largest private healthcare service company in Finland in terms of revenue and network. The company offers versatile primary and secondary healthcare services as well as well-being services for corporate and private customers and the public sector. The nationwide network covers approximately 300 clinics across Finland. The clinic network is supplemented by 24/7 digital services.

In 2019, Terveystalo defined its material aspects of sustainability in collaboration with key stakeholders and promoted corporate responsibility efforts in many areas. The company will report on its sus-

tainability in the Sustainability Report to be published in week 9. This section is a summary of the key results documented in the report.

At the general level, the company's operations are guided by Terveystalo's Code of Conduct and our values: know-how and caring. Terveystalo has signed the UN Global Compact principles and is committed to supporting their realization in the Group's operations. The company respects all internationally recognized human rights.

The table below is a summary of the key aspects, targets and achievements of Terveystalo's sustainability efforts in 2019.

| OBJECTIVE | MEASURABLE TARGET | INDICATOR | 2018 | 2019 |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| ETHICAL BUSINESS PRACTICES | | | | |
| Employees who have completed Compliance training | 100% of our employees have completed Compliance training | Percentage of employees who have completed the training relative to all employees | N/A | The updated Code of Conduct was published in December 2019, training and monitoring will begin in early 2020 |
| Suppliers who have accepted the Supplier Code of Conduct. | 100% of our suppliers have accepted the Supplier Code of Conduct | Percentage of suppliers who have accepted the Supplier Code of Conduct relative to all suppliers | The Supplier Code of Conduct was published in late 2018 | Of the suppliers, who account for 80% of total procurement, approximately 60% have accepted the Supplier Code of Conduct |
| HEALTH AND WELL-BEING OF CUSTOMERS | | | | |
| Patient safety | | Cornerstone indicators of patient safety: Objection vs. visits to a physician Notices of patient injuries vs. visits to a physician Complaints vs. visits to a physician Incident reports vs. visits to a physician | 0.01% 0.01% 0.00% 0.15% | 0.01% 0.01% 0.00% 0.14% |
| Clinical quality | Clinical quality is such a significant issue for us that it is discussed extensively in a separate publication. The Quality Book for 2019 will be published in week 9. | | | |
| EMPLOYEE WELL-BEING | | | | |
| Occupational safety | Accident occurrence rate below the industry average of 39 | Accident occurrence rate | 26 | 25 |
| Well-being of the personnel | More than 90% of the employees are satisfied with Terveystalo as an employer | Job satisfaction | 92.7% | 88% |
| Employer recommended by the personnel | Improving the employee Net Promoter Score (eNPS) to reach 31 (a good level) by 2025 | eNPS | N/A | 9 (average) |
| ECONOMIC IMPACTS | | | | |
| Tax footprint | We openly disclose our tax footprint annually | Taxes paid | Tax footprint 2018 | Tax footprint 2019 |
| Revenue growth | In the long run, growth of 6–8 percent through a combination of organic growth and bolt-on acquisitions. | Revenue growth, % | 8% | 38.4% (including the share of Attendo Health Services) |
| The people we employ | We create jobs in Finland | Salaries and fees paid | EUR 163.2 Mill. | EUR 261.2 Mill. |
| SUSTAINABILITY | | | | |
| Reducing the carbon footprint | 40% reduction by 2030 | Direct (scope 1) and indirect (scope 2) greenhouse gas emissions, tCO ₂ | 2,460.3 | 2,222.5 |
| Material efficiency and waste recycling | Annual reduction in mixed waste intensity | Mixed waste intensity (mixed waste [metric tons] relative to total revenue [100 million]) | 7.79 | 4.85 |

ETHICAL BUSINESS PRACTICES

Terveystalo's Code of Conduct comprehensively describes the operating principles that everyone at Terveystalo is required to observe, regardless of their business unit or job. Terveystalo's partners are also expected to adhere to the Code of Conduct. Everyone to whom the Code of Conduct applies must ensure that they understand how the guidelines are applied and always operate accordingly. The updated Code of Conduct was published in December 2019.

Risks related to infringements against the Code of Conduct are managed through communications as well as mandatory training for all personnel. Risks related to infringements against the Code of Conduct include, for example, potential conflicts of interest or giving and receiving hospitality for business purposes. Actual or suspected infringements against the Code of Conduct must be reported to the supervisor, the supervisor's supervisor, Terveystalo's Legal & Compliance department or via the Terveystalo whistleblowing channel. Personnel training and monitoring in accordance with the updated Code of Conduct will begin in early 2020.

Terveystalo's Supplier Code of Conduct ([link to the Finnish version](#)) entered into effect in autumn 2018 and they are widely applied in Terveystalo Group's standard agreements. Contractual clauses pertaining to the Supplier Code of Conduct must be included in all agreements under which the companies of Terveystalo Group acquire products and services from external suppliers.

No incidents of misconduct or infringements against the Code of Conduct were brought to the attention of the company in 2019.

HEALTH AND WELL-BEING OF CUSTOMERS

Quality is an inseparable part of Terveystalo's corporate responsibility and all of Terveystalo's personnel are responsible for ensuring that our customers receive appropriate, high-quality and safe care. At Terveystalo, quality management is based on clinical, operational, and experienced quality supporting each other. The focus areas and results of quality management are reported annually in Terveystalo's [Quality Book](#).

Patient safety is at the heart of the quality of healthcare: the patient receives the right treatment they need, with minimal harm. Patient safety is a key component of Terveystalo's quality, which is constantly monitored and developed. In Terveystalo, the proportion of patient injuries in relation to the number of visits is below the industry average. Objection vs. visits to a physician were 0.01 per cent (0.01), notices of patient injuries vs. visits to a physician 0.01 per cent (0.01), complaints vs. visits to a physician 0.00 per cent (0.00) and incident reports vs. visits to a physician 0.14 per cent (0.15).

Patient safety is managed by monitoring, among other things, operation-specific and site-specific surgical infection rates, incidents, official requests for clarification vs. visits to a physician and Patient Insurance Center solutions. The safety and effectiveness of our drug treatment is ensured by drug treatment plans, guidelines and a selection of basic medicines.

DATA PRIVACY AND SECURITY

Digitalization of health care presents significant opportunities for improving the availability and effectiveness of care as well as the early identification of risks. Terveystalo has made significant investments in the development of digital services and tools.

As digital services increase in importance and change the industry, the requirements concerning data privacy and data security increase accordingly. Terveystalo's Data privacy and Data security policies define the procedures for each of the Group's functions to ensure the legal and appropriate processing of personal data as well as the confidentiality, integrity, non-repudiation and usability of data. Data privacy and data security are ensured as part of the management of overall safety, using various methods and processes. When implementing data privacy, particular attention is paid to ensuring the confidentiality of personal data, preventing unauthorized access to the data, and preventing the use of the data in a manner that would cause damage to the individual. The measures for implementing data security are adapted to the security level specified for the data being protected, the level of assumed risk, the effectiveness of controls, and the appropriate cost level. Amendments to laws and decrees related to the processing to patient and personal data are monitored and any new requirements are taken into account in guidelines and the development of information systems.

Terveystalo evaluates the privacy protection level of its personal data systems regularly and always as part of system development measures. Each function or controller evaluates and monitors the implementation of data privacy in their respective organizations. Internal and external audits at Terveystalo assess a clinic's compliance with privacy protection guidelines and the performance of a function or unit in the systematic addressing of privacy protection incidents.

An action endangering privacy protection is any action that is in breach of any law concerning personal data processing, the data privacy policy, or guidelines issued on the basis of the data privacy policy. Terveystalo's personnel are required to submit an incident report on any observed incidents in which data privacy has been compromised. Data privacy incidents are first processed at the respective clinic by the person responsible for incident response and the medical director of the clinic. The persons responsible for incident response report data security violations to the authorities in accordance with a separately defined process.

Based on the severity and frequency of the data privacy incident, it is evaluated whether a root cause analysis should be conducted. The objective of root cause analysis is to identify measures to prevent recurrences of the incident or mitigate its negative impacts.

If there is a justified reason to suspect that the data privacy incident might meet the criteria for a punishable act, Terveystalo submits the matter to be inspected by the competent authority. Any action by employees that endangers data privacy is also assessed from the perspective of labor law and may even lead to immediate termination of employment.

EMPLOYEE WELL-BEING

Competent and committed personnel form the foundation for Terveystalo’s operations. There are shortages of competent professionals in many places, and the most significant risks of the line of operation related to personnel are related to the availability and retention of competent professionals. To manage these risks, the company offers diverse career and development opportunities in a wide range of jobs and supports the well-being and work performance of its professionals. The aim is to be the industry’s most attractive employer for physicians as well as other professionals. Equality, fairness and non-discrimination are important principles that Terveystalo is committed to observing.

Terveystalo is a significant employer in Finland. Terveystalo had 8,685 employees (2018: 6,018) and 5,068 private practitioners (2018: 4,877).

Occupational healthcare plays an important role in the identification of health risk factors and the prevention of illnesses. Terveystalo’s occupational healthcare and occupational safety are organized on a company-specific and regional basis in accordance with Finnish legislation, according to which the employer shall arrange occupational healthcare at its own expense in order to prevent and control health risks and problems related to work and working conditions and to protect and promote the safety, working capacity, and health of employees. In addition to observing the statutory requirements, Terveystalo provides a comprehensive range of primary healthcare, specialized healthcare and well-being services to employees.

In 2019 Terveystalo piloted, among other things, direct appointments for physiotherapy to expedite the treatment of musculoskeletal symptoms as well as Mielen Chat and Mielen Sparri, two digital services to support psychological well-being. Mielen Chat and Mielen Sparri are low-threshold services that are implemented as remote services using Terveystalo’s Oma Terveys application. The service provides the opportunity to discuss anything a person might have on their mind in full confidentiality. The service also includes tools that support psychological well-being. Brief psychotherapy was also included in the selection of occupational health services. Terveystalo aims to recognize challenges related to work ability and occupational health at an early stage and seek solutions to these challenges through effective cooperation with occupational health services.

The Lost Time Injury Rate (LTIR), an indicator of accident frequency, was 25 (26), which is also clearly below the national average (LTIR 39). The rate of sickness absences was almost unchanged from the previous year at 3.65 (3.9) percent, which is clearly below the general average.

In the personnel survey, the employee Net Promoter Score (eNPS) (includes private practitioners) is used as of the key indicators of well-being at work and coping with the demands of work. The eNPS figure indicates the proportion of the employees and private practitioners who would recommend Terveystalo as a workplace to others. The promoter score in the most recent survey was 9, which corresponds to the average level among Finnish companies. The promoter score declined late in the year as a result of several development and integration projects that put a strain on employees. Stress factors have been identified and action has been taken to improve the situation. The goal is to increase the NPS to a good level. The other results of the personnel survey reflect the outcomes

of our systematic long-term development efforts. For example, 88% of employees are satisfied with Terveystalo as a workplace.

ECONOMIC IMPACTS

Responsible business is also financially profitable and sustainable business. We create value for customers, society, and shareholders by continuously developing the clinical, operational, and experienced quality of our work, enabling faster access to treatment, reducing sickness absences, and employing directly and indirectly more than 12,000 people. Terveystalo is a significant employer, taxpayer, and healthcare service provider in Finland.

Terveystalo’s operations produce economic value for various stakeholders. The key stakeholders include shareholders, customers, personnel, Terveystalo’s private practitioners, suppliers, service providers, and society. The most important cash flows consist of revenue generated from customer purchases and the operations of practitioners, and expenses arising from purchases from suppliers and service providers, dividends paid to shareholders, wages paid to personnel, as well as taxes and investments.

In 2019, Terveystalo’s revenue and other operating income totaled EUR 1,032.8 million (2018: EUR 762.9 million). Expenses related to purchased goods, materials and services amounted to EUR 472.9 million (2018: EUR 351.3 million). Salaries, fees and related social security contributions totaled EUR 314.3 million (2018: EUR 197.1 million). Net financial expenses to creditors amounted to EUR 14.4 million (2018: EUR 9.2 million). Equity repayment paid to shareholders amounted to EUR 25.5 million (2018: EUR 7.7 million in equity repayments). Terveystalo’s investments in business development amounted to EUR 33.2 million (2018: EUR 17.7 million).

Terveystalo’s tax footprint totaled EUR 149.3 million (2018: EUR 93.7 million). In addition, a total of EUR 298.8 (2018: 276.3) million in fees to private practitioners, who pay their individual taxes separately.

SUSTAINABILITY

Terveystalo is committed to the targets agreed upon in international climate summits for the mitigation of climate change. The emissions arising from operations are reduced, for example, by increasingly shifting to green electricity and by favoring low-emission vehicles. The conservation and sustainable use of natural resources in our supply chains is promoted by reducing plastic consumption, recycling waste, increasing the efficiency of material management and reducing the number of small orders. Medical waste at Terveystalo’s units is also being reduced. Digital services also enable us to simultaneously improve service availability and reduce our customers’ travel times and the emissions generated by travel.

Terveystalo’s environmental policy and program guide the operations of all Terveystalo Group’s units and meet the requirements of the environmental standard. Terveystalo’s key partners are expected to respect the principles of environmental management.

The carbon footprint is an environmental perspective of Terveystalo’s business operations that is considered important by investors in particular. Terveystalo’s carbon footprint mainly consists of emissions arising from the production of electrical energy consumed

by properties, the emissions generated by service-related driving, transport and travel as well as the waste generated at hospitals and clinics.

The direct (scope 1) and indirect (scope 2) greenhouse gas emissions arising from operations are reported in accordance with the GHG Protocol standard.

- Scope 1: greenhouse gas emissions arising from fuel consumption related to the heating and electricity production for properties controlled by Terveystalo as well as service driving, transport and company car driving controlled by Terveystalo.

As Terveystalo does not, for the most part, own or control the properties at which it operates, the greenhouse gas emissions mostly consist of the emissions from the company’s fleet of cars and the trucks used for imaging operations. The emissions arising from Terveystalo’s own driving and driving under Terveystalo’s direct control were calculated based on fuel consumption. In 2019, Scope 1 CO₂ emissions totaled 260.2 tCO₂ (334.9).

- Scope 2: greenhouse gas emissions arising from the production of electricity purchased by Terveystalo and the production of district heating consumed at properties controlled by Terveystalo.

In 2019, electricity purchases for Terveystalo’s properties totaled 17,839 (17,140) MWh, which corresponds to 1,962.3 tCO₂ (2,125.4) emissions and over 70 percent of the company’s carbon footprint. Starting from 2020, the company’s electricity portfolio (electricity purchased for properties) will be zero-CO₂ green electricity. CO₂-free electricity purchased for consumption in 2020 is 9,060 MWh, which corresponds to approximately 50 percent of the company’s electricity consumption.

Due to the nature of the company’s operations, the CO₂ emissions intensity is low. Terveystalo’s emissions intensity (Scope 1 and

2) in 2019 was 2g/EUR (3g/EUR) relative to total revenue and 0.3 tCO₂ (0.4 tCO₂) relative to the number of employees.

In 2019, Terveystalo completed an RFP process for its electricity portfolio for green electricity and updated its procurement and car policies to better integrate environmental considerations. Car policy was reformed to favor low-emission vehicles by incentivizing the choice of gas cars and cars with less than 100 CO₂ emissions. In addition, a plastic recycling project was piloted at three hospital units.

Terveystalo’s goal is to minimize mixed waste in all of its operations and recover as much waste as possible. Plastic waste was reduced by 20 percent on average at the units where the plastic recycling pilots were run. Terveystalo is committed to reducing the plastic waste generated by its operations in accordance with the EU’s plastic strategy by improving recycling and reviewing the packaging options offered by suppliers when possible. Medical waste is also closely monitored and prevented through enhanced inventory management. Thanks to an improved recycling rate for hazardous waste and plastic recycling, the volume of mixed waste was 50 (58) tons and mixed waste volume relative to total revenue was reduced by 37.7 percent year-on-year.

The company estimates that, due to the nature of its business, environmental aspects do not pose material risks to company operations.

SHARES, SHAREHOLDERS, AND BOARD AUTHORIZATIONS

At the end of December 2019, Terveystalo’s market value was EUR 1,431 million (1,028) and the closing price was EUR 11.18 (8.03). In 2019, the highest price of Terveystalo’s share on Nasdaq Helsinki Ltd was EUR 11.18 (11.40), the lowest price EUR 7.90 (6.98) and the average price EUR 9.94 (9.61). A total of 27.8 (36.8) million shares were traded in 2019. 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, 2019

| 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 |
| OP Cooperative | 14,922,573 | 11.7 | 14,922,573 | 11.7 |
| Hartwall Capital | 14,431,690 | 11.3 | 14,431,690 | 11.3 |
| Elo Mutual Pension Insurance Company | 5,232,951 | 4.1 | 5,232,951 | 4.1 |
| Ilmarinen Mutual Pension Insurance Company | 5,073,725 | 4.0 | 5,073,725 | 4.0 |
| Mandatum Life Insurance Company | 3,286,657 | 2.6 | 3,286,657 | 2.6 |
| Investment fund OP-Suomi | 2,743,907 | 2.1 | 2,743,907 | 2.1 |
| Investment fund Evli Finnish Small Cap | 1,731,999 | 1.4 | 1,731,999 | 1.4 |
| State Pension Fund | 1,000,000 | 0.8 | 1,000,000 | 0.8 |
| Ten largest, in total | 91,728,638 | 71.6 | 91,728,638 | 71.6 |

The list is based on the register of shareholdings maintained by Euroclear, and it does not include nominee-registered shares.

According to its own notification and its custodian’s notification, **Lannebo Fonder** owns a total of 6,134,919 shares, which corresponds to 4.8% of all shares.

DISTRIBUTION OF OWNERSHIP, DECEMBER 31, 2019

| Number of shares | Number of shareholders | % of shareholders | Number of securities | % of securities | Number of votes | % of votes |
|-----------------------------|------------------------|-------------------|----------------------|-----------------|--------------------|--------------|
| 1-100 | 6,281 | 37.8 | 365,865 | 0.3 | 365,865 | 0.3 |
| 101- 500 | 7,826 | 47.1 | 1,928,351 | 1.5 | 1,928,351 | 1.5 |
| 501-1 000 | 1,322 | 8.0 | 1,044,132 | 0.8 | 1,044,132 | 0.8 |
| 1 001-5 000 | 921 | 5.5 | 1,937,410 | 1.5 | 1,937,410 | 1.5 |
| 5 001-10 000 | 100 | 0.6 | 724,342 | 0.6 | 724,342 | 0.6 |
| 10 001-50 000 | 107 | 0.6 | 2,356,346 | 1.8 | 2,356,346 | 1.8 |
| 50 001-100 000 | 23 | 0.1 | 1,708,306 | 1.3 | 1,708,306 | 1.3 |
| 100 001-500 000 | 22 | 0.1 | 4,665,432 | 3.6 | 4,665,432 | 3.6 |
| 500 001- | 23 | 0.1 | 113,306,347 | 88.5 | 113,306,347 | 88.5 |
| Total | 16,625 | 100 | 128,036,531 | 100.0 | 128,036,531 | 100.0 |
| of which nominee-registered | 9 | | 14,907,304 | 11.6 | 14,907,304 | 11.6 |
| Non-transferred, total | 0 | | 0 | 0 | 0 | 0 |
| In general account | | | 0 | 0 | 0 | 0 |
| In special accounts, total | | | 0 | 0 | 0 | 0 |
| Total issued | | | 128,036,531 | 100 | 128,036,531 | 100 |

SHAREHOLDER GROUPS, DECEMBER 31, 2019

| Shareholders by sector | Number of shares | % of shares |
|--------------------------------------|--------------------|--------------|
| Households | 7,365,072 | 6.5 |
| Public entities | 33,538,215 | 29.6 |
| Financial and insurance institutions | 29,955,147 | 26.5 |
| Companies | 19,585,888 | 17.3 |
| Non-profit institutions | 1,468,352 | 1.3 |
| Foreign owners | 21,216,553 | 18.8 |
| Total | 113,129,227 | 100.0 |
| Of which nominee-registered | 14,907,304 | 11.6 |

Notifications of major shareholdings

In 2019, Terveystalo received 2 notifications of major shareholdings.

According to a notification, a transaction on December 4, 2019, reduced the total holdings in Terveystalo shares and votes held by Helsinki Deaconess Institute Foundation to 0% (0 shares) of the outstanding shares in Terveystalo. The Helsinki Deaconess Institute Foundation's previous shareholding amounted to 10.5 percent (13,470,705 shares).

According to a notification, a transaction on December 4, 2019, increased the combined holdings in Terveystalo shares and votes held by Pohjola Insurance and OP Life Insurance to 11.65 percent (14,922,573 shares) of all of the outstanding 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

The company's currently valid long-term share-based 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 2019, 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.

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 percent 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 a maximum of 12,803,653 own shares in total, which corresponds to approximately 10 percent 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 compensation payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

Evli Awards Management Oy (EAM) is responsible for the acquisition and management of the shares in accordance with the section of the Limited Liability Companies Act concerning incentives and the financing of the acquisition of company shares. Financed by Terveystalo, EAM TTALO Holding Oy will acquire shares in ac-

cordance with the agreement to be used as part of Terveystalo's share-based incentive system, in accordance with the terms of the scheme. During the review period, EAM TTALO Holding Oy held 730,000 Terveystalo shares.

DISTRIBUTION OF PROFITS PROPOSED BY THE BOARD

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 2019, earnings per share were EUR 0.43 (0.54).

The parent company's distributable funds totaled EUR 533.7 million, of which EUR 41.1 million is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.13 (0.20) per share be distributed for 2019, totaling EUR 16.6 (25.5) million. The Board of Directors further proposes that the Board of Directors be authorized to resolve in its discretion on the payment of additional dividend. The amount dividend to be paid based on the authorization shall not exceed EUR 0.13 per share. The authorization is valid until the opening of the next Annual General Meeting. Unless the Board of Directors decides otherwise for a justified reason, the authorization will be used to pay dividend one time during the period of validity of the authorization. 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

Yrjö Närhinen, CEO, resigned on September 9, 2019. Ville Iho was appointed as President and CEO on August 8, 2019, and he took up his post on December 6, 2019. SVP HR Johanna Karppi resigned on September 30, 2019.

DECISIONS OF THE ANNUAL GENERAL MEETING 2019 AND THE FIRST BOARD MEETING

Terveystalo Plc's Annual General Meeting was held on April 4, 2019, in Helsinki. The Annual General Meeting adopted the financial statements for the year 2018 and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved the proposals of the Shareholders' Nomination Board and the Board of Directors without any changes.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved not to pay dividends based on the balance sheet confirmed for the financial year 2018. The Annual General Meeting decided that EUR 0.20 per share (totaling EUR 25.5 million) would be distributed from the invested non-restricted equity reserve. The distribution was paid on April 15, 2019.

The number of the members of the Board of Directors was confirmed as eight. Lasse Heinonen, Olli Holmström, Åse Aulie Michelet, Katri Viippola, and Tomas von Rettig were re-elected as members of the Board, and Dag Andersson, Paul Hartwall, and Kari Kauniskangas were elected as new members of the Board.

KPMG Oy was re-elected as the company's auditor, with APA Jari Härmälä continuing 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 percent 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 12,803,653 own shares in total, which corresponds to approximately 10 percent 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 compensation 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 2020 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 Kari Kauniskangas as its Chairman and Tomas von Rettig as its Vice-Chairman. Lasse Heinonen was elected as Chairman of the Audit Committee and Paul Hartwall and Olli Holmström as members of the Audit Committee. Kari Kauniskangas was elected as Chairman of the Compensation Committee and Dag Andersson, Åse Michelet, and Katri Viippola as members of the Compensation Committee.

EVENTS AFTER THE REPORTING PERIOD

Minttu Sinisalo b. 1980, M.Sc. (Econ.), was appointed as Terveystalo's Senior Vice President for HR. She took up her post on January 1, 2020.

Susanna Laine, Senior Vice President, Communications and Brand, and a member of the Executive Team, vacated her position on January 8, 2020. Veera Siivonen, b. 1980, M.Sc. (Tech., Industrial Engineering) has been appointed Senior Vice President, Marketing and Communications of Terveystalo as of May 1, 2020, at the latest.

Elna Saviharju, b. 1981, LL.B., LL.M. (Harvard) has been appointed Senior Vice President, Legal, of Terveystalo. She will join the company as of July 24, 2020, at the latest, as Julia Ormio, Chief Legal Officer and Member of the Executive Team of Terveystalo, has resigned.

The Shareholders' Nomination Board of Terveystalo has submitted its proposal on the Board of Directors to the Annual General Meeting 2020. The Shareholders' Nomination Board proposes to the Annual General Meeting that the number of members of the Board of Directors shall be seven (7). The Shareholders' Nomination Board proposes, for a term that ends at the end of the Annual General Meeting 2021 Dag Andersson, Lasse Heinonen, Kari Kauniskangas, Åse Aulie Michelet, Katri Viippola and Tomas von Rettig to be

re-elected as members of the Board and Niko Mokka to be elected as a new member of the Board.

Nomination Board recommends that Kari Kauniskangas is re-elected as the Chairman of the Board and Tomas von Rettig as the Vice Chairman of the Board. The current members of the Board Olli Holmström and Paul Hartwall have announced that they are not available for re-election to the Board of Directors.

All candidates have given their consent to the position and The Nomination Board has assessed all candidates to be independent of the company. Dag Andersson, Kari Kauniskangas, Lasse Heinonen and Åse Michelet are also independent of major shareholders.

The Shareholders' Nomination Board proposes to the Annual General Meeting 2020 that the following remuneration be paid to the members of the Board during the next term: annual remuneration of the Chairman EUR 85,000, annual remuneration of the Vice-Chairman EUR 50,500, annual remuneration of the members EUR 40,250, annual remuneration of the Chairman of the Audit Committee EUR 50,500.

Additionally, the following attendance fees shall be paid for each Board and Committee meeting: EUR 625 for members residing in Finland, EUR 1,300 for members residing elsewhere in Europe and EUR 2,600 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 625. Travel expenses are proposed to be reimbursed in accordance with the company's travel policy.

In addition, the Nomination Board proposes the annual remuneration of the Board to 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 the company's 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. Attendance fees are proposed to be paid in cash.

GOVERNANCE

Terveystalo Corporation's Corporate Governance Statement, Remuneration Policy and Remuneration Statement 2019 have been published as a separate document from the Board of Directors' Report and as part of the Annual Report on pages 24–42 and are also available on the company's website.

THE MOST SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Terveystalo's risk management is governed by the risk management policy approved by the Board. The policy defines goals, principles, organizations, responsibilities, and practices for risk management. The management of financial risks complies with the Group's financing policy approved by Terveystalo'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 is gradually replacing its operating systems and support systems as well as creating new digital customer solutions, which increases the overall risk related to information systems. Risk management is an essential aspect of the systems integration and deployment processes.
- 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 health care 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 integration of acquisition targets is not necessarily realized as planned.
- The company's business is very dependent on functioning information systems, data communication, and external service providers. Interruptions can result from hardware failure, software failure, or cyber threats. Long-lasting malfunction of information systems or payment transfers can lead to significant loss of sales and decline in customer satisfaction.
- Endangered data security or privacy can lead to losses and claims for damages and endanger reputation.
- Corporate responsibility aspects are increasingly important for customers, such as ensuring the responsibility of the product supply chain, fair and equal treatment of employees, avoidance of corruption, and protection of the environment. Possible failures associated with corporate responsibility would mean negative publicity for Terveystalo and could cause operational and financial damage. Challenges related to Terveystalo's corporate responsibility work include communicating the corporate responsibility principles to the key stakeholders and ensuring the responsibility of the product and 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 at <https://www.terveystalo.com/en/investors/Corporate-governance/Risk-management-and-risks/> and in the company's Annual Review.

GENERAL MEETING OF SHAREHOLDERS 2020

The Annual General Meeting of Terveystalo Plc will be held on Thursday, April 2, 2020, at the Finlandia Hall in Helsinki.

Terveystalo Plc
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF INCOME

| EUR mill. | Note | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|------------------------------------------------------------------------------------------------------|----------|-----------------|-----------------|
| Revenue | 4 | 1,030.7 | 744.7 |
| Other operating income | 5 | 2.1 | 18.2 |
| Materials and services | 6 | -472.9 | -351.3 |
| Employee benefit expenses | 7 | -314.3 | -197.1 |
| Depreciation, amortisation and impairment losses | 2, 8 | -89.8 | -41.1 |
| Other operating expenses | 2, 9 | -74.4 | -97.9 |
| Operating profit | | 81.4 | 75.4 |
| Financial income | 10 | 0.3 | 0.3 |
| Financial expenses | 2, 10 | -14.7 | -9.5 |
| Net finance expenses | | -14.4 | -9.2 |
| Share of results in associated companies | | -0.2 | 1.9 |
| Profit before taxes | | 66.8 | 68.2 |
| Income tax expense | 11 | -12.7 | 0.5 |
| Profit for the period | | 54.1 | 68.7 |
| Profit attributable to | | | |
| Owners of the parent company | | 54.2 | 68.7 |
| Non-controlling interests | | -0.1 | 0.0 |
| Earnings per share for profit attributable to the shareholders of the parent company, in euro | | | |
| Basic earnings per share | 12 | 0.43 | 0.54 |
| Diluted earnings per share | 12 | 0.43 | 0.54 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31 Dec 2018 |
|----------------------------------------------------|-----------------|------------------|
| Profit for the period | 54.1 | 68.7 |
| Total comprehensive income | 54.1 | 68.7 |
| Total comprehensive income attributable to: | | |
| Owners of the parent company | 54.2 | 68.7 |
| Non-controlling interest | -0.1 | 0.0 |

The notes are an integral part of the Consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR mill. | Note | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------------------------------|-----------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 86.3 | 83.6 |
| Right-of-use assets | 13 | 176.4 | - |
| Goodwill | 14, 15 | 779.2 | 768.7 |
| Other intangible assets | 14 | 161.9 | 167.7 |
| Investment properties | 16 | 0.5 | 0.6 |
| Investments in associates | 17 | 2.3 | 2.4 |
| Loan receivables | 21 | 0.3 | 0.0 |
| Deferred tax assets | 11 | 3.7 | 5.8 |
| Total non-current assets | | 1,210.7 | 1,028.7 |
| Current assets | | | |
| Inventories | | 5.6 | 5.8 |
| Trade and other receivables | 21 | 101.6 | 89.9 |
| Cash and cash equivalents | 22 | 40.6 | 36.9 |
| Total current assets | | 147.8 | 132.5 |
| Non-current assets held for sale | 23 | 0.8 | 1.1 |
| TOTAL ASSETS | | 1,359.3 | 1,162.3 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 0.1 | 0.1 |
| Invested non-restricted equity reserve | | 492.8 | 518.2 |
| Treasury shares | | -6.7 | -6.7 |
| Retained earnings | | 55.1 | 0.1 |
| Non-controlling interest | | 0.0 | 0.1 |
| TOTAL EQUITY | | 541.2 | 511.8 |
| Non-current liabilities | | | |
| Non-current financial liabilities | 20, 25 | 360.3 | 400.4 |
| Non-current lease liabilities | 20, 25 | 143.7 | - |
| Deferred tax liabilities | 11 | 30.3 | 34.1 |
| Provisions | 27 | 7.5 | 9.1 |
| Other liabilities | | 9.7 | 7.8 |
| Total non-current liabilities | | 551.5 | 451.4 |
| Current liabilities | | | |
| Provisions | 27 | 1.6 | 2.3 |
| Trade and other payables | 26 | 165.4 | 146.9 |
| Current tax liabilities | | 14.8 | 0.2 |
| Current financial liabilities | 20, 25 | 49.8 | 49.8 |
| Current lease liabilities | 20, 25 | 35.0 | - |
| Total current liabilities | | 266.6 | 199.1 |
| TOTAL LIABILITIES | | 818.0 | 650.5 |
| TOTAL EQUITY AND LIABILITIES | | 1,359.3 | 1,162.3 |

The notes are an integral part of the Consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR mill. | Note | 1.1.-31 Dec 2019 | 1.1.-31 Dec 2018 |
|--------------------------------------------------------------------------|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit before income taxes | | 66.8 | 68.2 |
| Adjustments for | | | |
| Non-cash transactions | | | |
| Depreciation, amortisation and impairment losses | | 89.8 | 41.1 |
| Change in provisions | | -1.2 | -2.1 |
| Other non-cash transactions | | -2.4 | -2.3 |
| Gains and Losses on sale of property, plant, equipment and other changes | | 0.0 | -15.9 |
| Net finance expenses | | 14.4 | 9.2 |
| Changes in working capital | | | |
| Trade and other receivables | | -7.9 | 1.9 |
| Inventories | | 0.3 | 0.3 |
| Trade and other payables | | 17.7 | 0.0 |
| Interests received | | 0.3 | 0.2 |
| Income taxes paid | | -4.1 | 0.3 |
| Net cash from operating activities | | 173.6 | 100.6 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries, net of cash acquired | | -12.3 | -229.8 |
| Acquisition of property, plant and equipment | | -15.9 | -9.4 |
| Acquisition of intangible assets | | -17.7 | -10.4 |
| Proceeds from the disposal of subsidiaries, net of cash disposed of | | - | 24.1 |
| Investments to associated companies | | -0.6 | -1.8 |
| Proceeds from sale of financial assets | | 0.3 | 1.9 |
| Acquisition of business operations, net of cash acquired | | -1.0 | -0.9 |
| Repayment of long-term loan receivables | | 0.2 | - |
| Proceeds from sale of property, plant and equipment | | 0.1 | 0.3 |
| Dividends received | | 0.1 | 1.7 |
| Net cash from investing activities | | -46.7 | -224.4 |
| Cash flows from financing activities | | | |
| Acquisition of treasury shares | | - | -6.7 |
| Proceeds from non-current borrowings | 25 | 370.0 | 160.0 |
| Repayment of non-current borrowings | 25 | -401.4 | -11.4 |
| Proceeds from current borrowings | 25 | - | 10.0 |
| Repayment of current borrowings | 25 | -10.0 | -0.8 |
| Payment of finance lease liabilities (2018 finance leasing) | 25 | -37.1 | -4.1 |
| Payment of hire purchase liabilities | 25 | -4.9 | -3.3 |
| Interests and other financial expenses paid | | -14.2 | -8.4 |
| Equity repayment | | -25.5 | -7.7 |
| Net cash from financing activities | | -123.1 | 127.6 |
| Net change in cash and cash equivalents | | | |
| | | 3.8 | 3.9 |
| Cash and cash equivalents at 1 January | | 36.9 | 33.0 |
| Cash and cash equivalents at 31 December | | 40.6 | 36.9 |

The notes are an integral part of the Consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EUR mill. | Equity attributable to owners of the parent company | | | | | | Non-controlling interests | Total equity |
|---------------------------------|-----------------------------------------------------|----------------------------------------|-----------------|-------------------|--------------|------------|---------------------------|--------------|
| | Share capital | Invested non-restricted equity reserve | Treasury shares | Retained earnings | Total | | | |
| Equity 1 Jan 2019 | 0.1 | 518.2 | -6.7 | 0.1 | 511.7 | 0.1 | 511.8 | |
| Comprehensive income | | | | | | | | |
| Profit for the period | - | - | - | 54.2 | 54.2 | -0.1 | 54.1 | |
| Transactions with owners | | | | | | | | |
| Share-based payments | - | - | - | 0.7 | 0.7 | - | 0.7 | |
| Equity repayment | - | -25.5 | - | - | -25.5 | - | -25.5 | |
| Other adjustments | - | - | - | 0.1 | 0.1 | - | 0.1 | |
| Equity 31 Dec 2019 | 0.1 | 492.8 | -6.7 | 55.1 | 541.2 | 0.0 | 541.2 | |

| EUR mill. | Equity attributable to owners of the parent company | | | | | | Non-controlling interests | Total equity |
|---------------------------------|-----------------------------------------------------|----------------------------------------|-----------------|-------------------|--------------|------------|---------------------------|--------------|
| | Share capital | Invested non-restricted equity reserve | Treasury shares | Retained earnings | Total | | | |
| 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 | |

The notes are an integral part of the Consolidated financial statements.

1. CORPORATE INFORMATION

Terveystalo Plc is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The parent company, Terveystalo Plc, is listed on the Nasdaq Helsinki. Terveystalo Group consists of the parent company and 19 subsidiaries. More information is presented in note 30. A copy of the consolidated financial statements is available at the Group's website www.terveystalo.com, from Terveystalo Oyj / Corporate Communications, Jaakonkatu 3, 00100 Helsinki, Finland, or via e-mail at investors@terveystalo.com.

Terveystalo is a leading private healthcare service provider in Finland. The company offers general practice and specialist medical care, diagnostic services, outpatient surgery, dental services and other adjacent services to corporate, private and public sector customers. Terveystalo had approximately 300 clinics (of which 18 clinic-hospitals) in financial year 2019.

In its meeting on 12 February 2020 the Board of Directors of Terveystalo Plc approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

2. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The consolidated financial statements of Terveystalo have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2019. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

The consolidated financial statements are presented in millions of euro and have been prepared under the historical cost basis, unless otherwise stated in the accounting principles. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures have been calculated using exact figures.

2.2 APPLICATION OF NEW AND AMENDED IFRSS

New and amended standards applied in the financial year 2019

Terveystalo Group has applied as from 1 January 2019 the following new and amended standards that have come into effect:

IFRS 16 Leases

(effective for financial years beginning on or after 1 January 2019)

IFRS 16 Leases. The new standard replaces the 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. 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 most significant impact of IFRS 16 is that Terveystalo has recognized 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. IFRS 16 standard has impact for condensed consolidated statement of cash flows as well. The cash flow from operating activities increases, because the repayment of the lease liabilities in rents is transferred from cash flow to financing activities.

Terveystalo has applied the IFRS 16 using the modified retrospective approach without restatement of comparatives. The right of use assets was primarily recognized at an amount equal to the lease liability. IAS 17 recognized finance lease contracts has been recognized in transition to IAS 17 valued amounts.

Terveystalo Group's most significant lease agreements are the lease contracts of the premises. The contracts of the premises consist of temporary contracts and contracts that are valid under further notice. When implementing the IFRS 16 standard, Terveystalo management has considered the estimated closing date for contract that are valid under further notice. Terveystalo Group applied the IFRS 16 exception for a small number of short-term contracts that were mainly parking place and warehouse contracts. These contracts are not material.

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. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 1.9%.

RECONCILIATION OF IFRS 16

| EUR mill. | |
|--------------------------------------------------------------------|--------------|
| Other operating lease liabilities on 31 Dec 2018 | 201.7 |
| Weighted decremental borrowing rate % on 1 Jan 2019 | 1.9 |
| Lease liabilities on 31 Dec 2018 discounted | 177.9 |
| Additions | |
| IFRS 16 recognized lease liabilities from municipality outsourcing | 18.3 |
| In mergers and acquisitions transferred IFRS 16 lease liabilities | 4.2 |
| Others | 0.2 |
| Disposals | |
| Others | -0.5 |
| Lease liabilities on 1 Jan 2019 | 200.2 |

The impact from the standard to Terveystalo Group's reporting in the reporting period is as follows:

CONSOLIDATED STATEMENT OF INCOME

| EUR mill. | 1-12/2019 | 1-12/2019 | 1-12/2019 | 1-12/2018 |
|-----------------------------------|--------------|----------------|----------------|--------------|
| | Reported | IFRS 16 effect | Before IFRS 16 | Reported |
| Revenue | 1,030.7 | - | 1,030.7 | 744.7 |
| EBITDA | 171.2 | 39.9 | 131.3 | 116.6 |
| Adjusted EBITDA | 176.3 | 39.9 | 136.4 | 108.9 |
| Depreciation | -89.8 | -38.3 | -51.5 | -41.1 |
| Adjusted EBITA | 115.1 | 1.6 | 113.5 | 87.7 |
| Net finance expenses | -14.7 | -3.5 | -11.2 | -9.5 |
| Profit/loss before taxes | 66.8 | -1.9 | 68.7 | 68.2 |
| Taxes | -12.7 | 0.5 | -13.2 | 0.5 |
| Profit/loss for the period | 54.1 | -1.4 | 55.5 | 68.7 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR mill. | Right-of-use assets | Lease liability |
|------------------------------------|---------------------|-----------------|
| Opening balance 1 Jan 2019 | 199.8 | 200.2 |
| Transactions | 14.9 | 14.9 |
| Depreciation | -38.3 | - |
| Payment of lease liabilities | - | -36.4 |
| Carrying amount 31 Dec 2019 | 176.4 | 178.7 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR mill. | 1-12/2019 |
|--------------------------------------|-----------|
| Cash flows from operating activities | 39.9 |
| Cash flows from financing activities | -39.9 |

IFRIC 23 Uncertainty over Income Tax Treatments

(effective for financial years beginning on or after 1 January 2019)

The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test for accounting is the assessment of whether the tax authority will accept the entity's chosen tax treatment or not. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a tax treatment proposed by the entity. The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

(effective for financial years beginning on or after 1 January 2019)

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures

(effective for financial years beginning on or after 1 January 2019)

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that forms part of the net investment in the associate or joint venture. The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

Plan amendment, Curtailment or Settlement

(Amendments to IAS 19) (effective for financial years beginning on or after 1 January 2019)

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

Annual Improvements to IFRSs (2015-2017 cycle)

(effective for financial years beginning on or after 1 January 2019)

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 clarify the following standards:

- IFRS 3: when an entity obtains control of a business that is a joint operation, it remeasures a previously held interest in that business at fair value (a business combination achieved in stages).
- IFRS 11: when an entity subsequently obtains joint control of a business that is a joint operation, it does not remeasure a previously held interest in that business.
- IAS 12: an entity accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises (in profit or loss, other comprehensive income or equity).
- IAS 23: when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made to obtain the said asset as part of general borrowings.

The impacts of these amendments on Terveystalo's consolidated financial statements are not expected to be significant.

Adoption of new and amended standards and interpretations applicable in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2019.

- **Amendments to References to Conceptual Framework in IFRS Standards** (effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

- **Definition of a Business** (Amendments to IFRS 3)* (effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

- **Definition of Material** (Amendments to IAS 1 and IAS 8) (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

- **Interest Rate Benchmark Reform** (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

- **IFRS 17 Insurance Contracts*** (IASB's proposal effective for financial years beginning on or after 1 January 2022)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

Other becoming amendments or new standards have no significant effect to Terveystalo's consolidated statements.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make certain estimates and assumptions that are based on management's best view of the circumstances prevailing at the reporting date, prior experience and assumptions about future events related, among other, to the expected development of the Group's economic environment in terms of sales and cost level. However, it is possible that the realized outcomes differ from the estimates and assumptions used in the financial statements. In addition, the application of the accounting policies requires judgement, especially when the current IFRS standard has alternative accounting, valuation and presentation methods.

The Group monitors the realization of the estimates and assumptions and changes in the underlying factors on a regular basis together with the operating units by using several internal and external information sources. Changes in estimates or assumptions are recognized in the period when the estimate or assumption is revised, and in the future periods if the change affects the subsequent periods.

The critical issues requiring management's judgement are presented below:

Intangible assets in connection with business combinations

IFRS 3 requires the acquirer to recognize intangible assets separately from goodwill, if certain criteria are met. Recognizing intangible assets separately at fair value requires management to estimate the expected future cash flows. Management has used available market information when possible in determining the fair values. If no market information has been available, the measurement of intangible assets has been based on historical income from the asset and the planned use in operation. The valuations are based on discounted cash flows and estimated disposal or replacement prices, and the valuation requires management to make estimates of the future use of the asset and impact on the company's financial position. Changes in the company's future operations may cause changes in valuation.

Management believes that the used estimates and assumptions are reasonable for measurement of fair values. In addition, the Group's property, plant and equipment and intangible assets are assessed to determine whether there is any indication of impairment at least at each reporting date.

The valuation of contingent considerations

Management makes discretionary decisions and estimates when determining the valuation of contingent considerations in business combinations. Judgement is applied especially when estimating the expected amount of payments and those are based on potential scenarios for future returns, amounts paid under different scenarios and the profitability of each scenario.

Lease agreements classified between finance and other leases

In financial year 2018 Management has made judgements and estimates while assessing when all the risks and rewards incidental to

ownership of leased assets are substantially transferred to the Group according to IAS 17.

During financial year 2019, the Group has made judgements and estimates when implementing IFRS 16 to lease contracts and estimating the closing date for contract that are valid under further notice.

Impairment testing

Impairment testing for goodwill is carried out at least annually. The Group has no other intangible assets with an indefinite useful life. The recoverable amounts of cash generating units are estimated based on the calculations of their value in use. Preparation of these calculations requires use of estimates. Even though management believes that the used estimates and assumptions are appropriate, the estimated recoverable amounts may differ from the actual results. See note 15 Impairment testing of cash-generating units including goodwill for more detailed information.

Provisions

The most significant provisions in the statement of financial position relate to mainly loss-making contracts as well as retirement obligations related to some leased premises. Management makes estimates mainly concerning the loss-making contracts.

2.4 PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include the parent company Terveystalo Plc and all its subsidiaries where over 50 percent of the voting rights are controlled by the parent company or the parent company otherwise controls the company. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries are included in the consolidated financial statements starting from the date on which control commences until the date on which control ceases.

All subsidiaries are consolidated by using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprise assets transferred, liabilities incurred and the equity interests issued by the Group measured at fair value. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis, non-controlling interest in the acquiree is measured either at fair value or at value, which equals the proportional share of the non-controlling interest in the identifiable net assets acquired.

All acquisition costs, except costs related to issue of debt or equity securities, are recognized as an expense as incurred. To the consideration transferred is not included transactions treated separately from the acquisition which are recognized through profit or loss. Any contingent consideration is measured at fair value and it is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value at the end of reporting period and the resulting profit or loss is recognized in profit or loss. Contingent consideration classified as equity is not remeasured.

If the Group gains control in stages in the acquiree, the existing interest will be measured at fair value through profit or loss.

Goodwill arising from an acquisition is recognized as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests in the acquiree and previously held equity interest in acquiree over the fair value of the Group's share of the identifiable net assets acquired. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the resulting gain is recognized in profit or loss.

Intra-Group transactions, receivables, liabilities and unrealized gains, as well as the distribution of profits within the Group are eliminated in the preparation of the consolidated financial statements. Accounting policies of subsidiaries have been aligned where necessary to correspond to the Group's principles.

Transactions with non-controlling interests that do not result in the loss of control are treated as equity transactions – in other words, as transactions with owners when they are acting as owners. The difference between the fair value of the consideration paid and the book value of the portion of the net assets acquired is recognized in equity. Also, gains and losses arising from sales of shares to non-controlling interest are recognized in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is measured at fair value through profit or loss. Terveystalo Group does not have such subsidiaries, which have a significant non-controlling interest.

Associates

Associates are entities over which the Group has significant influence. Significant influence generally arises when the Group holds over 20 percent of the voting rights, or otherwise has significant influence, but no control over the entity.

Associates are consolidated using the equity method. They are initially recognized at cost, which includes transaction expenses. If the Group's share of the associated company's losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the consolidated statement of financial position. Recognition of further losses exceeding the carrying amount is discontinued, unless the Group has incurred legal or constructive obligations on behalf of the associate.

Unrealized gains resulting from the transactions between the Group and associates are eliminated according to the Group's share of ownership. Goodwill relating to an associate is included in the carrying amount of the investment. The Group's share of the associated company's profit or loss for the period is separately disclosed below net finance expenses. Adjustments have been made when necessary to the associate's accounting policies to align to those of the Group.

At each reporting date, the Group reviews the carrying amounts of the investments in associates to determine whether there is any objective indication of impairment. If any such evidence of impairment exists, then the impairment loss is determined. An impairment loss is the amount by which the carrying amount of an investment in associate exceeds its recoverable amount. An impairment loss is recognized in profit or loss.

If the Group's ownership interest in an associate is reduced, but significant influence is retained, only the relative portion of previ-

ously recognized amounts in other comprehensive income and the value of the investment in the consolidated financial statements are recognized in profit or loss as part of the gain or loss.

Mutual real estate companies

Housing companies and mutual real estate companies are consolidated to the financial statements as subsidiaries using the acquisition method when the Group has control over the company.

Mutual real estate companies, where Terveystalo Group and other parties have either contractually or through articles of association rights to the assets and obligations for the liabilities relating to the arrangement are accounted for as joint operations. Group includes in its consolidated financial statements proportion to its ownership its share of the income, expenses and other comprehensive income as well as proportion of the assets and liabilities related to joint operations starting from the date the joint control commences until the date the joint control ceases.

Apartments, which are not used in business operations, are in principal accounted for as investment properties.

Terveystalo- Group had no mutual real estate companies during financial year 2019.

2.5 FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are presented in euros which is the functional and presentation currency of the parent company. Transactions in foreign currencies are translated into respective functional currency at the exchange rate prevailing on the transaction date. Gains and losses arising from transactions denominated in foreign currency and from translation of monetary items are recognized in profit or loss as financial income or expenses.

The Group had no significant foreign currency transactions during the reporting period and as at the reporting date the Group has no significant foreign currency denominated monetary or non-monetary statement of financial position items.

2.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

| | |
|--------------------------------------|-------------|
| Magnetic resonance imaging equipment | 10 years |
| Buildings | 10–40 years |
| Machinery and equipment | 2–7 years |
| Improvements to office premises | 2–10 years |

Premises used in operations are depreciated on a straight line basis over a 40 year depreciation period. Property, plant and equipment also include artworks which are not depreciated.

Right-of-use assets (IFRS 16) are depreciated over the shorter of the useful life or lease term. If the use of call option is certain, right-of-use asset is depreciated over the useful life. If the call option is recognized in the right -of-use asset and in the lease liability, the

above mentioned useful lives are applied. Depreciation periods for contract of premises vary from 1 to 16 years.

Previously according to IAS 17 recognized machinery, equipment and other tangible assets acquired through a finance lease are recognized in the statement of financial position and are depreciated over the shorter of the useful life or lease term. Depreciation periods vary from 2 to 6 years.

Previously according to IAS 17 recognized operational premises acquired through sale and leaseback contracts and other leases of premises that are classified as finance lease are capitalized at the present value of minimum lease payments and depreciated over the lease period. Depreciation periods vary from 8 to 15 years. These are valued and recognized according to IFRS 16 since 1.1.2019.

Gains and losses on the sale and disposal of property, plant and equipment are presented in other operating income or other operating expenses.

Maintenance expenditure are not included in the carrying amounts of property, plant and equipment. When parts of the magnetic resonance imaging equipment need to be replaced, the Group capitalizes the replacement costs as a separate item.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date.

2.7 INVESTMENT PROPERTIES

Investment property refers to properties held by the Group in order to earn rental income or for capital appreciation or both. Investment properties are measured at acquisition cost and depreciated on a straight-line basis over a 40-year depreciation period.

2.8 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill arising in a business combination is recognized as the excess of the aggregate of the consideration transferred, the amount of non-controlling interests in the acquiree and previously held equity interest in acquiree over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is not amortised but tested for impairment annually. For impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units. Goodwill is measured at cost less accumulated impairment losses. An Impairment loss in respect of goodwill is not reversed.

Gain or loss on disposed unit includes also the carrying amount of goodwill.

Other intangible assets

Other intangible assets include software and licenses, as well as acquired companies' customer relationships, trademarks and other intangible assets. Intangible assets are recognized initially at cost if the cost of the asset can be measured reliably and if it is probable that the future economic benefits attributable to the asset will flow to the Group.

Intangible assets acquired in a business combination are measured at fair value at the acquisition date separately from goodwill,

if the assets meet the definition of an asset, are identifiable or rise from contractual or legal rights.

Other intangible assets are measured at cost and amortised on a straight-line basis over the known or estimated useful lives.

The Group has no intangible assets with indefinite useful lives.

Amortisation periods used for intangible assets are as follows:

| | |
|--------------------------------------------------------|---------------------------------|
| Immaterial rights | 3–10 years |
| Other intangible assets | 3–5 years |
| Software | 5 years |
| Customer agreements and related customer relationships | 2–12 years |
| Trademarks | 20 years or shorter useful life |

Research and development

Research costs are recognized as an expense as incurred in the statement of income. Development costs are capitalized when certain capitalization criteria are met. Development costs that do not qualify for the capitalization are recognized as an expense. The estimated useful lives of capitalized development costs are 3–5 years.

2.9 IMPAIRMENT

Tangible and intangible assets

At the end of each reporting period, the Group assesses whether there are any indications of impairment. If any indications of an impairment exist, the recoverable amount of the asset is determined. For goodwill and intangible assets not yet available for use, the recoverable amount is determined annually, irrespective of whether there is any evidence of impairment. Evidence of impairment is assessed at the level of geographical areas using common resources i.e at the lowest unit level, which is largely independent of the other units and whose cash flows can be distinguished from the cash flows of equivalent units.

The recoverable amount of an asset is the higher of its fair value less costs to sell or value in use. The value in use is the amount of future cash flows of an asset or cash generating unit discounted to present value. The discount rate used is the pre-tax discount rate which reflects the market view on the time value of money and specific risks related to the asset.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss. If impairment loss is related to a cash generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets on a pro rata basis. The useful life of an asset, which is subject to depreciation or amortisation, is reassessed when an impairment loss is recognized. The impairment loss recognized for other assets than goodwill is reversed if there has been a change in estimates used to determine the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount of the asset if impairment loss had not been recognized. Impairment loss recognized for goodwill is not reversed.

Financial assets

At the end of each reporting period the Group evaluates indicators of potential impairment of a single financial asset or a group of financial assets.

Impairment loss provision is based on simplified approach. Estimated impairment loss rates have been calculated using historical information of actual impairment losses and current conditions and the Group's view of the economic conditions over the expected lives of the receivables have been taken into account.

The impairment loss to be recognized in profit or loss is the difference between the carrying value of the receivable and the estimated future cash flows.

2.10 LEASES

Group as a lessee (IFRS 16)

The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. A lessee recognises a right-of-use asset and a lease liability on statement of financial position at the lease commencement date.

A lease term is determined as the non-cancellable period of a lease. The lease term includes periods covered by an option to extend or terminate the lease, if the Group is reasonably certain to exercise the extension option or not to exercise the termination option. Managements judgement is used to assess the estimated closing date for contracts that are valid under further notice.

The Group does not have to recognise short-term leases (a lease that has a lease term of 12 months or less) and leases for which the underlying asset is of low value. The lease payments can be associated with such leases are expensed on a straight-line basis.

Initially a right-of-use asset is measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives, any initial direct costs incurred by the Group, and an estimate of restoration costs to be incurred by the Group. If a lease contains several lease components, they are accounted for separately.

Subsequently right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurements of the lease liability. A right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise the purchase option, the right-of-use asset is depreciated over its useful life.

The residual value and useful life of a right-of-use asset are reviewed where necessary but at least annually and an impairment loss is recognised if there is a change in expectations of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. A lease liability includes fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a

rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee, and the exercise price under a purchase option that Terveystalo is reasonably certain to exercise.

Subsequently the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Terveystalo's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Group as a lessee (IAS 17)

Leases of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired through a finance lease agreement are recognized on the statement of financial position at inception of the lease period at the lower of fair value of the leased asset and the present value of the minimum lease payments. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset and the lease period. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each reporting period during the lease period as to produce a constant periodic rate of interest on the remaining balance of liability. The finance lease liability is included in interest-bearing financial liabilities.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease contracts are expensed on a straight-line basis over the lease periods.

Classification of contracts as leases is based on the substance of the arrangement and more specifically on whether the arrangement is dependent on a certain asset and whether the arrangement conveys the right to use that asset.

2.11 FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are classified in accordance with IFRS 9 Financial Instruments into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets at amortised cost. Classification is based on the purpose of the acquisition of the item and is made upon initial recognition.

Financial assets at fair value through profit or loss are initially measured at fair value. Fair value is determined based on their current quotation in active markets. Realized or unrealized gains and losses arising from changes in fair values are recognized in profit or loss in the period in which they are incurred.

Financial assets at fair value through other comprehensive income are initially measured at fair value. Fair value is determined

based on their current quotation in active markets. Realized or unrealized gains and losses arising from changes in fair values are recognized in other comprehensive income in the period in which they are incurred. There weren't any financial assets valued at fair value through other comprehensive income in Terveystalo Group during the period 2018 and 2019.

Financial assets at amortised cost consist of trade receivables and other receivables. They are measured at amortised cost and they are included in non-current assets unless the Group has an intention to hold the instrument for less than 12 months from the reporting date, in which case they are included in current assets.

Financial asset is derecognized when the contractual rights to the cash flows from that asset expire, or the financial asset is transferred to another party and the Group substantially transfers all the risks and rewards of ownership to another party.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits available on demand, and other short-term highly liquid investments. Items included in cash and cash equivalents have original maturities of three months or less from the acquisition date.

Financial liabilities

Financial liabilities are measured at fair value through profit or loss or at amortised cost.

Financial liabilities at fair value through profit or loss include interest rate derivatives. Realized or unrealized gains and losses arising from changes in fair values are recognized in profit or loss in the period in which they are incurred.

Financial liabilities at amortised cost include loans from financial institutions, lease liabilities and hire and purchase liabilities. They are initially recognized at fair value which is based on the consideration received. Transaction costs are included in the initial amount recognized and subsequently the financial liability is measured at amortized cost using the effective interest method.

Financial liabilities are included in non-current and current liabilities and they can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current liabilities, unless the Group has an unconditional right to postpone the payment of the liability to at least 12 months from the reporting date.

Overdraft accounts included in Group cash pool account structure are included in current interest-bearing financial liabilities and they are presented on a net basis, because the Group has a contractual legal right to off-set or otherwise eliminate an amount due to a debtor fully or in part.

The classification of the Group's liabilities is presented in note 25 Financial liabilities.

2.12 INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined by using FIFO (first in, first out) method. Net realizable value is the cost of goods less obsolescence allowance.

2.13 EMPLOYEE BENEFITS

Pension benefits

Pension plans are classified as either defined contribution plans or defined benefit plans. The Finnish TyEL pension insurance is treated as a defined contribution plan. In defined contribution plans, the Group makes fixed contributions into the plan. The Group has no legal or constructive obligation to make additional payments if the pension insurance company is unable to pay pension benefits earned by employees in the reporting period or in previous periods. Contributions made into defined contribution plans are recognized through profit or loss in the reporting period which they relate.

Share-based payment transactions

Share-based payment schemes are valued at fair value on the grant date and recognized as an expense over the vesting period. A corresponding adjustment is made to equity or liabilities when the transaction is cash settled.

The expense determined at the grant date is based on the Group's estimate of the number of shares that will ultimately vest. The estimate is reviewed at the end of each reporting period and the potential impact of any adjustments to the initial estimates is recognized in profit or loss and a corresponding adjustment is made to equity or liabilities. When the shares are subscribed, the proceeds received, net of any transaction costs, are credited in the invested non-restricted equity reserve.

Personnel offering

As part of the initial public offering of Terveystalo Oyj, personnel were offered an opportunity to subscribe the company's shares with a ten per cent lower price than the subscription price in the institutional and the public offering. Personnel offering is accounted for under IFRS 2. The subscription price paid by subscribers is booked in the invested non-restricted equity reserve and the discount granted to the subscribers is expensed over the 180-day lock-up period with corresponding adjustment to retained earnings. More details on the personnel offering can be found in Note 18 Share-based Payments.

2.14 PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are recognized at the present value of the expenditure required to fulfil the obligation. If the obligation can be partially compensated by a third party, the compensation is treated as a separate asset, but only when it is virtually certain that the compensation will be received.

A provision is recognized for contracts when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A contingent liability is a possible obligation arising as a result of past events, and whose existence will be confirmed only when an uncertain future event takes place, not wholly within control of the entity. Also, a present obligation which probably does not require a cash settlement or on which the value cannot be reliably estimated

is considered as a contingent liability. Contingent liabilities are disclosed in the notes.

2.15 REVENUE RECOGNITION

Revenue is recognized when the significant risks and rewards of ownership and control over the services and products have been transferred to the buyer. Group's services consist mainly of occupational healthcare services, general practice and clinic hospital operations, dental services as well as diagnostic services. Revenue from services is recognized when the service is rendered. Regarding long-term contracts, revenue is recognized over the term of the contract, as the customer simultaneously receives and consumes the benefits from the service as Terveystalo provides the service. Revenue is recognized to the extent that Terveystalo Group expects to be entitled in exchange for the goods and services taking into account the terms and conditions of the customer contracts and business practices. Regarding private practitioners, Terveystalo acts as a principal and recognizes revenue on a gross basis based on accrued gross sales. Fees related to purchasing these services are recognized in materials and services expenses.

Revenue recognized by the reporting date corresponds to the benefit of the service provided by Terveystalo for the customer. Terveystalo Group has not incurred any costs of obtaining a contract to be recognized as an asset. Customer contracts do not include any significant financing components.

2.16 SEGMENT INFORMATION

Terveystalo Group's business is divided into three regions which are the Group's operating segments: Helsinki centre, Capital region, Central Units and Regional Units. In addition to the regional structure, the Group functions include finance and administration, HR and legal, IT, communication, marketing and investor relations, business development and digitalization, as well as medical quality and service management. Terveystalo reports the Group as one reportable segments based on the IFRS 8 aggregation criteria as same services are offered in all regions, customer type is similar in all regions, methods used to provide services are similar and regulatory environment and operational risks are same in all regions. In addition, monitoring of profitability is primarily based on geographical areas. CEO is Terveystalo's chief operating decision maker. Terveystalo operates mainly in Finland and Terveystalo does not have individual significant customers as defined in IFRS 8.

2.17 GOVERNMENT GRANTS

Government grants are presented in other operating income as far as they do not relate to acquired assets. Grants are recognized when there is reasonable assurance that grants will be received and Group will comply with the conditions associated with the grants.

2.18 OPERATING PROFIT

IAS 1 (Presentation of Financial Statements) standard does not define operating profit. The Group has defined it as follows: Operating profit is calculated by adding other operating income to revenue, deducting costs related to materials and services, deducting costs related to employee benefits, depreciation, amortisation and impairments as well as other operating expenses.

2.19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit or loss attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial period. The company has equity instruments or arrangements that would have dilution effect related to calculation of earnings per share.

2.20 INCOME TAXES

Income taxes primarily include current and deferred taxes. Tax related to items recognized directly in equity or in other comprehensive income is also recognized in equity or in other comprehensive income. Current tax assets and liabilities are measured at the amount expected to be received from or paid to taxation authorities, using the rates and laws that have been enacted by the date of the statement of financial position. Income taxes include any adjustment to tax in respect of previous years.

Deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts in taxation. Deferred tax is not recognized in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss at the date of the transaction. Deferred tax is not recognized for non-tax-deductible goodwill or for subsidiaries' retained earnings to the extent that it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxes relate primarily to tax losses carried forward and the difference between the book value and tax base of capitalized customer relationships and trademarks, and to provisions related primarily to loss making contracts.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be used and using the losses is considered probable.

Deferred taxes are calculated using tax rates enacted by the reporting date.

3. BUSINESS COMBINATIONS

During the year 2019, the Group has made six business acquisitions and acquired three businesses as asset deals.

On 31 January 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Länsi-Vantaan Hammaslääkärit 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 0.5 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 29 March 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Kajaanin OMT-Fysioterapia 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 0.1 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 28 June 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Etelä-Karjalan Työkunto Oy. The acquired subsidiary

has been consolidated to Group's financial statements from the acquisition month onwards.

On 30 August 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of TyöSyke Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards.

On 30 August 2019 Suomen Terveystalo Oy acquired the business from Hammaslääkäri Osmo Karinen Trade name as an asset deal.

On 30 September 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Hardent 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 0.4 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 30 September 2019 Suomen Terveystalo Oy acquired the business from Forssan seudun hyvinvointikuntayhtymä as an asset deal.

On 28 October 2019 Terveystalo acquired 100 percent of the shares of Evalua International Ltd. 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 0.4 million.

On 31 of December Terveystalo acquired the occupational health business from Municipality of Säkyä as an asset deal.

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 following table is partially preliminary and the information has been consolidated, because the acquisitions are not material individually.

CONSIDERATION TRANSFERRED

| EUR mill. | |
|----------------------------------------|-------------|
| Cash | 14.0 |
| Contingent consideration | 1.4 |
| Total consideration transferred | 15.4 |

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

| EUR mill. | |
|-----------------------------------------------|------------|
| Cash and cash equivalents | 1.6 |
| Intangible assets | 4.8 |
| Property, plant and equipment | 0.3 |
| Inventories | 0.1 |
| Trade and other receivables | 1.2 |
| Trade and other payables | -1.8 |
| Deferred tax liabilities | -0.9 |
| Total identifiable net assets acquired | 5.2 |

| | |
|-----------------|-------------|
| Goodwill | 10.2 |
|-----------------|-------------|

The tangible assets acquired in the business combination described above were measured at fair value.

In these business combinations, the Group has acquired customer relationships and other intangible assets. 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 fair values of customer contracts and other intangible assets have not been completed.

As a result of these business combinations, a preliminary goodwill amounting to EUR 10.2 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 1.2 million, for which the risk of impairment has been deemed non-significant.

The Group has incurred acquisition related expenses of EUR 1.6 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 2019 was EUR 6.7 million and the result was EUR 0.3 million.

If the acquisition had occurred on 1 January 2019, management estimates that the Group's consolidated revenue in 2019 would have been EUR 1,038.7 million and the consolidated result would have been EUR 53.8 million.

YEAR 2018

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 the 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 |

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 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 to 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 contingent 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 the 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 the 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 Fysiatrinen osaamiskeskus Prima Oy. The acquired subsidiary has been consolidated to the 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 the 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.

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 the 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 the Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration.

The following table summarises 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 |
| 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 |

As a result of these business combinations, 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.

4. DISAGGREGATION OF 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 health care customers, excluding municipal occupational healthcare customers. The company provides statutory occupational health services and other occupational health and well-being services for corporate customers of all sizes. Terveystalo is the largest provider of occupational health care services in Finland in terms of revenue and the number of end-users. Terveystalo provides occupational healthcare services for over 24,000 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 pri-

vate 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 offer-

ing, 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.

DISSAGREGATION OF REVENUE

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|---------------------------------------------------------------------------------------|-----------------|-----------------|
| Corporate | 432.5 | 402.7 |
| Private | 303.1 | 260.7 |
| Public | 295.1 | 81.2 |
| <i>Public without the impact of Attendo Finland Healthcare services - acquisition</i> | 91.0 | 81.2 |
| Total | 1,030.7 | 744.7 |

CONTRACT BALANCES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|----------------------------------------------------------------|-----------------|-----------------|
| Receivables, which are included in trade and other receivables | 90.1 | 80.5 |
| Contract liabilities | 1.5 | 1.8 |

5. OTHER OPERATING INCOME

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|------------------------------------------------|-----------------|-----------------|
| Rental income | 1.2 | 0.5 |
| Gains on sale of property, plant and equipment | 0.3 | 1.5 |
| Gains on disposal of subsidiaries | -0.5 | 14.6 |
| Other items | 1.1 | 1.6 |
| Total | 2.1 | 18.2 |

6. MATERIALS AND SERVICES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|------------------------|-----------------|-----------------|
| Purchases of materials | -32.0 | -28.4 |
| Change in inventories | -0.3 | -0.2 |
| External services | -440.6 | -322.7 |
| Total | -472.9 | -351.3 |

7. EMPLOYEE BENEFIT EXPENSES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|-----------------------------------------------|-----------------|-----------------|
| Wages and salaries | -261.2 | -163.2 |
| Share-based compensation | -0.7 | -0.2 |
| Pension expenses - defined contribution plans | -44.1 | -27.9 |
| Other social security costs | -8.4 | -5.9 |
| Total | -314.3 | -197.1 |

| | | |
|--------------------------------------------------------|-------|-------|
| Number of personnel at the end of the reporting period | 8,685 | 6,018 |
|--------------------------------------------------------|-------|-------|

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|---------------------------------------------------------------|-----------------|-----------------|
| Depreciation and amortisation by asset type | | |
| Intangible assets | | |
| Trademarks | -4.1 | -4.1 |
| Customer relationships | -17.4 | -10.8 |
| Other intangible assets | -6.6 | -5.0 |
| Total | -28.1 | -19.9 |
| Property, plant and equipment | | |
| Buildings | -2.3 | -2.5 |
| Right-of-use assets | -38.3 | - |
| Machinery and equipment | -15.1 | -13.4 |
| Improvement to premises | -4.8 | -4.7 |
| Other tangible assets | -0.8 | -0.6 |
| Total | -61.2 | -21.1 |
| Investment property | -0.0 | -0.0 |
| Depreciation and amortisation total | -89.4 | -41.0 |
| Impairment losses by asset groups | | |
| Other intangible assets | -0.3 | - |
| Land and water | - | -0.0 |
| Buildings | - | -0.1 |
| Other property, plant and equipment | -0.0 | -0.0 |
| Improvement to premises | -0.0 | - |
| Impairment total | -0.4 | -0.1 |
| Total depreciation, amortisation and impairment losses | -89.8 | -41.1 |

9. OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|---------------------------------------------------------------|-----------------|-----------------|
| External services | -2.5 | -3.8 |
| Operating and maintenance expenses for premises and equipment | -16.5 | -14.9 |
| ICT expenses | -22.8 | -16.2 |
| Non statutory personnel expenses | -4.8 | -3.9 |
| Leases* | -3.7 | -34.3 |
| Travel expenses | -4.9 | -3.5 |
| Marketing and communication | -7.2 | -7.1 |
| Acquisition related expenses | -0.4 | -6.5 |
| Other costs | -11.5 | -7.7 |
| Total | -74.4 | -97.9 |

* The presented number is not comparable, because the rent expenses have decreased by 39.9 million euro during 1-12/2019 due to implementation of IFRS 16.

AUDITOR'S FEES

| EUR 000 | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|---------------------------------------------------------------------|-----------------|-----------------|
| Audit and auditor's statements based on laws and regulations | | |
| Audit, KPMG | -147.2 | -159.4 |
| Auditor's statements based on laws and regulations, KPMG | -38.4 | -17.7 |
| Total | -185.6 | -177.1 |
| Non audit services | | |
| Assurance services, KPMG | -5.5 | -1.6 |
| Tax services, KPMG | -4.4 | -32.8 |
| Other services, KPMG | -16.0 | -213.9 |
| Total | -25.9 | -248.3 |
| Auditor's fees total | -211.5 | -425.4 |

10. FINANCIAL INCOME AND EXPENSES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|------------------------------------------------------------------------|-----------------|-----------------|
| Interest income on loans and other receivables | 0.3 | 0.3 |
| Dividend income | 0.0 | 0.0 |
| Total financial income | 0.3 | 0.3 |
| Interest expense on loans from financial institutions | -7.9 | -6.5 |
| Interest expense on finance lease agreements | -1.0 | -1.2 |
| Interest expenses on lease liabilities | -3.5 | - |
| Change in fair value of interest rate derivatives, no hedge accounting | -0.5 | -0.9 |
| Other financial expenses | -1.7 | -0.9 |
| Total financial expenses | -14.7 | -9.5 |
| Total financial income and expenses | -14.4 | -9.2 |

Financial income and expenses do not include any significant foreign exchange gains or losses and there are no other foreign currency items in the consolidated statement of income.

11. TAXES

11.1 INCOME TAXES

INCOME TAXES IN THE STATEMENT OF INCOME

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|------------------------------------|-----------------|-----------------|
| Current tax for the reporting year | -15.6 | -0.1 |
| Income taxes for prior periods | 0.0 | -0.0 |
| Deferred taxes | 2.8 | 0.7 |
| Total income taxes | -12.7 | 0.5 |

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

RECONCILIATION OF THE GROUP'S TAX RATE TO THE FINNISH TAX RATE

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|-----------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Profit or loss before taxes | 66.8 | 68.2 |
| Tax using the parent company's tax rate | -13.4 | -13.6 |
| Tax rates in foreign jurisdictions | 0.0 | 0.1 |
| Tax exempt income | 0.1 | 1.9 |
| Non-deductible expenses | -0.1 | -0.0 |
| Share of profit in associated companies | 0.0 | 0.4 |
| Utilisation of deferred tax assets relating to tax losses carried forward, recognized after concluded tax audit | - | 11.9 |
| Recognition of previously unrecognized tax losses | 0.3 | - |
| Unbooked deferred tax receivables of tax losses | -0.2 | - |
| Taxes from previous periods | 0.0 | -0.0 |
| Other | 0.6 | -0.1 |
| Total tax in the statement of income | -12.7 | 0.5 |

11.2 DEFERRED TAX ASSETS AND LIABILITIES

During the year 2019

DEFERRED TAX ASSETS

| EUR mill. | 1 Jan 2019 | Recognized in profit or loss | Recognized in equity | Business combinations | 31 Dec 2019 |
|-----------------------------|------------|------------------------------|----------------------|-----------------------|-------------|
| Provisions | 1.6 | -0.3 | -0.1 | - | 1.2 |
| Tax losses carried forward | 2.3 | -2.3 | - | - | - |
| Finance leases | 0.5 | 0.5 | - | - | 1.0 |
| Interest rate derivatives | 0.2 | 0.1 | - | - | 0.3 |
| Other temporary differences | 1.2 | 0.1 | - | - | 1.3 |
| Total | 5.8 | -1.9 | -0.1 | - | 3.7 |

DEFERRED TAX LIABILITIES

| EUR mill. | 1 Jan 2019 | Recognized in profit or loss | Recognized in equity | Business combinations | 31 Dec 2019 |
|-----------------------------------|-------------|------------------------------|----------------------|-----------------------|-------------|
| Reversal of goodwill amortisation | 2.3 | 0.2 | - | - | 2.6 |
| Business combinations | 31.1 | -4.9 | - | 0.9 | 27.1 |
| Depreciation difference | 0.2 | 0.0 | - | - | 0.2 |
| Loan withdrawal expense | 0.3 | 0.0 | - | - | 0.2 |
| Other temporary differences | 0.2 | 0.0 | - | - | 0.2 |
| Total | 34.1 | -4.8 | - | 0.9 | 30.3 |

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 million in the beginning of financial year 2019. Unused tax losses have been used during financial year 2019.

During the year 2018

DEFERRED TAX ASSETS

| EUR mill. | 1 Jan 2018 | Recognized in profit or loss | Business combinations | 31 Dec 2018 |
|-----------------------------|------------|------------------------------|-----------------------|-------------|
| Provisions | 0.9 | -0.3 | 1.1 | 1.6 |
| Tax losses carried forward | 4.8 | -2.5 | - | 2.3 |
| Finance leases | 0.5 | -0.0 | - | 0.5 |
| Interest rate derivatives | - | 0.2 | - | 0.2 |
| Other temporary differences | 1.2 | -0.0 | 0.0 | 1.2 |
| Total | 7.4 | -2.7 | 1.1 | 5.8 |

DEFERRED TAX LIABILITIES

| EUR mill. | 1 Jan 2018 | Recognized in profit or loss | Business combinations | 31 Dec 2018 |
|-----------------------------------|-------------|------------------------------|-----------------------|-------------|
| Reversal of goodwill amortisation | 2.2 | 0.2 | - | 2.3 |
| Business combinations | 21.1 | -3.4 | 13.4 | 31.1 |
| Depreciation difference | 0.3 | -0.1 | - | 0.2 |
| Loan withdrawal expense | 0.3 | -0.1 | - | 0.3 |
| Other temporary differences | 0.2 | 0.0 | - | 0.2 |
| Total | 24.1 | -3.4 | 13.4 | 34.1 |

Deferred tax assets were 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. In the financial year 2017 deferred tax asset has not been recognized for a portion of EUR 65.1 million. EUR 3.1 million tax losses expire at the end of the financial year 2021, EUR 0.9 million tax losses expire at the end of the financial year 2022, EUR 2.3 million tax losses expire at the end of the financial year 2023, EUR 0.1 million tax losses expire at the end of the financial year 2024, EUR 2.4 million tax losses expire at the end of the financial year 2025, EUR 2.4 million tax losses expire at the end of the financial year 2026 and EUR 0.2 million tax losses expire at the end of the financial year 2027. The Group's tax burden could increase as a result of changes to tax laws or their application or as a result of the future tax audits, and the Group companies may not be able to utilize their tax losses carryforwards.

12. EARNINGS PER SHARE

| | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|
| Result attributable to the equity holders of the company, EUR mill. | 54.2 | 68.7 |
| Weighted average number of shares, in thousands | 127,307 | 127,769 |
| Diluted average number of shares, in thousands | 127,307 | 127,769 |
| Basic earnings per share for result attributable to the equity holders of the company, EUR | 0.43 | 0.54 |
| Diluted earnings per share for result attributable to the equity holders of the company, EUR | 0.43 | 0.54 |

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

13.1 CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

| 2019 EUR mill. | Land and water | Buildings and constructions | Machinery and equipment | Improvement to premises | Other tangible assets and advances paid | Total |
|-------------------------------------------------------------------|----------------|-----------------------------|-------------------------|-------------------------|-----------------------------------------|---------------|
| Acquisition cost 1 Jan 2019 | 0.1 | 33.2 | 100.8 | 38.0 | 3.7 | 175.8 |
| IFRS 16 implementation | - | 199.8 | - | - | - | 199.8 |
| Business combination | - | - | 0.3 | - | - | 0.3 |
| Additions | - | 0.1 | 18.8 | 6.1 | 2.0 | 27.1 |
| IFRS 16 transactions | - | 14.9 | - | - | - | 14.9 |
| Disposals | - | - | -1.5 | - | - | -1.5 |
| Acquisition cost 31 Dec 2019 | 0.1 | 248.0 | 118.4 | 44.1 | 5.8 | 416.2 |
| Accumulated depreciation and impairment losses 1 Jan 2019 | 0.0 | -15.2 | -61.3 | -13.9 | -1.6 | -92.1 |
| Depreciation for the reporting period | - | -2.4 | -15.1 | -4.8 | -0.8 | -23.0 |
| IFRS 16 depreciation | - | -38.3 | - | - | - | -38.3 |
| Impairment losses | - | - | - | -0.3 | -0.0 | -0.3 |
| Accumulated depreciation and impairment losses 31 Dec 2019 | 0.0 | -55.9 | -76.4 | -19.0 | -2.4 | -153.8 |
| Carrying amount 1 Jan 2019 | 0.0 | 18.0 | 39.5 | 24.1 | 2.1 | 83.6 |
| Carrying amount 31 Dec 2019 | 0.0 | 192.1 | 42.0 | 25.1 | 3.3 | 262.6 |

| 2018 EUR mill. | Land and water | Buildings and constructions | Machinery and equipment | Improvement to premises | Other tangible assets and advances paid | Total |
|-------------------------------------------------------------------|----------------|-----------------------------|-------------------------|-------------------------|-----------------------------------------|--------------|
| 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 |

13.2 FINANCE LEASES AND RIGHT-OF-USE ASSETS

Property, plant and equipment include assets leased under finance leases as follows:

| EUR mill. | Buildings and constructions | Machinery and equipment | Other tangible assets | Total |
|-------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------|--------------|
| Acquisition cost 1 Jan 2019 | 29.9 | 18.3 | 2.8 | 51.0 |
| IFRS 16 implementation | 199.8 | - | - | 199.8 |
| Business combination | - | - | - | - |
| Additions | - | 0.3 | 1.0 | 1.3 |
| IFRS 16 transactions | 14.9 | - | - | 14.9 |
| Disposals | - | -0.2 | - | -0.2 |
| Reclassifications | - | - | - | - |
| Acquisition cost 31 Jan 2019 | 244.6 | 18.4 | 3.8 | 266.8 |
| Accumulated depreciation and impairment losses 1 Jan 2019 | -12.9 | -16.7 | -1.6 | -31.3 |
| Depreciation | -2.2 | -1.0 | -0.8 | -4.0 |
| IFRS 16 depreciation | -38.3 | - | - | -38.3 |
| Accumulated depreciation and impairment losses 31 Dec 2019 | -53.5 | -17.7 | -2.4 | -73.6 |
| Carrying amount 1 Jan 2019 | 17.0 | 1.6 | 1.2 | 19.7 |
| Carrying amount 31 Dec 2019 | 191.2 | 0.7 | 1.4 | 193.2 |

The group has lease agreements with several counterparties, concerning mainly premise contracts and previously IAS 17 recognized contracts.

Finance leases (IAS 17)

| EUR mill. | Buildings and constructions | Machinery and equipment | Other tangible assets | Total |
|-------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------|--------------|
| Acquisition cost 1 Jan 2018 | 28.7 | 17.8 | 2.1 | 48.6 |
| Business combination | 0.1 | 0.5 | - | 0.6 |
| Additions | 1.1 | 0.1 | 0.7 | 1.9 |
| Reclassifications | - | -0.1 | - | -0.1 |
| Acquisition cost 31 Dec 2018 | 29.9 | 18.3 | 2.8 | 51.0 |
| Accumulated depreciation and impairment losses 1 Jan 2018 | -10.6 | -15.6 | -1.0 | -27.3 |
| Depreciation | -2.3 | -1.1 | -0.6 | -4.0 |
| Accumulated depreciation and impairment losses 31 Dec 2018 | -12.9 | -16.7 | -1.6 | -31.3 |
| Carrying amount 1 Jan 2018 | 18.1 | 2.2 | 1.1 | 21.3 |
| Carrying amount 31 Dec 2018 | 17.0 | 1.6 | 1.2 | 19.7 |

The Group has finance lease agreements with several counterparties. Rental payments are mainly based on the interest rate level at the inception of the lease. Some of the finance lease agreements include purchase options. The lease agreements do not include restrictions on dividends, additional indebtedness or entering new lease agreements.

14. INTANGIBLE ASSETS

14.1 CARRYING AMOUNTS OF INTANGIBLE ASSETS

| 2019 EUR mill. | Goodwill | Customer relationships | Trademarks | Other intangible assets and advances paid | Total |
|--------------------------------------------------------------------|--------------|------------------------|--------------|-------------------------------------------|----------------|
| Acquisition cost 1 Jan 2019 | 836.7 | 149.5 | 82.9 | 42.7 | 1,111.7 |
| Business combination | 10.6 | 4.2 | - | 0.6 | 15.4 |
| Additions | - | - | - | 17.7 | 17.7 |
| Disposals | - | - | - | - | - |
| Acquisition cost 31 Dec 2019 | 847.2 | 153.7 | 82.9 | 61.0 | 1,144.8 |
| Accumulated amortisations and impairment losses 1 Jan 2019 | -68.0 | -62.1 | -21.0 | -24.4 | -175.4 |
| Amortisation for the reporting period | - | -17.4 | -4.1 | -6.5 | -28.0 |
| Impairment losses | - | - | - | -0.3 | -0.3 |
| Accumulated amortisations and impairment losses 31 Dec 2019 | -68.0 | -79.5 | -25.1 | -31.1 | -203.7 |
| Carrying amount 1 Jan 2019 | 768.7 | 87.4 | 61.9 | 18.4 | 936.4 |
| Carrying amount 31 Dec 2019 | 779.2 | 74.2 | 57.8 | 29.9 | 941.2 |

| 2018 EUR mill. | Goodwill | Customer relationships | Trademarks | Other intangible assets and advances paid | Total |
|--------------------------------------------------------------------|--------------|------------------------|--------------|-------------------------------------------|----------------|
| 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 |

14.2 DEVELOPMENT COSTS

Other intangible assets include development costs as follows:

| EUR mill. | |
|--------------------------------------------------------------------|-------------|
| Acquisition cost 1 Jan 2019 | 2.6 |
| Additions | 1.0 |
| Disposals | - |
| Acquisition cost 31 Dec 2019 | 3.5 |
| Accumulated amortisations and impairment losses 1 Jan 2019 | -1.3 |
| Amortisation | -0.6 |
| Accumulated amortisations and impairment losses 31 Dec 2019 | -1.9 |
| Carrying amount 1 Jan 2019 | 1.3 |
| Carrying amount 31 Dec 2019 | 1.7 |

| EUR mill. | |
|--------------------------------------------------------------------|-------------|
| Acquisition cost 1 Jan 2018 | 1.4 |
| Additions | 1.2 |
| Disposals | - |
| Acquisition cost 31 Dec 2018 | 2.6 |
| Accumulated amortisations and impairment losses 1 Jan 2018 | -1.1 |
| Amortisation | -0.2 |
| Accumulated amortisations and impairment losses 31 Dec 2018 | -1.3 |
| Carrying amount 1 Jan 2018 | 0.3 |
| Carrying amount 31 Dec 2018 | 1.3 |

15. IMPAIRMENT TESTING OF CASH-GENERATING UNITS INCLUDING GOODWILL

Goodwill is not amortised but it is tested for impairment at least annually.

Goodwill arising from business combinations has been allocated to cash-generating units as shown in the table below. Geographical areas consist of units with their own budgets and performance measurement, but they use shared resources and are centrally managed.

| EUR mill. | 31 Dec 2019 Goodwill | % | EUR mill. | 31 Dec 2018 Goodwill | % |
|----------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| Regional units | 368.4 | 47.3% | Attendo | 178.7 | 23.3% |
| Capital region | 229.2 | 29.4% | Helsinki Centre | 97.5 | 12.7% |
| Central units | 181.8 | 23.3% | Eastern Finland | 76.2 | 9.9% |
| | | | Central Finland | 97.2 | 12.6% |
| | | | Western Finland | 122.6 | 15.9% |
| | | | Northern Finland | 69.2 | 9.0% |
| | | | Capital region and Uusimaa | 127.3 | 16.6% |
| Total | 779.5 | 100.0% | Total | 768.7 | 100.0% |

In financial year 2019 there were three cash generating units, in comparison to six in financial year 2018. Along with the new division of cash generating units, goodwill was reallocated to new cash generating units based on geographical location and actual sales.

The recoverable amounts of the cash-generating units are based on value-in-use calculations which have been calculated using discounted cash flow projections. The key assumptions used in the calculations are discount rate, profitability growth rate and long-term growth rate. The projections are based on the budgets and estimates for the years 2020–2024 including the long-term growth which have been approved by the management.

THE ASSUMPTIONS USED IN IMPAIRMENT CALCULATIONS ARE:

| | |
|-------------------------------------------------|---------|
| The length of impairment testing period | 5 years |
| Profitability growth rate during testing period | 8.30% |
| Long-term growth rate | 2.00% |
| Discount rate (Pre-tax WACC) | 7.45% |
| Discount rate (Post-tax WACC) | 6.63% |

In the 2019 impairment testing, the assumption for the profitability growth is 8.3 percent (2018: 10.18 percent). This assumption is based on organic growth under normal market situation, general development in health care services market and long-term estimates by the Group’s management.

The subsequent cash flows are estimated by extrapolating the cash flow estimates using a 2.0 percent (2018: 2.0 percent) growth factor which is in line with the target inflation of the European Central Bank.

The discount rate used in impairment testing has been Pre-tax WACC of which the components are risk-free interest rate, risk premiums, industry-specific beta, loan cost, and industry specific equity / debt ratios. The discount rate in the 2019 calculations has been 7.45 percent (2018: 8.01 percent).

Based on the impairment testing, there is no need for recognition of impairment losses. All cash generating units’ value in use was higher than their carrying amount.

Sensitivity analysis

The Group has assessed the sensitivity of the impairment testing to the effect of the most critical assumptions used in the calculation. The Group has tested the sensitivity of the calculation with respect to the discount rate, profitability growth rate and long-term growth rate. The table below shows the required change in the assumption that the recoverable amount would fall below the carrying amount.

| | Change |
|-------------------------------------|--------------------------------------|
| Discount rate (Pre-tax WACC) | |
| Regional Units | Increase over 4.3 percentage points |
| Capital Regions | Increase over 9.5 percentage points |
| Central Unit | Increase over 12.3 percentage points |

| | |
|----------------------------------|-------------------------------------|
| Profitability growth rate | |
| Regional Units | Decrease over 5.7 percentage points |
| Capital Regions | Decrease over 9.7 percentage points |
| Central Unit | Decrease over 9.5 percentage points |

| | |
|-------------------------|--------------------------------------|
| Long term growth | |
| Regional Units | Decrease over 4.8 percentage points |
| Capital Regions | Decrease over 13.1 percentage points |
| Central Unit | Decrease over 18.8 percentage points |

When assessing the recoverable amounts of cash generating units, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the units would fall below their carrying amount.

16. INVESTMENT PROPERTIES

CARRYING AMOUNT OF INVESTMENT PROPERTIES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|-------------------------------------------------------|-----------------|-----------------|
| Carrying amount at the beginning of the period | 0.6 | 0.6 |
| Disposals | - | - |
| Depreciation | -0.0 | -0.0 |
| Carrying amount at the end of the period | 0.6 | 0.6 |

INCOME AND EXPENSES RELATED TO INVESTMENT PROPERTIES

| EUR mill. | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|----------------------------------------------|-----------------|-----------------|
| Rental income from investment properties | 0.1 | 0.1 |
| Operating expenses for investment properties | -0.0 | -0.0 |
| Total | 0.1 | 0.1 |

Income and expenses relating to investment properties are presented based on the Group’s ownership in the investment properties. There are no other contractual obligations related to investment properties.

FAIR VALUES OF INVESTMENT PROPERTIES

| Investment | m ² | Value per m ² (In thousands of euro) | Total value (In thousands of euro) |
|------------------------------|----------------|----------------------------------------------------|---------------------------------------|
| Koy Jyväskylän Väinönkatu 30 | 1,348 | 0.4–0.5 | 556–679 |

The value of Kiinteistö Oy Jyväskylän Väinönkatu has been determined based on the Group’s share of ownership (16.81 %).

17. ASSOCIATED COMPANIES

Terveystalo has the following associated companies which are all consolidated using the equity method:

| Associated companies | Domicile | Ownership | Voting rights |
|-----------------------|----------|-----------|---------------|
| Medix Laboratoriot Oy | Finland | 25.0% | 25.0% |
| Etsimo Healthcare Oy | Finland | 21.7% | 21.7% |
| Olo-apteekki Oy | Finland | 20.0% | 20.0% |

SUMMARISED FINANCIAL INFORMATION ON ASSOCIATED COMPANIES

| EUR mill. | 2019 | 2018 |
|---------------------------------------------|------|------|
| Carrying amount | 2.3 | 2.4 |
| Group’s share of total comprehensive income | -0.2 | 1.9 |

18. SHARE-BASED PAYMENTS

Terveystalo has a 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. Each plan consists of a one-year performance period and a two-year holding period, following the performance period. 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 2019, the share-based incentive scheme offered the key employees the possibility to earn rewards based on the Company achieving the required operational targets and Total Shareholder Return (TSR) levels.

Any rewards payable 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. No LTI rewards were paid in 2019.

The 2019 performance period, the Company’s operational targets and the performance criteria set for the Total Shareholder Return (TSR) were met for 90% of the maximum. Accordingly, the rewards to be subsequently paid in spring 2022 correspond to approximately 600,000 Terveystalo Plc shares, including allocated shares as well as the cash component.

In its 2018 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 financ-

ing 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.

| Program | 2019 |
|------------------------------------------------------------|--------------------------------------------------|
| Grant date | 27 March 2019 |
| Outstanding shares at the end of the reporting period, pcs | 712,000 |
| Fair value at grant date | 7.92 |
| Validity | 12/31/2019 |
| Estimated vesting period | 3 years |
| Vesting conditions | Total Shareholder Return (TSR) and profitability |
| Exercised | In shares and cash |

Personnel offering

As part of the initial public offering of Terveystalo Plc, personnel were offered an opportunity to subscribe the company’s shares with a 10 percent lower price than the subscription price in the institutional and the public offering. Terveystalo’s Board of Directors accepted the commitments given in full and issued 355,656 new shares to permanent employees of the Company or its wholly owned subsidiaries in Finland during the subscription period and the members of the Board of Directors of Terveystalo.

The subscription price at the personnel offering was 8.79 euros. The subscription price paid by the subscribers has been booked into the invested non-restricted equity fund and the discount granted to the subscribers has been expensed to the 180 days lock-up period determined in the offering terms according to IFRS 2. In 2019, EUR 707,300 were booked in personnel expenses and retained earnings (2018: EUR 187,800).

19. FINANCIAL ASSETS AND LIABILITIES – CARRYING AMOUNT AND FAIR VALUE AND FAIR VALUE HIERARCHY

| EUR mill. 31 Dec 2019 | Note | Financial assets and liabilities at fair value | Financial assets and liabilities at amortised cost | Carrying amount | Fair value | Fair value hierarchy |
|-----------------------------------------------|------|------------------------------------------------|----------------------------------------------------|-----------------|--------------|----------------------|
| Financial assets | | | | | | |
| Non-current | | | | | | |
| Loan receivables | 22 | 0.3 | - | 0.3 | 0.3 | Level 2 |
| Current | | | | | | |
| Trade receivables | 22 | - | 90.1 | 90.1 | 90.1 | Level 2 |
| Cash and cash equivalents | 23 | - | 40.6 | 40.6 | 40.6 | Level 2 |
| Total | | 0.3 | 130.7 | 131.0 | 131.0 | |
| Financial liabilities | | | | | | |
| Non-current | | | | | | |
| Loans from financial institutions | 25 | - | 331.6 | 331.6 | 331.6 | Level 2 |
| Hire purchase liabilities | 25 | - | 12.5 | 12.5 | 12.5 | Level 2 |
| Finance lease liabilities | 25 | - | 16.2 | 16.2 | 16.2 | Level 2 |
| Accrued additional purchase price liabilities | | | 1.2 | 1.2 | 1.2 | Level 3 |
| Lease liabilities | 25 | - | 143.7 | 143.7 | 143.7 | Level 2 |
| Current | | | | | | |
| Loans from financial institutions | 25 | - | 41.5 | 41.5 | 41.5 | Level 2 |
| Hire purchase liabilities | 25 | - | 5.2 | 5.2 | 5.2 | Level 2 |
| Finance lease liabilities | 25 | - | 3.1 | 3.1 | 3.1 | Level 2 |
| Trade payables | 26 | - | 38.5 | 38.5 | 38.5 | Level 2 |
| Accrued additional purchase price liabilities | | | 1.2 | 1.2 | 1.2 | Level 3 |
| Lease liabilities | 25 | - | 35.0 | 35.0 | 35.0 | Level 2 |
| Interest rate derivatives | 26 | 1.4 | - | 1.4 | 1.4 | Level 2 |
| Total | | 1.4 | 629.7 | 631.2 | 631.2 | |

| EUR mill. 31 Dec 2018 | Note | Financial assets and liabilities at fair value | Financial assets and liabilities at amortised cost | Carrying amount | Fair value | Fair value hierarchy |
|-----------------------------------------------|------|------------------------------------------------|----------------------------------------------------|-----------------|--------------|----------------------|
| Financial assets | | | | | | |
| Non-current | | | | | | |
| Other receivables | 22 | - | 0.0 | 0.0 | 0.0 | Level 2 |
| Current | | | | | | |
| Trade receivables | 22 | - | 80.5 | 80.5 | 80.5 | Level 2 |
| Cash and cash equivalents | 23 | - | 36.9 | 36.9 | 36.9 | Level 2 |
| Total | | - | 117.4 | 117.4 | 117.4 | |
| Financial liabilities | | | | | | |
| Non-current | | | | | | |
| Loans from financial institutions | 25 | - | 372.8 | 372.8 | 372.8 | Level 2 |
| Hire purchase liabilities | 25 | - | 9.2 | 9.2 | 9.2 | Level 2 |
| Finance lease liabilities | 25 | - | 18.3 | 18.3 | 18.3 | Level 2 |
| Accrued additional purchase price liabilities | | | 1.1 | 1.1 | 1.1 | Level 3 |
| Current | | | | | | |
| Loans from financial institutions | 25 | - | 41.5 | 41.5 | 41.5 | Level 2 |
| Hire purchase liabilities | 25 | - | 4.4 | 4.4 | 4.4 | Level 2 |
| Finance lease liabilities | 25 | - | 3.9 | 3.9 | 3.9 | Level 2 |
| Trade payables | 26 | - | 33.2 | 33.2 | 33.2 | Level 2 |
| Accrued additional purchase price liabilities | | | 0.9 | 0.9 | 0.9 | Level 3 |
| Interest rate derivatives | 26 | 0.9 | - | 0.9 | 0.9 | Level 2 |
| Total | | 0.9 | 485.3 | 486.2 | 486.2 | |

Reconciliation of financial assets and financial liabilities recognized at fair value on level 3

ACCRUED ADDITIONAL PURCHASE PRICE LIABILITIES

| EUR mill. | 2019 | 2018 |
|-------------------------------|------------|------------|
| Carrying amount 1 Jan | 2.0 | 0.8 |
| Additions | 1.4 | 1.7 |
| Disposals | -0.9 | -0.1 |
| Through profit or loss | -0.1 | -0.5 |
| Carrying amount 31 Dec | 2.4 | 2.0 |

20. FINANCIAL RISKS

20.1 FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks in its normal business activities. The objective of the Group's risk management is to minimize the negative effects of changes in the financial markets on the Group's result and valuation. The Group's main financial risks are interest rate risk, credit risk and liquidity risk. The Group's risk management principles are approved by the Board of Directors and the Group's financial department is responsible for the implementation of the principles. The Group's financial department identifies and assesses risks and acquires instruments needed to hedge against them.

20.2 INTEREST RATE RISK

The Company's interest rate risk arises from its loans from financial institutions issued at floating rate. In 2019, the Group's average interest rate for loans from financial institutions has been 1.5 percent (2018: 2.1 percent). An increase of one percentage point in the average interest rate would have increased the Group's interest expenses by EUR 2.5 million during the year 2019 (2018: EUR 1.9 million).

The Group does not apply hedge accounting according to IFRS 9. The Group's subsidiaries have the following open interest rate derivative contracts at the reporting date:

- Interest rate swap agreements based on which the Group pays fixed 0.19, 0.21, 0.49 and 0.51 percent interest rate and receives variable interest on EUR 50.0, 25.0 and 30.0 million loan capital.
- Floor agreements, in which the interest rate floor has been set to 0.00 percent on EUR 50.0, 25.0 and 30.0 million loan capital.

20.3 CREDIT RISK

The majority of the Group's incoming cash flows are payments from established institutions, public sector and companies with appropriate credit rating. However, the Group's trade receivables include credit risk. Credit risk is managed mainly by monitoring the customer's credit rating on a regular basis and by co-operating with collection agencies. In addition, the Group's customers include private people

whose invoicing is primarily carried out in connection with the rendering of services.

The Group has no major customer specific risk concentrations and its credit risk is diversified. Credit risk is managed by monitoring the amount, maturity distribution and turnover of trade receivables. Credit risk is also monitored on a client by client basis.

The Group's maximum credit risk is equal to the carrying amount of financial assets at the reporting date. The maturity distribution of the Group's trade receivables is disclosed in note 21 Trade and other receivables.

20.4 LIQUIDITY RISK

The Group aims to assess and monitor continuously the amount of funding required by business operations, in order to ensure sufficient liquidity to finance its operations, to repay maturing loans as well as to carry out investments and acquisitions of companies according to the growth strategy. The Group's cash and cash equivalents comprise cash in bank accounts, cash in hand and cash payments not yet recorded into the Group's bank accounts (cash in transit) at the reporting date.

The Group manages liquidity risk by monitoring unused liquidity reserves and forecasting future cash flows.

The Group has an overdraft facility in use, of which EUR 48.0 million remained unused at the reporting date (2018: EUR 38.0 million).

The table below presents a contractual maturity analysis of financial liabilities. The figures are undiscounted and they include both interest payments and repayments of principals. The undiscounted cash flows related to lease liabilities (2018 finance lease liabilities) differ from the amounts in the statement of financial position because the amounts recognized in the statement of financial position are discounted to the end of the reporting period. Interest payments which are based on variable rates have been presented using variable rates as of the end of the reporting date.

MATURITY ANALYSIS OF LIQUIDITY RISK

| 31 Dec 2019 EUR mill. | Carrying amount | Contractual cash flows | 1 year | 1-2 years | 2-5 years | Over 5 years |
|-----------------------------------|-----------------|------------------------|--------------|-------------|--------------|--------------|
| Loans from financial institutions | 373.1 | 388.4 | 45.1 | 44.7 | 298.6 | - |
| Lease liabilities | 178.7 | 192.0 | 38.1 | 34.4 | 73.9 | 45.6 |
| Finance lease liabilities | 19.4 | 23.0 | 4.2 | 3.5 | 8.1 | 7.2 |
| Hire purchase liabilities | 17.7 | 18.0 | 5.5 | 4.8 | 7.8 | - |
| Trade payables | 38.5 | 38.5 | 38.5 | - | - | - |
| Interest rate derivatives | 1.4 | 1.7 | 0.5 | 0.5 | 0.6 | - |
| Total | 628.8 | 661.7 | 131.9 | 88.0 | 389.0 | 52.8 |

| 31 Dec 2018 EUR mill. | Carrying amount | Contractual cash flows | 1 year | 1-2 years | 2-5 years | Over 5 years |
|-----------------------------------|-----------------|------------------------|-------------|-------------|--------------|--------------|
| Loans from financial institutions | 414.3 | 439.5 | 48.4 | 47.7 | 343.5 | - |
| Finance lease liabilities | 22.3 | 26.3 | 4.9 | 3.6 | 8.2 | 9.5 |
| Hire purchase liabilities | 13.6 | 14.1 | 4.3 | 3.4 | 5.3 | 1.1 |
| Trade payables | 33.2 | 33.2 | 33.2 | - | - | - |
| Interest rate derivatives | 0.9 | 1.5 | 0.4 | 0.4 | 0.8 | - |
| Total | 484.3 | 514.7 | 91.2 | 55.1 | 357.7 | 10.6 |

20.5 CAPITAL MANAGEMENT

The objective of the Group's capital management is to support business operations and to ensure competitive operating conditions with optimal capital structure, as well as to enable the implementation of the strategy.

In addition to operative cash flows the capital structure is managed by share issues, by increase or repayment of financial liabilities, possible conversions between equity and financial liabilities, as well as through operative decisions on investments and growth and potential disposals of assets in order to reduce liabilities.

The development of the Group's capital structure is monitored, among others things with the following ratios: change in net debt, ratio of net debt to operating margin, and ratio of operating cash flows to the financial expenses.

The Group's net debt to equity ratio (gearing) was 101.3 percent at the reporting date (2018: 80.8 percent). The ratio is calculated by dividing interest-bearing net debt with equity. The net debt includes interest-bearing liabilities less interest-bearing receivables and cash and cash equivalents. The Group's interest-bearing liabilities were EUR 588.8 million at the reporting date (2018: EUR 450.1 million). A significant part of the interest-bearing liabilities consists of loans from financial institutions.

21. TRADE AND OTHER RECEIVABLES

CARRYING AMOUNTS OF TRADE AND OTHER RECEIVABLES

| EUR mill. | 2019 | 2018 |
|--------------------------------------|--------------|-------------|
| Non-current | | |
| Loan receivables | 0.3 | 0.0 |
| Total non-current receivables | 0.3 | 0.0 |
| Current | | |
| Trade receivables | 90.1 | 80.5 |
| Other receivables | 2.7 | 1.8 |
| Accrued income and deferred expenses | 8.8 | 7.3 |
| Total | 101.6 | 89.6 |

SPECIFICATION OF ACCRUED INCOME AND DEFERRED EXPENSES

| EUR mill. | 2019 | 2018 |
|--------------------------------------------|------------|------------|
| Personnel related deferred expenses | 0.1 | 0.3 |
| Current tax receivables | 3.7 | 0.5 |
| Other accrued income and deferred expenses | 5.0 | 6.4 |
| Total | 8.8 | 7.3 |

During the reporting period the Group has recognized impairment losses and provisions for impairment losses on trade receivables through profit or loss totaling EUR 0.9 million (2018: EUR 0.8 million). Impairment loss provision is based on simplified approach. Estimated impairment loss rates have been calculated using historical information of actual impairment losses and current conditions and the Group's view of the economic conditions over the expected lives of the receivables have been taken into account.

Based on the Group's view, the carrying amount of trade receivables corresponds to the maximum credit risk if the contractual parties are unable to meet their obligations related to trade receivables.

The fair value of other receivables and accrued income corresponds with their carrying amount.

AGEING OF TRADE RECEIVABLES AND RECOGNIZED IMPAIRMENT LOSSES

| 2019 EUR mill. | Trade receivables total | Estimated share of impairment losses | Recognized impairment losses | Carrying amount |
|-------------------|-------------------------|--------------------------------------|------------------------------|-----------------|
| Not past due | 79.0 | 0.1% | -0.1 | 79.3 |
| Past due | | | | |
| Less than 30 days | 6.7 | 0.5% | 0.0 | 6.7 |
| 31-90 days | 2.8 | 2.0% | -0.1 | 2.8 |
| 91-180 days | 0.7 | 10.0% | -0.1 | 0.6 |
| Over 180 days | 1.8 | 53.8% | -0.6 | 0.8 |
| Total | 91.0 | | -0.9 | 90.1 |

Trade receivables are denominated in euros. Information about credit risk related to trade receivables is stated in note 20 Financial risks.

AGEING OF TRADE RECEIVABLES AND RECOGNIZED IMPAIRMENT LOSSES

| 2018 EUR mill. | Trade receivables total | Estimated share of impairment losses | Recognized impairment losses | Carrying amount |
|-------------------|-------------------------|--------------------------------------|------------------------------|-----------------|
| Not past due | 69.1 | 0.1 % | -0.1 | 69.0 |
| Past due | | | | |
| Less than 30 days | 8.6 | 0.5 % | -0,0 | 8.6 |
| 31-90 days | 2.0 | 2.0 % | -0,0 | 1.9 |
| 91-180 days | 0.6 | 10.0 % | -0.1 | 0.5 |
| Over 180 days | 1.0 | 53.8 % | -0.5 | 0.5 |
| Total | 81.3 | | -0.8 | 80.5 |

Trade receivables are denominated in euros. Information about credit risk related to trade receivables is stated in note 20 Financial risks.

22. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents at 31 December 2019, amounting to EUR 40.6 million (2018: EUR 36.9 million) consist of cash in hand and bank as well as, cash payments on the bank settlement account at the reporting date.

The carrying amounts in the statement of financial position correspond to the maximum amount of credit risk if the contractual parties are unable to meet their obligations. However, no significant counterparty risks are associated with cash and cash equivalents. The fair value of cash and cash equivalents correspond to their carrying amounts.

23. NON-CURRENT ASSETS HELD FOR SALE

| EUR mill. | 31 Dec 2019 | 31 Dec 2018 |
|-----------------------------|-------------|-------------|
| Unquoted equity investments | 0.8 | 1.1 |

Non-current assets held for sale at 31 December 2019, amounting to EUR 0.8 million (2018: EUR 1.1 million), consists of shares in real estate and housing companies and other shares. The Group expects that the carrying value would be recovered through sale rather than through continuing use.

24. SHARE CAPITAL AND INVESTED NON-RESTRICTED EQUITY RESERVE

| EUR mill. | Number of outstanding shares, 1,000 pcs | Number of treasury shares, 1,000 pcs | Number of shares total, 1,000 pcs | Share capital | Invested non-restricted equity reserve | Treasury shares | Total |
|--------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------|---------------|----------------------------------------|-----------------|--------------|
| 1 Jan 2018 | 128,037 | - | 128,037 | 0.1 | 525.9 | | 526.0 |
| Equity repayment | - | - | - | | -7.7 | - | -7.7 |
| Acquisition of treasury shares | -730 | 730 | - | - | - | -6.7 | -6.7 |
| 31 Dec 2018 | 127,307 | 730 | 128,037 | 0.1 | 518.2 | -6.7 | 511.6 |
| 1 Jan 2019 | 127,307 | 730 | 128,037 | 0.1 | 518.2 | -6.7 | 511.6 |
| Equity repayment | - | - | - | - | -25.5 | - | -25.5 |
| 31 Dec 2019 | 127,307 | 730 | 128,037 | 0.1 | 492.8 | -6.7 | 486.1 |

Shares and share capital

On 31 December 2019, the number of shares is 128,036,531 of which the number of outstanding shares is 127,306,531 and the number of treasury shares is 730,000. The company has single share class. The shares have no nominal value. All shares issued have been paid in full. Each share has one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets.

Terveystalo PLC's share is listed on Nasdaq Helsinki Oy. The trading code is TTALO. Terveystalo PLC's shares belong to the book-entry system maintained by Euroclear Finland Oy.

Invested non restricted equity reserve

Invested non-restricted equity reserve consists of other investments similar to equity and the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution. According to the current Finnish Companies Act subscription price of new shares is recognized in the share capital, unless it has not been according to Issuance Resolution fully or partly recognised in invested non-restricted equity reserve.

Distributable funds

On 31 December 2019, the distributable funds of the parent company totaled EUR 533.7 million including the profit of the financial period

2019 of EUR 41.1 million. The Board of Directors proposes to the Annual General Meeting in 2019 that the distributable funds are used as follows:

- A dividend of EUR 0.13 (0.20) per share be distributed for 2019, totaling EUR 16.6 (25.5) million and the rest of the profit is recognized in equity.
- In addition, the Board of Directors be authorized to resolve in its discretion on the payment of additional dividend. The amount dividend to be paid based on the authorization shall not exceed EUR 0.13 per share and EUR 16.6 million in aggregate.

The equity repayment proposed by the Board of Directors to the Annual General Meeting is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

No material changes have taken place in the company's financial position since the end of the financial year. The liquidity of the company is good and the proposed allocation of funds, in the view of the Board of Directors, does not endanger the company's solvency.

25. FINANCIAL LIABILITIES

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

| EUR mill. | 2019 | 2018 |
|-----------------------------------|--------------|--------------|
| Non-current | | |
| Loans from financial institutions | 331.6 | 372.8 |
| Hire purchase liabilities | 12.5 | 9.2 |
| Finance lease liabilities | 16.2 | 18.3 |
| Lease liabilities | 143.7 | - |
| Total | 504.0 | 400.4 |

| EUR mill. | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| Current | | |
| Loans from financial institutions | 41.5 | 41.5 |
| Hire purchase liabilities | 5.2 | 4.4 |
| Finance lease liabilities | 3.1 | 3.9 |
| Lease liabilities | 35.0 | - |
| Total | 84.8 | 49.8 |
| Financial liabilities total | 588.8 | 450.1 |

The Group's loan agreement includes covenant based on which creditors can demand an immediate repayment of the loans if a certain covenant limit is breached. The covenant relates to the ratio between EBITDA and net debt. The Group has met all covenant terms and conditions during the reporting period.

GROSS AMOUNT OF LEASE LIABILITIES - MATURITY OF THE MINIMUM LEASE PAYMENTS

| EUR mill. | 2019 | 2018 |
|-------------------------------------------------------|--------------|-------------|
| Within one year | 42.3 | 4.9 |
| Between one and five years | 119.9 | 11.6 |
| Later | 52.8 | 9.5 |
| Total | 214.9 | 26.1 |
| Financial expenses to be accrued in the future | -16.9 | -3.8 |
| Present value of finance lease liabilities | 198.1 | 22.3 |

The numbers presented are not comparable due to implementation of IFRS 16

MATURITY OF THE PRESENT VALUE OF LEASE LIABILITIES

| EUR mill. | 2019 | 2018 |
|----------------------------|--------------|-------------|
| Within one year | 38.1 | 3.9 |
| Between one and five years | 127.4 | 9.7 |
| Later | 32.6 | 8.7 |
| Total | 198.1 | 22.3 |

The numbers presented are not comparable due to implementation of IFRS 16

LIABILITIES ARISING FROM FINANCING ACTIVITIES

| EUR mill. | 1 Jan 2019 | Cash flows | Changes | Non-cash changes | | | 31 Dec 2019 |
|-----------------------------------|--------------|--------------|-------------|----------------------|------------|-------------------|--------------|
| | | | | Business combination | Other | Reclassifications | |
| Long-term | | | | | | | |
| Loans from financial institutions | 372.8 | -31.4 | - | - | 0.2 | -10.0 | 331.6 |
| Hire purchase liabilities | 9.2 | -4.0 | 7.2 | - | - | - | 12.5 |
| Finance lease liabilities | 18.3 | -2.9 | 0.8 | - | - | - | 16.2 |
| Lease liabilities | 165.2 | -36.4 | 14.9 | - | - | - | 143.7 |
| Total | 565.6 | -74.8 | 22.8 | 0.0 | 0.2 | -10.0 | 504.0 |
| Short-term | | | | | | | |
| Loans from financial institutions | 41.5 | -10.0 | - | - | - | 10.0 | 41.5 |
| Hire purchase liabilities | 4.4 | -0.9 | 1.8 | - | - | - | 5.2 |
| Finance lease liabilities | 3.9 | -1.1 | 0.3 | - | - | - | 3.1 |
| Lease liabilities | 35.0 | - | - | - | - | - | 35.0 |
| Total | 84.8 | -12.1 | 2.1 | 0.0 | 0.0 | 10.0 | 84.8 |

26. TRADE AND OTHER PAYABLES

CARRYING AMOUNTS OF TRADE AND OTHER PAYABLES

| EUR mill. | 2019 | 2018 |
|---------------------------|--------------|--------------|
| Trade payables | 38.5 | 33.2 |
| Other payables | 66.2 | 58.5 |
| Advances received | 1.5 | 1.8 |
| Interest rate derivatives | 1.4 | 0.9 |
| Accrued expenses | 57.7 | 52.5 |
| Total | 165.4 | 146.9 |

SPECIFICATION OF OTHER PAYABLES

| EUR mill. | 2019 | 2018 |
|--------------------------|-------------|-------------|
| Doctor's fee liabilities | 41.1 | 34.6 |
| VAT liabilities | 17.0 | 15.7 |
| Other | 8.1 | 8.1 |
| Total | 66.2 | 58.5 |

SPECIFICATION OF ACCRUED EXPENSES

| EUR mill. | 2019 | 2018 |
|------------------------------------|-------------|-------------|
| Personnel related accrued expenses | 55.1 | 45.6 |
| Interest liabilities | 0.4 | 1.1 |
| Other | 2.2 | 5.9 |
| Total | 57.7 | 52.5 |

27. PROVISIONS

CARRYING AMOUNTS OF PROVISIONS

| EUR mill. | 2019 | 2018 |
|------------------------|------------|-------------|
| Non-current provisions | 7.5 | 9.1 |
| Current provisions | 1.6 | 2.3 |
| Total | 9.1 | 11.4 |

| EUR mill. | 2019 | 2018 |
|-------------------|------------|-------------|
| Onerous contracts | 5.0 | 7.0 |
| Other provisions | 4.1 | 4.4 |
| Total | 9.1 | 11.4 |

CHANGES IN PROVISIONS DURING THE FINANCIAL YEAR 2019

| EUR mill. | Onerous contracts | Other provisions | Total |
|------------------------|-------------------|------------------|------------|
| 1 Jan 2019 | 7.0 | 4.4 | 11.4 |
| Increase in provisions | 0.5 | 0.8 | 1.3 |
| Used provisions | -2.5 | -1.1 | -3.6 |
| 31 Dec 2019 | 5.0 | 4.1 | 9.1 |

CHANGES IN PROVISIONS DURING THE FINANCIAL YEAR 2018

| EUR mill. | Onerous contracts | Other provisions | Total |
|------------------------|-------------------|------------------|-------------|
| 1 Jan 2018 | 3.9 | 4.1 | 8.0 |
| Increase in provisions | 5.2 | 0.6 | 5.8 |
| Used provisions | -2.1 | -0.3 | -2.4 |
| 31 Dec 2018 | 7.0 | 4.4 | 11.4 |

Onerous contracts and other provisions

The most significant provisions in the statement of financial position relate to loss-making agreements as well as to some asset retirement obligations related to leased premises.

28. COLLATERAL AND OTHER CONTINGENT LIABILITIES

| EUR mill. | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------------|-------------|--------------|
| Business mortgages | 0.6 | 0.5 |
| Total | 0.6 | 0.5 |
| Securities for own debts | | |
| Deposits | 0.2 | 0.1 |
| Guarantees | 0.9 | 0.8 |
| Total | 1.0 | 0.9 |
| Other operating lease liabilities* | | |
| Less than one year | - | 37.4 |
| Between one year and five years | - | 107.5 |
| Later | - | 56.7 |
| Total | - | 201.7 |

*Due to the IFRS 16, other operating lease liabilities are recognized to the consolidated statement of financial position, instead of collateral and other contingent liabilities.

29. RELATED PARTY TRANSACTIONS

GROUP'S RELATED PARTIES

The Group's related parties include the parent company as well as subsidiaries and associated companies. In addition, related parties include also the members of the Board of Directors, Group management and the CEO as well as their close family members and entities in which they have control, joint control or significant influence.

The relationships of the parent company and the subsidiaries are disclosed in note 30 Group companies.

RELATED PARTY TRANSACTIONS

| Transactions with related companies and Group's receivables from and liabilities to related companies at the reporting date, in thousands of euro | 2019 | 2018 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| Sales | 64.6 | 8.6 |
| Purchases | - | 18.4 |
| Receivables | 2.9 | 1.5 |
| Liabilities | - | 15.7 |

COMPENSATION FOR THE KEY MANAGEMENT

| Remuneration for CEOs, in thousands of euro | 2019 | 2018 |
|---------------------------------------------|--------------|----------------|
| Fixed pay, Yrjö Närhinen | 464.0 | 445.3 |
| Short term employee benefits, Yrjö Närhinen | 24.0 | 19.9 |
| Short-term incentives, Yrjö Närhinen | - | 384.4 |
| Other benefits, Yrjö Närhinen | 65.3 | - |
| Pensions (statutory) | 95.7 | 151.4 |
| Fixed pay, Ville Iho starting 6.12.2019 | 27.3 | - |
| Pension (statutory) | 4.7 | - |
| Total | 681.0 | 1,001.0 |

Remuneration for CEOs is presented performance-based concerning financial years 2019 and 2018.

The CEO's contract will expire automatically without prior written notice upon the CEO reaches the age of 60.

| Remuneration to members of the Executive team (excluding CEO), in thousands of euro | 2019 | 2018 |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Fixed pay | 1,724.1 | 1,388.3 |
| Short term employee benefits | 82.0 | 61.6 |
| Short-term incentives | 693.9 | 535.5 |
| Share -based payments | 179.8 | - |
| Pensions (statutory) | 432.3 | 353.7 |
| Pensions (voluntary) | 8.5 | - |
| Total | 3,120.7 | 2,339.1 |

Remuneration to members of the Executive team is presented performance-based concerning financial years 2019 and 2018.

BONUS SCHEME

The Company operates a bonus scheme, which is determined by the Board of Directors of the Company upon the recommendation of the Remuneration Committee. The CEO and the members of the Executive Team are eligible to participate in the bonus scheme in accordance with the Company's bonus policy. Annual bonuses are payable based on the attainment of key performance targets of the Company. The key performance targets of the CEO and the Executive Team are based on the Company's adjusted EBITDA as well as the individual business and performance targets. The individual business and performance targets are set by the manager of the participant in the bonus scheme.

The Board of Directors of Terveystalo Plc has resolved to establish a share-based incentive plan directed to the Group's key employees. More information on the share-based incentive plan is presented in note 18 Share-based payments.

| Remuneration to Board of Directors, in thousands of euro | 2019 | | | 2018 | | |
|----------------------------------------------------------|--------------|--------------|---------------------------|--------------|--------------|---------------------------|
| | Annual fee | Meeting fees | Other financial benefits* | Annual fee | Meeting fees | Other financial benefits* |
| Kari Kauniskangas** (Chairman of the board) | 80.0 | 14.4 | 0.5 | - | - | - |
| Dag Andersson** | 39.0 | 16.2 | 0.2 | - | - | - |
| Paul Hartwall** | 39.0 | 10.8 | 0.2 | - | - | - |
| Lasse Heinonen | 49.0 | 12.0 | 0.3 | 49.0 | 9.6 | 0.3 |
| Olli Holmström | 39.0 | 12.6 | 0.2 | 39.0 | 13.8 | 0.2 |
| Åse Aulie Michelet | 39.0 | 22.8 | 0.2 | 39.0 | 18.6 | 0.2 |
| Katri Viippola | 39.0 | 16.2 | 0.2 | 39.0 | 7.2 | 0.2 |
| Tomas von Rettig | 49.0 | 12.6 | 0.3 | 49.0 | 7.8 | 0.3 |
| Members to Board of Directors until April 4, 2019 | | | | | | |
| Fredrik Cappelen | - | 4.8 | - | 80.0 | 12.6 | 0.5 |
| Eeva Ahdekivi | - | 1.8 | - | 39.0 | 10.2 | 0.2 |
| Vesa Koskinen | - | - | - | - | - | - |
| Total | 373.0 | 124.2 | 2.4 | 334.0 | 79.8 | 2.1 |

Annual fee to the Board of Directors is paid partly in cash and partly in shares

*Other financial benefits include transfer tax fees for the annual fees paid in shares

**Member of the Board of Directors starting 2019.

MANAGEMENT HOLDINGS

| Name | Position | 2019 |
|--------------------------|--------------------------------------------------|---------|
| Kari Kauniskangas | Chairman of the Board of Directors | 4,248 |
| Dag Andersson | Member of the Board of Directors | 1,695 |
| Paul Hartwall | Member of the Board of Directors | 1,695 |
| Lasse Heinonen | Member of the Board of Directors | 10,938 |
| Olli Holmström | Member of the Board of Directors | 3,134 |
| Åse Aulie Michelet | Member of the Board of Directors | 25,758 |
| Katri Viippola | Member of the Board of Directors | 3,134 |
| Tomas von Rettig | Member of the Board of Directors | 3,938 |
| Ville Iho ¹ | Chief Executive Officer | 0 |
| Petri Bono | Chief Medical Officer | 0 |
| Jens Jensen | SVP, Corporate Health | 119,476 |
| Juha Juosila | Chief Digital Officer | 88,495 |
| Susanna Laine | SVP, Communications and Brand | 13,668 |
| Ilkka Laurila | Chief Financial Officer | 314,923 |
| Julia Ormio | SVP, Legal | 0 |
| Laura Rätty ² | SVP, Public Partnerships | 9,078 |
| Siina Saksi | SVP, Private Customers and Clinics | 50,559 |
| Pia Westman | SVP, Wellbeing, Diagnostics and Digital Services | 23,594 |

¹⁾ Since December 6, 2019.

²⁾ Laura Rätty's shares are owned by Groundhog Oy, which she controls.

30. GROUP COMPANIES

The Group's parent company is Terveystalo Plc domiciled in Finland.

SUBSIDIARIES AS AT 31 DEC 2019

| Company name | Domicile | Group's share | Group's voting rights |
|-----------------------------------|-------------|---------------|-----------------------|
| EAM TTALO Holding Oy | Finland | 0.0% | 100.0% |
| Etelä-Karjalan Työkunto Oy | Finland | 100.0% | 100.0% |
| Evalua International Ltd. Oy | Finland | 100.0% | 100.0% |
| Evalua Nederland B.V. | Netherlands | 100.0% | 100.0% |
| Examinatio Magnetica Fennica Oy | Finland | 60.0% | 60.0% |
| Fertility Clinic Holding Oy | Finland | 100.0% | 100.0% |
| Hardent Oy | Finland | 100.0% | 100.0% |
| Hierojakoulu Relaxi Oy | Finland | 100.0% | 100.0% |
| Rela-group Oy | Finland | 100.0% | 100.0% |
| Rela-hierojat Oy | Finland | 100.0% | 100.0% |
| Suomen Terveystalo Oy | Finland | 100.0% | 100.0% |
| Terveystalo Estonia OÜ | Estonia | 100.0% | 100.0% |
| Terveystalo Healthcare Holding Oy | Finland | 100.0% | 100.0% |
| Terveystalo Healthcare Oy | Finland | 100.0% | 100.0% |
| Terveystalo Julkiset palvelut Oy | Finland | 100.0% | 100.0% |
| Terveystalo Kuntaturva Oy | Finland | 100.0% | 100.0% |
| Terveystalo Tactus Oy | Finland | 100.0% | 100.0% |
| TT Ålands Tandläkarna Ab | Finland | 100.0% | 100.0% |
| TyöSyke Oy | Finland | 100.0% | 100.0% |

30.1 CHANGES IN THE GROUP STRUCTURE

Financial year 2019

The following mergers took place during the financial year 2019:

- 28.2.2019 Fysiatriinen osaamiskeskus Prima Oy merged with Suomen Terveystalo Oy.
- 28.2.2019 Jyväskylän Silmätutkimuslaboratorio Oy merged with Suomen Terveystalo Oy.
- 28.2.2019 Puistosairaalan Silmä lääkärit Oy merged with Suomen Terveystalo Oy.
- 30.4.2019 Attendo Aaria Oy merged with Attendo Hammaslääkäripalvelut Oy.
- 30.4.2019 Attendo Hammaslääkäriasemat merged with Oy Attendo Hammaslääkäripalvelut Oy.
- 30.4.2019 Attendo Hammaslääkärikeskukset Oy merged Suomen Terveystalo Oy.
- 30.4.2019 Attendo Hammaslääkäripalvelut Oy merged with Suomen Terveystalo Oy.
- 30.4.2019 Attendo Työterveyspalvelut Oy merged with Terveystalo Julkiset palvelut Oy.
- 30.4.2019 Terveystalo Julkiset palvelut Oy partially demerged to Suomen Terveystalo Oy.
- 31.5.2019 Kuntoutumisasema OTE Oy merged with Suomen Terveystalo Oy.
- 30.6.2019 Länsi-Vantaan Hammaslääkärit Oy merged with Suomen Terveystalo Oy.
- 30.9.2019 Kajaanin OMT - Fysioterapia Oy merged with Suomen Terveystalo Oy.

Financial year 2018

The following mergers took place during the financial year 2018:

- 28.2.2018 Liikekeskuksen Hammaslääkärit Oy merged with Suomen Terveystalo Oy.
- 31.3.2018 Bitewell Oy merged with Suomen Terveystalo Oy.
- 31.3.2018 Forssan Erikoishammaslääkärit Oy merged with Suomen Terveystalo Oy.
- 30.4.2018 Läkkitorin Hammaslääkäriasema Oy merged with Suomen Terveystalo Oy.
- 30.4.2018 Tampereen Hammaslääkäriasema Oy merged with Suomen Terveystalo Oy.
- 31.5.2018 Kymppihammas Oy merged with Suomen Terveystalo Oy.
- 30.6.2018 Naantalin Yksityislääkärit Oy merged with Suomen Terveystalo Oy.
- 31.7.2018 Koy Seinäjoen Lakeudentie merged with Suomen Terveystalo Oy.
- 31.7.2018 Star Healthcare Oy merged with Terveystalo Healthcare Holding Oy.
- 31.8.2018 Juha Uusimäki Oy merged with Suomen Terveystalo Oy.
- 30.9.2018 Porin Hammaslääkäripalvelu Oy merged with Suomen Terveystalo Oy.
- 31.10.2018 Turun Teknohammas Oy merged with Suomen Terveystalo Oy.

The following disposals of subsidiaries took place during the financial year 2018:

- 16.4.2018 Koy Porin Linnankulma was disposed.
- 31.7.2018 AVA Clinic SIA was disposed.

31. GROUP'S KEY FINANCIAL RATIOS

| Terveystalo Group, EUR mill. | 2019 | 2018 | 2017 |
|---------------------------------------------|-------------|-------------|-------------|
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBITDA, * 1) 2) | 176.3 | 108.9 | 92.4 |
| Adjusted EBITDA, % * 1) 2) | 17.1 | 14.6 | 13.4 |
| EBITDA 1) 2) | 171.2 | 116.6 | 68.2 |
| EBITDA, % 1) 2) | 16.6 | 15.7 | 9.9 |
| Adjusted EBITA * 1) 2) | 115.1 | 87.7 | 73.0 |
| Adjusted EBITA, % * 1) 2) | 11.2 | 11.8 | 10.6 |
| EBITA 1) 2) | 110.0 | 95.5 | 48.8 |
| EBITA, % 1) 2) | 10.7 | 12.8 | 7.1 |
| Adjusted operating profit (EBIT) * 1) 2) | 86.5 | 67.7 | 52.3 |
| Adjusted operating profit (EBIT), % * 1) 2) | 8.4 | 9.1 | 7.6 |
| Operating profit (EBIT) 2) | 81.4 | 75.4 | 28.2 |
| Operating profit (EBIT), % 2) | 7.9 | 10.1 | 4.1 |
| Return on equity (ROE), % 1) 2) 3) | 10.3 | 14.2 | 2.1 |
| Equity ratio, % 1) 2) | 39.9 | 44.1 | 50.7 |
| Earnings per share (€) 2) 3) | 0.43 | 0.54 | 0.06 |
| Gearing, % 1) 2) | 101.3 | 80.8 | 56.1 |
| Net debt/Adjusted EBITDA (LTM) 1) 2) | 3.1 | 3.8 | 2.8 |
| Total assets 2) | 1,359.3 | 1,162.3 | 902.3 |
| Average personnel FTE | 4,943 | 3,498 | 3,180 |
| Personnel (end of period) | 8,685 | 6,018 | 4,265 |
| Private practitioners (end of period) | 5,068 | 4,877 | 4,431 |

| Before IFRS 16 impact (comparable), EUR mill. | 2019 | 2018 | 2017 |
|------------------------------------------------------|-------------|-------------|-------------|
| Adjusted EBITDA * 1) | 136.4 | 108.9 | 92.4 |
| Adjusted EBITDA, % * 1) | 13.2 | 14.6 | 13.4 |
| Adjusted EBITA * 1) | 113.4 | 87.7 | 73.0 |
| Adjusted EBITA, % * 1) | 11.0 | 11.8 | 10.6 |
| Net debt | 369.5 | 413.3 | 256.4 |
| Net debt/Adjusted EBITDA (LTM) * 1) | 2.7 | 3.8 | 2.8 |

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

1) 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.

2) Not comparable due to the effect of IFRS 16 implementation.

3) The net profit of the January–December reference period was improved by a non-recurring deferred tax asset of EUR 13.0 million related to confirmed losses.

32. 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.

33. RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

| Return on equity, % | 2019 | 2018 | 2017 |
|-------------------------------------------------------|-------------|-------------|-------------|
| Profit/loss for the period (LTM) | 54.1 | 68.7 | 7.2 |
| Equity (including non-controlling interest) (average) | 526.5 | 484.5 | 344.8 |
| Return on equity, % | 10.3 | 14.2 | 2.1 |

| Equity ratio, % | 2019 | 2018 | 2017 |
|---------------------------------------------|-------------|-------------|-------------|
| Equity (including non-controlling interest) | 541.2 | 511.8 | 457.3 |
| Total assets | 1,359.3 | 1,162.3 | 902.3 |
| Advances received | 1.5 | 1.8 | 1.2 |
| Equity ratio, % | 39.9 | 44.1 | 50.7 |

| Gearing, % | 2019 | 2018 | 2017 |
|------------------------------------------------------------|-------------|-------------|-------------|
| Interest-bearing liabilities | 588.8 | 450.1 | 289.4 |
| Interest-bearing receivables and cash and cash equivalents | 40.6 | 36.9 | 33.0 |
| Equity | 541.2 | 511.8 | 457.3 |
| Gearing, % | 101.3 | 80.8 | 56.1 |

| Net debt /Adjusted EBITDA (LTM) | 2019 | 2018 | 2017 |
|------------------------------------------------------------|-------------|-------------|-------------|
| Interest-bearing liabilities | 588.8 | 450.1 | 289.4 |
| Interest-bearing receivables and cash and cash equivalents | 40.6 | 36.9 | 33.0 |
| Adjusted EBITDA (LTM) | 176.3 | 108.9 | 92.4 |
| Net debt /Adjusted EBITDA (LTM) | 3.1 | 3.8 | 2.8 |

| Adjusted EBITDA, EUR mill. | 2019 | 2018 | 2017 |
|--------------------------------------------------|-------------|-------------|-------------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Depreciation, amortisation and impairment losses | 89.8 | 41.1 | 40.0 |
| Adjustments* | 5.1 | -7.7 | 24.1 |
| Adjusted EBITDA | 176.3 | 108.9 | 92.4 |

| Adjusted EBITDA, % | 2019 | 2018 | 2017 |
|---------------------------|-------------|-------------|-------------|
| Adjusted EBITDA | 176.3 | 108.9 | 92.4 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBITDA, % | 17.1 | 14.6 | 13.4 |

| Adjusted EBITA, EUR mill. | 2019 | 2018 | 2017 |
|------------------------------------------|-------------|-------------|-------------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Amortisation and impairment losses | 28.6 | 20.0 | 20.6 |
| Adjustments* | 5.1 | -7.7 | 24.1 |
| Adjusted EBITA | 115.1 | 87.7 | 73.0 |

| Adjusted EBITA, % | 2019 | 2018 | 2017 |
|--------------------------|-------------|-------------|-------------|
| Adjusted EBITA | 115.1 | 87.7 | 73.0 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBIT, % | 11.2 | 11.8 | 10.6 |

| Adjusted operating profit (EBIT), EUR mill. | 2019 | 2018 | 2017 |
|----------------------------------------------------|-------------|-------------|-------------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Adjustments* | 5.1 | -7.7 | 24.1 |
| Adjusted EBIT | 86.5 | 67.7 | 52.3 |

| Adjusted operating profit (EBIT), % | 2019 | 2018 | 2017 |
|--------------------------------------------|-------------|-------------|-------------|
| Adjusted EBITA | 86.5 | 67.7 | 52.3 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBIT, % | 8.4 | 9.1 | 7.6 |

| EBITDA, EUR mill. | 2019 | 2018 | 2017 |
|--------------------------------------------------|-------------|-------------|-------------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Depreciation, amortisation and impairment losses | 89.8 | 41.1 | 40.0 |
| EBITDA | 171.2 | 116.6 | 68.2 |

| EBITDA, % | 2019 | 2018 | 2017 |
|------------------|-------------|-------------|-------------|
| EBITDA | 171.2 | 116.6 | 68.2 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| EBITDA, % | 16.6 | 15.7 | 9.9 |

| EBITA, EUR mill. | 2019 | 2018 | 2017 |
|------------------------------------------|-------------|-------------|-------------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Amortization and impairment losses | 28.6 | 20.0 | 20.6 |
| EBITA | 110.0 | 95.5 | 48.8 |

| EBITA, % | 2019 | 2018 | 2017 |
|-----------------|-------------|-------------|-------------|
| EBITA | 110.0 | 95.5 | 48.8 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| EBITA, % | 10.7 | 12.8 | 7.1 |

| Operating profit (EBIT), EUR mill. | 2019 | 2018 | 2017 |
|------------------------------------------|------|------|------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| EBIT | 81.4 | 75.4 | 28.2 |

| Operating profit, (EBIT), % | 2019 | 2018 | 2017 |
|-----------------------------|---------|-------|-------|
| EBIT | 81.4 | 75.4 | 28.2 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| EBIT, % | 7.9 | 10.1 | 4.1 |

| Adjustments based on subject area*, EUR mill. | 2019 | 2018 | 2017 |
|-------------------------------------------------------------------------------|------|-------|------|
| Acquisition related expenses ¹ | 3.3 | 6.6 | 17.7 |
| Restructuring related expenses ² | 0.7 | 1.4 | 5.8 |
| Gain on sale of asset | 0.3 | -15.8 | -0.2 |
| Strategic projects, new operations and other items affecting to comparability | 0.8 | 0.1 | 0.8 |
| Adjustments | 5.1 | -7.7 | 24.1 |

| Adjustments based on account group*, EUR mill. | 2019 | 2018 | 2017 |
|------------------------------------------------|------|-------|------|
| Other operating income | -0.3 | -16.8 | -0.2 |
| Materials and services costs | - | 0.4 | 0.1 |
| Personnel expenses | 0.4 | 0.0 | 4.0 |
| Other operating expenses | 5.0 | 8.7 | 20.3 |
| Adjustments | 5.1 | -7.7 | 24.1 |

| Adjusted EBITDA before the effect of IFRS 16 | 2019 | 2018 | 2017 |
|--------------------------------------------------|-------|-------|------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Depreciation, amortisation and impairment losses | 89.8 | 41.1 | 40.0 |
| Adjustments* | 5.1 | -7.7 | 24.1 |
| IFRS 16 rental expense adjustment | -39.9 | - | - |
| Adjusted EBITDA without the effect of IFRS 16 | 136.4 | 108.9 | 92.4 |

| Adjusted EBITDA before the effect of IFRS 16, % | 2019 | 2018 | 2017 |
|--------------------------------------------------|---------|-------|-------|
| Adjusted EBITDA without the effect of IFRS 16 | 136.4 | 108.9 | 92.4 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBITDA without the effect of IFRS 16, % | 13.2 | 14.6 | 13.4 |

| Adjusted EBITA before the effect of IFRS 16 | 2019 | 2018 | 2017 |
|----------------------------------------------|-------|------|------|
| Profit (loss) for the period | 54.1 | 68.7 | 7.2 |
| Income tax expense | 12.7 | -0.5 | -3.3 |
| Share of profits in associated companies | 0.2 | -1.9 | 0.2 |
| Net finance expenses | 14.4 | 9.2 | 24.1 |
| Amortisation and impairment losses | 28.6 | 20.0 | 20.6 |
| Adjustments* | 5.1 | -7.7 | 24.1 |
| IFRS 16 rental expense adjustment | -39.9 | - | - |
| IFRS 16 depreciation | 38.3 | - | - |
| Adjusted EBITA without the effect of IFRS 16 | 113.4 | 87.7 | 73.0 |

| Adjusted EBITA before the effect of IFRS 16, % | 2019 | 2018 | 2017 |
|-------------------------------------------------|---------|-------|-------|
| Adjusted EBITA without the effect of IFRS 16 | 113.4 | 87.7 | 73.0 |
| Revenue | 1,030.7 | 744.7 | 689.5 |
| Adjusted EBITA without the effect of IFRS 16, % | 11.0 | 11.8 | 10.6 |

| Net debt/Adjusted EBITDA (LTM) before the effect of IFRS 16 | 2019 | 2018 | 2017 |
|--------------------------------------------------------------|-------|-------|-------|
| Interest-bearing liabilities | 410.1 | 450.1 | 289.4 |
| Interest-bearing receivables and cash and cash equivalents | 40.6 | 36.9 | 33.0 |
| Adjusted EBITDA (LTM) | 136.4 | 108.9 | 92.4 |
| Net debt/Adjusted EBITDA (LTM) without the effect of IFRS 16 | 2.7 | 3.8 | 2.8 |

*Adjustments are material items outside the ordinary course of business and these relate to acquisition related expenses, restructuring related expenses, gain /losses on sale of assets (net), strategic projects including the IPO 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, provisions for onerous contracts (lease agreements and other).

34. SUBSEQUENT EVENTS

Minttu Sinisalo b. 1980, M.Sc. (Econ.), was appointed as Terveystalo's Senior Vice President for HR. She took up her post on January 1, 2020.

Susanna Laine, Senior Vice President, Communications and Brand, and a member of the Executive Team, vacated her position on January 8, 2020. Veera Siivonen, b. 1980, M.Sc. (Tech., Industrial Engineering) has been appointed Senior Vice President, Marketing and Communications of Terveystalo as of May 1, 2020, at the latest.

Elina Saviharju, b. 1981, LL.B., LL.M. (Harvard) has been appointed Senior Vice President, Legal, of Terveystalo. She will join the company as of July 24, 2020, at the latest, as Julia Ormio, Chief Legal Officer and Member of the Executive Team of Terveystalo, resigns.

Terveystalo is acquiring Varkauden Fysiokeskus Oy's physiotherapy operations under a contract signed on 16 January 2020.

PARENT COMPANY'S FINANCIAL STATEMENT, FAS

PARENT COMPANY'S INCOME STATEMENT

| EUR | Note | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|-------------------------------------------------------|------|-------------------|-------------------|
| Revenue | 1.1 | 742,672 | 495,915 |
| Other operating income | | 146,000 | - |
| Materials and supplies | | -955 | - |
| Employee benefit expenses | | | |
| Wages and salaries | | -1,819,857 | -1,527,033 |
| Social security expenses | | | |
| Pension expenses | | -237,965 | -221,457 |
| Other social security expenses | | -11,449 | -15,270 |
| Depreciation, amortisation and impairment losses | 1.2 | -15,131 | -14,874 |
| Other operating expenses | 1.4 | -1,429,164 | -1,530,175 |
| Operating profit or loss | | -2,625,850 | -2,812,894 |
| Financial income and expenses | 1.5 | | |
| Other interest and financial income | | | |
| From Group companies | | - | - |
| From others | | 392 | 1,183 |
| Other interest and financial expenses | | | |
| To Group companies | | -48,553 | -15,261 |
| To others | | -2,596 | -2,251 |
| Profit or loss before appropriations and taxes | | -2,676,606 | -2,829,223 |
| Appropriations | 1.6 | | |
| Increase/decrease in depreciation in excess of plan | | 4,297 | -216 |
| Group contributions | | 54,000,000 | 12,000,000 |
| Taxes | | -10,224,640 | -1,415 |
| Profit or loss for the period | | 41,103,051 | 9,169,147 |

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

| EUR | Note | 31 Dec 2019 | 31 Dec 2018 |
|----------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2.1 | | |
| Machinery and equipment | | 44,379 | 60,188 |
| Investments | 2.2 | | |
| Holdings in Group companies | | 506,685,344 | 506,685,344 |
| Total non-current assets | | 506,729,723 | 506,745,532 |
| Current assets | | | |
| Trade receivables | | - | 8,465 |
| Receivables from Group companies | 2.3 | 71,811,351 | 29,492,208 |
| Prepayments and accrued income | 2.4 | 204,252 | 183,859 |
| Cash and cash equivalents | | 690 | 96,644 |
| Total current assets | | 72,016,293 | 29,781,175 |
| TOTAL ASSETS | | 578,746,016 | 536,526,707 |
| EQUITY AND LIABILITIES | | | |
| Equity | 2.5 | | |
| Share capital | | 80,000 | 80,000 |
| Invested non-restricted equity reserve | | 493,503,962 | 519,111,269 |
| Retained earnings | | -900,845 | -10,069,991 |
| Profit or loss for the period | | 41,103,051 | 9,169,147 |
| Total equity | | 533,786,168 | 518,290,424 |
| Appropriations | | | |
| Depreciation in excess of plan | | 10,621 | 14,918 |
| Total appropriations | | 10,621 | 14,918 |
| Liabilities | 2.6 | | |
| Non-current liabilities | | | |
| Loans from financial institutions | | - | 35,598 |
| Current liabilities | | | |
| Loans from financial institutions | | 37,365 | 21,207 |
| Trade payables | | 176,642 | 238,100 |
| Liabilities to Group companies | | 34,054,995 | 16,993,771 |
| Other liabilities | | 144,331 | 88,437 |
| Accruals and deferred income | | 10,535,893 | 844,252 |
| Total liabilities | | 44,949,227 | 18,221,365 |
| TOTAL EQUITY AND LIABILITIES | | 578,746,016 | 536,526,707 |

PARENT COMPANY'S STATEMENT OF CASH FLOWS

| EUR | 1.1.-31.12.2019 | 1.1.-31.12.2018 |
|--------------------------------------------------------|-------------------|--------------------|
| Cash flows from operating activities | | |
| Profit/loss for the period | 41,103,051 | 9,169,147 |
| Adjustments | | |
| Depreciations according to plan | 15,131 | 14,874 |
| Non-cash transactions | -54,004,297 | -11,999,784 |
| Financial income and expenses | 51,149 | 17,512 |
| Gains and Losses on sale of property, plant, equipment | 830 | - |
| Other adjustments | 10,380,880 | 1,415 |
| Change in working capital | | |
| Change in trade and other receivables | -331,073 | 98,683 |
| Change in trade and other payables | -727,065 | -7,464,756 |
| Taxes | - | -1,415 |
| Net cash from operating activities | -3,511,394 | -10,164,325 |
| Cash flows from investing activities | | |
| Purchase of tangible and intangible items | -152 | -2,216 |
| Net cash from investing activities | -152 | -2,216 |
| Cash flows from financial activities | | |
| Change in long-term receivables | - | -6,708,591 |
| Change in Group account | 17,093,486 | 20,194,595 |
| Payment of hire purchase liabilities | -19,440 | -21,207 |
| Received Group supports | 12,000,000 | 2,000,000 |
| Equity repayment | -25,607,306 | -7,682,192 |
| Interest paid | -51,149 | -17,512 |
| Net cash from financial activities | 3,415,592 | 7,765,094 |
| Net change in cash and cash equivalents | -95,954 | -2,401,448 |
| Cash and cash equivalents at 1 January | 96,644 | 2,498,091 |
| Cash and cash equivalents at 31 December | 690 | 96,644 |

ACCOUNTING POLICIES OF PARENT COMPANY'S FINANCIAL STATEMENTS

The financial statements of Terveystalo Oyj are prepared in accordance with Finnish Accounting Standards (FAS).

MEASUREMENT AND RECOGNITION PRINCIPLES AND METHODS

Holdings in Group companies

The balance sheet value of holdings in Group companies consists of historical costs less impairments. If the estimated future cash flows generated by a non-current asset are expected to be permanently lower than the balance of carrying amount, an adjustment to the value must be made to write-down the difference as an expense. If the basis for the impairment can no longer be justified at reporting date, it must be reversed.

PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

The balance sheet value of property, plant and equipment consists of historical costs less depreciation and other deductions. Property, plant and equipment are depreciated using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Machinery and equipment: 5 years

NOTES TO THE STATEMENT OF INCOME

1.1 REVENUE

| EUR | 2019 | 2018 |
|--------------|----------------|----------------|
| Finland | 742,672 | 495,915 |
| Total | 742,672 | 495,915 |

1.2 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

| EUR | 2019 | 2018 |
|--------------|----------------|----------------|
| Depreciation | -15,131 | -14,874 |
| Total | -15,131 | -14,874 |

1.3 PERSONNEL

| | 2019 | 2018 |
|---------------------------------------------------|------|------|
| Average number of personnel during financial year | 6 | 5 |

1.4 OTHER OPERATING EXPENSES

| EUR | 2019 | 2018 |
|-----------------------------|-------------------|-------------------|
| External services | -187,285 | -200,232 |
| ICT expenses | -21,799 | -9,678 |
| Non-statutory expenses | -294,403 | -220,594 |
| Leases | -51,318 | -6,709 |
| Travel expenses | -43,950 | -91,390 |
| Marketing and communication | -105,119 | -354,449 |
| Other costs | -725,289 | -647,124 |
| Total | -1,429,164 | -1,530,175 |

AUDITOR'S FEES

| EUR | 2019 | 2018 |
|---------------------------------------------------------------------|-----------------|-----------------|
| Audit and auditor's statements based on laws and regulations | | |
| Audit, KPMG | -79,900 | -63,195 |
| Auditor's statements based on laws and regulations, KPMG | -19,300 | -13,500 |
| Total | -99,200 | -76,695 |
| Non audit services | | |
| Assurance services, KPMG | - | -6,448 |
| Tax services, KPMG | -3,000 | -41,352 |
| Other services, KPMG | -16,000 | - |
| Total | -19,000 | -47,800 |
| Auditor's fees total | -118,200 | -124,495 |

1.5 FINANCIAL INCOME AND EXPENSES

| EUR | 2019 | 2018 |
|----------------------------------------------|----------------|----------------|
| Other interest and financial income | | |
| From others | 392 | 1,183 |
| Total | 392 | 1,183 |
| Other interest and financial expenses | | |
| To Group companies | -48,553 | -15,261 |
| To others | -2,596 | -2,251 |
| Total | -51,149 | -17,512 |

1.6 APPROPRIATIONS

| EUR | 2019 | 2018 |
|-----------------------------------------------------|-------------------|-------------------|
| Increase/decrease in depreciation in excess of plan | 4,297 | -216 |
| Group contributions received | 54,000,000 | 12,000,000 |
| Appropriations total | 54,004,297 | 11,999,784 |

NOTES TO THE STATEMENT OF THE FINANCIAL POSITION

2.1 PROPERTY, PLANT AND EQUIPMENT

MACHINERY AND EQUIPMENT

| EUR | 2019 | 2018 |
|-------------------------------------------------------------|----------------|----------------|
| Acquisition cost 1.1 | 79,830 | 77,614 |
| Additions | 152 | 2,216 |
| Disposals | -830 | - |
| Acquisition cost 31.12 | 79,152 | 79,830 |
| Accumulated depreciation and impairment losses 1.1 | -19,642 | -4,768 |
| Depreciation for the period | -15,131 | -14,874 |
| Accumulated depreciation and impairment losses 31.12 | -34,773 | -19,642 |
| Carrying amount 1.1 | 60,188 | 72,845 |
| Carrying amount 31.12 | 44,379 | 60,188 |

2.2 INVESTMENTS

HOLDINGS IN GROUP COMPANIES

| EUR | 2019 | 2018 |
|-------------------------------|--------------------|--------------------|
| Acquisition cost 1.1 | 506,685,344 | 506,685,344 |
| Acquisition cost 31.12 | 506,685,344 | 506,685,344 |
| Carrying amount 1.1 | 506,685,344 | 506,685,344 |
| Carrying amount 31.12 | 506,685,344 | 506,685,344 |

PARENT COMPANY OWNERSHIPS:

| Holdings in Group companies | 2019 | 2018 |
|-----------------------------------|------|------|
| Terveystalo Healthcare Holding Oy | 100% | 100% |

2.3 RECEIVABLES FROM GROUP COMPANIES

| EUR | 2019 | 2018 |
|--------------------------------|-------------------|-------------------|
| Loan receivables | 10,132,900 | 10,132,900 |
| Trade receivables | 969,860 | 650,717 |
| Prepayments and accrued income | 54,000,000 | 12,000,000 |
| Total | 65,102,760 | 22,783,617 |

2.4 PREPAYMENTS AND ACCRUED INCOME

| EUR | 2019 | 2018 |
|--------------------------------|----------------|----------------|
| Prepayments and accrued income | 204,252 | 183,859 |
| Total | 204,252 | 183,859 |

2.5 CHANGES IN EQUITY

Restricted equity

SHARE CAPITAL

| EUR | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| At the beginning of the period | 80,000 | 80,000 |
| At the end of the period | 80,000 | 80,000 |
| Total restricted equity | 80,000 | 80,000 |

Unrestricted equity

INVESTED NON-RESTRICTED EQUITY RESERVE

| EUR | 2019 | 2018 |
|---------------------------------|--------------------|--------------------|
| At the beginning of the period | 519,111,269 | 526,793,461 |
| Equity repayment | -25,607,306 | -7,682,192 |
| At the end of the period | 493,503,962 | 519,111,269 |

RETAINED EARNINGS

| EUR | 2019 | 2018 |
|--------------------------------------------------|--------------------|--------------------|
| Retained earnings at the beginning of the period | -900,845 | -10,069,991 |
| Retained earnings at the end of the period | -900,845 | -10,069,991 |
| Profit or loss for the period | 41,103,051 | 9,169,147 |
| Total unrestricted equity | 533,706,168 | 518,210,424 |
| Total equity | 533,786,168 | 518,290,424 |

DISTRIBUTABLE EARNINGS

| EUR | 2019 | 2018 |
|----------------------------------------|--------------------|--------------------|
| Invested non-restricted equity reserve | 493,503,962 | 519,111,269 |
| Retained earnings | -900,845 | -10,069,991 |
| Profit or loss for the period | 41,103,051 | 9,169,147 |
| Total | 533,706,168 | 518,210,424 |

Shares and share capital

On 31 December 2019 the number of shares is 128,036,531 of which 730,000 is held by EAM TTALO Holding Oy, company which is under the control of Terveystalo PLC. The company has single share class. The shares have no nominal value. All shares issued have been paid in full. Each share has one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets.

Terveystalo PLC's share is listed on Nasdaq Helsinki Oy. The trading code is TTALO. Terveystalo PLC's shares belong to the book-entry system maintained by Euroclear Finland Oy.

Invested non restricted equity reserve

Invested non-restricted equity reserve consists of other investments similar to equity and the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution. According to the current Finnish Companies Act, subscription price of new shares is recognized in the share capital, unless it has not been according to Issuance Resolution fully or partly recognized in invested non-restricted equity reserve.

2.6 LIABILITIES

2.6.1 Non-current liabilities

| EUR | 2019 | 2018 |
|-----------------------------------|----------|---------------|
| Loans from financial institutions | - | 35,598 |
| Total | - | 35,598 |

2.6.2 Current liabilities

| EUR | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| Loans from financial institutions | 37,365 | 21,207 |
| Trade payables | 176,642 | 238,100 |
| Other liabilities to Group companies | 34,054,995 | 16,993,771 |
| Other liabilities | 144,331 | 88,437 |
| Accruals | 10,535,893 | 844,252 |
| Total | 44,949,227 | 18,185,767 |

2.6.3 Liabilities to Group companies

| EUR | 2019 | 2018 |
|------------------------|-------------------|-------------------|
| Trade payables | 2,285 | 190,786 |
| Group account payables | 33,896,471 | 16,802,984 |
| Total | 33,898,755 | 16,993,771 |

2.6.4 Accruals and deferred expenses

| EUR | 2019 | 2018 |
|------------------------------------|-------------------|----------------|
| Personnel related accrued expenses | 311,253 | 832,083 |
| Other | - | 12,170 |
| Tax liabilities | 10,224,640 | - |
| Total | 10,535,893 | 844,252 |

OTHER NOTES

3.1 COLLATERAL AND OTHER CONTINGENT LIABILITIES

| EUR | 2019 | 2018 |
|-----------------------------------------------------|-------------|-------------|
| Contingent liabilities on behalf of Group companies | | |
| Suretyship | 374,200,000 | 415,600,000 |
| Guarantees | 400,734 | 446,312 |

Signatures to the financial statements and Board of Director's report

Helsinki, 12 February 2020



Kari Kauniskangas
Chairman of the Board of Directors



Dag Andersson
Member of the Board of Directors



Paul Hartwall
Member of the Board of Directors



Lasse Heinonen
Member of the Board of Directors



Olli Holmström
Member of the Board of Directors



Åse Aulie Michelet
Member of the Board of Directors



Katri Viippola
Member of the Board of Directors



Tomas von Rettig
Member of the Board of Directors



Ville Iho
Managing Director

AUDITORS NOTE

A report on the audit has been issued today.

Helsinki, 12 February 2019

KPMG Oy Ab
Audit firm



Jari Härmälä
Authorised Public Accountant

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF TERVEYSTALO PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

OPINION

We have audited the financial statements of Terveystalo Plc (business identity code 2575979-3) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

BASIS FOR OPINION

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

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

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of EU regula-

tion 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

MATERIALITY

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

KEY AUDIT MATTERS

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

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

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of Goodwill and Intangible Assets (Accounting Principles for the Consolidated Financial Statements and the Notes 14 and 15)

- At the year-end 2019 the goodwill amounted to 779.2 M€ and accounted for 57% of the consolidated total assets and for 144% of the consolidated equity.
- Goodwill is tested for impairment at least annually. An impairment is recognised when the recoverable amount is less than the carrying value of the asset.
- Terveystalo determines recoverable amounts for impairment tests based on value in use. Preparation of cash flow projections underlying impairment tests requires management making judgments over profitability, long-term growth rate and discount rate.
- The acquisition-related recognized assets for trade mark and customer relationships at the year-end 2019 were in total 132.0 M€. These assets have finite useful lives and the related amortization periods shall be reviewed annually.
- Given the high level of management judgment related to the forecasts used and the significant carrying amounts involved, valuation of goodwill and intangible assets is considered a key audit matter.

- We assessed the key assumptions used in the calculations, such as profitability, discount rate and long-term growth rate. To analyse the forecasts we applied professional judgement in testing the key assumptions and assessing the resulting effects on the sensitivity analysis.
- We involved KPMG valuation specialists when assessing the appropriateness of the assumptions used and the technical accuracy of the calculations. This included a comparison to external financial and industry forecasts.
- In respect of the acquisition-related intangible assets we evaluated the recoverability of these assets by assessing the related calculations and the underlying assumptions.
- In addition, we considered the appropriateness of the disclosures in respect of goodwill, impairment testing and intangible assets.

Revenue Recognition (Accounting Principles for the Consolidated Financial Statements and the Note 4)

- The consolidated revenue amounted to 1,030.7 M€ million and consist of numerous types of individual service transactions generated to various customer and payer groups in multiple business locations. Volumes of sales transactions processed in the IT systems are substantial and Terveystalo also uses a number of service pricing models and client contract templates.
- Given the variety and large number of sales transactions, revenue recognition is considered a key audit matter.

- As part of our audit procedures, we evaluated the sales-related internal control environment, as well as tested the effectiveness of the key controls. We also performed substantive audit procedures.
- We evaluated the IT systems relevant for revenue recognition and the functioning of the related general IT controls.
- We tested the effectiveness of the processes to enter and record sales transactions as well as the sales pricing and invoicing processes. We also tested inclusion of relevant transactions in the appropriate period in order to assess the accuracy of revenue recognition.
- In addition, we tested controls over cash sales such as reconciliation routines.
- We considered the appropriateness of the disclosures provided for revenue in the consolidated financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR (CEO) FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's (CEO) use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period

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

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We have acted as auditors appointed by the Annual General Meeting uninterrupted for 8 years. Terveystalo Plc became a public interest entity on 13 October 2017.

OTHER INFORMATION

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 12 February 2020

KPMG OY AB



Jari Härmälä

Authorised Public Accountant, KHT

TERVEYSTALO PLC
Jaakonkatu 3 B, 3rd floor
00100 Helsinki, Finland

Exchange: 030 633 11
www.terveystalo.com

