

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2018



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REPORT OF THE BOARD OF DIRECTORS 2018

MARKET REVIEW

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

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

The proposed solution would enable private service providers to offer publicly funded health centre services basically similar to the current services. The provider of direct-choice services (provided at

health and social services centres) would be paid a so-called capitation payment, on a similar basis as a publicly owned health and social services center. A capitation payment is a fixed amount of money that the county pays per each patient listed as a customer of a health and social services centre and an oral health unit. The size of the payment depends on the customer's age, sex, socioeconomic factors and need for care, etc. According to Terveystalo's assessment, this would provide Terveystalo with the opportunity to increase business in its area of core expertise by utilizing its existing network without significant further investments.

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

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

KEY FIGURES

EUR million	2018	2017	Change, %
Revenue	744.7	689.5	8.0
Adjusted EBITDA*	108.9	92.4	17.9
Adjusted EBITDA, % *	14.6	13.4	-
EBITDA *	116.6	68.2	70.9
EBITDA, % *	15.7	9.9	-
Adjusted EBITA *	87.7	73.0	20.3
Adjusted EBITA, % *	11.8	10.6	-
EBIT	75.4	28.2	167.6
Net profit	68.7	7.2	> 200.0
Net debt	413.3	256.4	61.2
Net debt/adjusted EBITDA (last 12 months)* ****	3.8	2.8	-
Return on equity (ROE), %*	14.2	2.1	-
Equity ratio, % *	44.1	50.7	-
Gearing, %*	80.8	56.1	-
Earnings per share**	0.54	0.06	-
Operating cash flow	100.6	70.0	43.7
Personnel (end of period)	6,018	4,265	
Private practitioners (end of period)	4,877	4,431	
Number of working days	251	251	-

* Alternative performance measure. Additional information in note 32.

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

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

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

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

OUTLOOK

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

GROUP REVENUE

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

EUR million	2018	2017	Change, %
Corporate customers	402.7	372.1	8.2
Private customers	260.7	253.8	2.8
Public sector customers	81.2	63.6	27.6
Total	744.7	689.5	8.0

REVENUE BY CUSTOMER GROUP

CORPORATE CUSTOMERS

Corporate customers constitute Terveystalo's largest customer group. Terveystalo's corporate customers consist of the company's occupational health care customers, excluding municipal occupational health care customers. The company provides statutory occupational health services and other occupational health* and 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 number of end-users. Terveystalo provides occupational healthcare services for over 23,000 companies, and in 2018, the company provided occupational health services for a total of approximately 670,000 customers.

In 2018, revenue grew by 8.2 percent, amounting to EUR 402.7 (372.1) million. The acquisition of Diacor in March 2017 again contributed significantly to revenue growth. In addition, the favorable development of preventative occupational health services promoted revenue growth. The growth of preventive services is supported, for example, by My Health Plan, the new digital health and treatment plan launched last spring, with as many as approximately 170,000 plans already prepared. Sales of well-being services and digital services increased substantially as well. There was no significant change in the number of occupational health care end customers when compared to the reference period.

*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 Relia 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 personalised digital services give Terveystalo a competitive edge over public health care services and encourage customers to invest in their own health. Services for private customers are paid for either by the customers themselves or by their insurance companies.

In 2018, revenue grew by 2.8 percent, amounting to EUR 260.7 (253.8) million. 2018 witnessed stable growth, and the amount of private services used by occupational health customers remained at the level of the reference period. New hospitals and clinics increased the capacity and thus the competition especially in larger cities, with the exception of the Helsinki metropolitan area. Regional differences remain substantial. Sales of diagnostic services remained at the same level as last year. Strengthened insurance company referral lowered the volume of surgical services. The factors contributing to revenue growth during the review period included organic growth, the expansion of the oral health service network and supply, and acquisitions. The expansion of the network of oral health services increased revenue to a lesser extent. The full contribution of Diacor acquisition is also included in 2018 revenue.

PUBLIC SECTOR CUSTOMERS

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

2018 witnessed strong growth in revenue from public customers as revenue grew by 27.6 percent, amounting to EUR 81.2 (63.6) million. The increase in revenue was particularly supported by new outsourcing contracts in Lumijoki, Kinnula and Tervola, and specialised care outsourcing at Iisalmi Hospital. Revenue from service sales and municipal occupational health services remained at the same level as in the previous year.

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

FINANCIAL PERFORMANCE

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

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

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

In 2018, the net financial expenses decreased by 61.9 percent, mainly due to refinancing arrangements made in conjunction with the IPO, and amounted to EUR -9.2 (-24.1) million. Financial expenses for the comparison period included the remaining financial expenses of previous bank loans recognised in conjunction with the IPO, EUR 7.2 million, allocated over the term of the loan using the effective interest rate method.

Operating cash flow increased 43.7 percent, amounting to EUR 100.6 million (70.0). The growth was mainly due to improved profitability and more efficient net working capital management.

The cash flow from investing activities more than doubled to EUR -224.4 (-102.7) million due to the Attendo acquisition. The acquisitions

of subsidiaries and businesses accounted for EUR -229.8 (-81.6) million. Cash flows related to the sale of subsidiaries allocated to the review period accounted for EUR 24.1 (0) million.

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

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

GROUP'S FINANCIAL POSITION

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

Deferred tax assets are recognised as outstanding tax losses to the extent that it is probable that tax benefits will flow to taxable income. The Group has outstanding tax losses totaling EUR 11.4 (89.0) million.

Equity attributable to owners of the parent company totaled EUR 511.8 (457.3) million. The growth was mainly attributable to items related to the sales of subsidiaries and to improved profitability.

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

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

SEASONAL VARIATION AND THE IMPACT OF THE NUMBER OF BUSINESS DAYS

Terveystalo's revenue has typically been lower during the holiday seasons, particularly in July and August. The number of business days has an effect on revenue and earnings development, particularly when comparing quarterly performance. Due to the seasonal nature of busi-

ness, the required net working capital varies during the year and the company's net working capital decreases toward the end of the year. Variation is due to the timing of pension and VAT payments, vacation pay obligations and service fees related to occupational health care, etc.

INVESTMENTS AND ACQUISITIONS

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

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

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

During the fourth quarter, Terveystalo acquired several companies to supplement its business operations particularly in the area of well-being business. It acquired the operations of the Relä companies (Relä-hierojat Oy, Hierojakoulu Relaxi Oy, and Relä-Group Oy); operations of Fysiatrinen osaamiskeskus Prima Oy, a provider of physiotherapy services; operations of ONNI hammas dental clinic in Porvoo; operations of Puistosairaalan Silmälääkärit Oy and Jyväskylän Silmätutkimuslaboratorio Oy; as well as the operations of Kuntoutumisasema Ote Oy in Forssa and Tampere. In addition, the company acquired 20 percent of Etsimo Healthcare Oy.

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

The investments in the comparison period included the acquisition

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

Attendo's Finnish Health Services

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

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

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

STATEMENT OF NON FINANCIAL INFORMATION - QUALITY AND CORPORATE RESPONSIBILITY TARGETS AND RESULTS

Material aspects of corporate responsibility emphasize the social role of Terveystalo in the national availability of high quality and effective treatment and in the prevention of diseases. Ethical business practices and transparency are also important. Terveystalo systematically monitors and measures the efficiency of its operations, the effectiveness of treatment, customer service and customer satisfaction. As a pioneer in its field, Terveystalo annually publishes key indicators related to all of the above for example in its [Quality and Corporate Responsibility Book](#).

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

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

The most important commitments, policies and principles

Terveystalo's operations are based Terveystalo's values and mission. Work is guided by Terveystalo's strategy, operating principles and Code of Conduct aimed for the personnel and partners. Key group policies that guide Terveystalo's operations include, for example, a risk management policy, a financing policy, a data protection policy, an information security policy and a security policy. Terveystalo's Corporate Governance is described on the company's website and in the Corporate Governance Statement, included in the Annual report on page 25-32.

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

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

Clinical quality

The quality and effectiveness of services are at the core of Terveystalo's strategy, and improvement of quality is based on Terveystalo's

Quality Triangle of clinical, operational and experienced quality. Patient safety is the foundation for clinical quality. Everyone working at Terveystalo is obliged to comply with Terveystalo's guidance and practices that support patient safety and quality. At Terveystalo, patient safety is monitored using key indicators. These are patient injury reports, compensated patient injuries, notifications and complaints, as well as audit nonconformities and incidents related to patient safety and data protection. Development of clinical quality is reported in the [Quality and Corporate Responsibility Book](#).

Experienced quality

As a private provider of health services, Terveystalo's task is to create health value for its customers and to produce value for money. As a result, measuring customer satisfaction is of utmost importance and a decrease in customer satisfaction is an important business risk. Terveystalo gathers customer feedback on an ongoing basis and measures customer satisfaction during various steps of the customer path and in different channels. Customer feedback is used to constantly improve the customer experience. The Company also promotes dialogue between the patients and the medical staff by training its personnel in the field of customer service and communication and by developing new

channels for patient communication. The Net Promoter Score (NPS), an indicator of the customer experience, improved in all of the measured areas. The NPS trend for appointments and hospitals was positive: the NPS for appointments clearly improved and was 70.9 (66.9), and the NPS for hospital services reached a record high of 91 (88.3). New areas to measure were added during the year to oral health services and screening, for instance. Targeted NPS measurements were also systematically used for the management of digital development projects.

Operational efficiency

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

Ethical practices - Human rights, anti-corruption and bribery

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

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

Terveystalo's Supplier Code of Conduct was introduced in the fall of 2018, and it is already widely used in the standard agreements of Terveystalo Group. In accordance with Group guidelines, contractual clauses on the Supplier Code of Conduct must be included in agreements under which the companies of Terveystalo Group acquire products and services from external suppliers. In 2018, no cases related to to cases of misconduct or malpractice were brought to the attention of the company.

Personnel

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

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

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

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

Society

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

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

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

Since 2014, Terveystalo has offered the Terveystalo Cost Analysis service for medium-sized and large employers. It provides a big picture of the development of costs related to work left undone and the related savings potential. With Terveystalo's cooperation model and tools, the costs of work left undone have been decreased by up to 2.5 percentage points, which corresponds to EUR 1,080 per man-year.

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

The environment

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

THE LARGEST REGISTERED SHAREHOLDERS ON 31 DECEMBER 2018

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

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

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

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

and clinics. Terveystalo combats climate change by improving energy efficiency, reducing the amount of hazardous waste and mixed waste and promoting recycling of waste.

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

SHARES, SHAREHOLDERS AND OF BOARD'S AUTHORIZATIONS

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

DISTRIBUTION OF OWNERSHIP, 31 DECEMBER 2018

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

SHAREHOLDER GROUPS, 31 DECEMBER 2018

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

Notifications of major shareholdings

In 2018, Terveystalo received three notifications of major shareholdings.

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

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

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

Shareholders' agreements

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

Share-based incentive schemes and the Board's authorisations

In November 2017, the company announced a new long-term incentive

scheme, which came into effect on 1 January 2018.

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

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

The Board has been authorised to resolve on the repurchase of the company's own shares using the unrestricted equity of the company. The authorisation 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 authorised 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 authorisation covers of a maximum of 25,607,306 shares in total, which corresponds to approximately 20 percent of the company's currently registered shares. The authorisation can be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing share-based incentive plans or the payment of the annual remuneration payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

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

CHANGES IN MANAGEMENT

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

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

Julia Ormio, born 1970, LL.B., LL.M, was appointed as Senior Vice President, Legal of Terveystalo as of 1 December 2018. She became a member of the Terveystalo Executive Team and reports to CEO Yrjö Närhinen.

Julia Ormio joined Terveystalo from Sumitomo SHI FW Oy, where she held the position of SVP, Legal and Compliance since 2012. Prior to that, she held various senior leadership positions for example in Outotec Plc. and Elcoteq Plc.

DECISIONS OF THE ANNUAL GENERAL MEETING 2018 AND THE FIRST BOARD MEETING

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

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

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

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

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of the company's own shares using the unrestricted equity of the company. The authorisation 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 authorised 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 authorisation covers of a maximum of 25,607,306 shares in total, which corresponds to approximately 20 percent of the company's currently registered shares. The authorisation can be used for the

financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing share-based incentive plans or the payment of the annual remuneration payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

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

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

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

CORPORATE GOVERNANCE

Corporate Governance Statement and Remuneration Statement for the year 2018 are published as separate documents from the Report of the Board of Directors and as a part of the Annual Report (page 25-41). The statements are also available on Terveystalo's website.

THE MOST SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Terveystalo's risk management is guided by the risk management policy approved by the Board. The policy defines goals, principles, organisations, responsibilities and practices for risk management. 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's business operations rely on its capacity to identify, recruit, and retain competent and professional health care professionals, employees, and executives. The increased supply of services and increased competition may affect the availability of healthcare professionals, particularly in major cities. Turnover in key employees involves the risk of losing knowledge and expertise.
- The company may not be able to find suitable acquisition targets

or expansion opportunities under favourable terms. and the integrations are not necessarily realized as planned.

- The company's business is highly dependent on functioning information and communication systems and external service providers. Interference can be caused, for example, by: hardware bugs, software bugs, or cyber threats. Long-term malfunctions in information systems or payment transactions can cause significant loss of revenue and loss of customer satisfaction.
- Breach of data security or protection may result in loss, damage claims, and compromise on reputation.
- The importance of sustainability aspects, such as ensuring the sustainability of the product supply chain, fair and equitable treatment of employees, avoiding corruption, and protecting the environment, is increasingly important to customers. Possible failures in the implementation of responsible business practices would result in negative publicity for Terveystalo and could cause operational and financial damage. The challenges of Terveystalo's sustainability work include, for example, communicating material sustainability aspects to key stakeholders and ensuring responsible business practices throughout the service supply chain.
- The company is a party to, and may become a party to, legal action or administrative procedures initiated by the authorities, patients, or third parties. The company's view is that its currently pending legal obligations and court cases are not significant in nature.

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

- Annual remuneration of the Chairman of the Audit Committee EUR 49,000

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

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

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

DISTRIBUTION OF PROFITS PROPOSED BY MEMBERS OF THE BOARD

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

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

ANNUAL GENERAL MEETING OF SHAREHOLDERS 2019

Annual General Meeting of Terveystalo Plc will be held on Thursday, 4 April 2019 in Helsinki.

Helsinki, 14 February 2019.

Terveystalo Plc
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF INCOME

EUR mill.	Note	1.1.-31.12.2018	1.1.-31.12.2017
Revenue	4	744.7	689.5
Other operating income	5	18.2	2.1
Materials and services	6	-351.3	-324.3
Employee benefit expenses	7	-197.1	-189.5
Depreciation, amortisation and impairment losses	8	-41.1	-40.0
Other operating expenses	9	-97.9	-109.6
Operating profit		75.4	28.2
Financial income	10	0.3	0.1
Financial expenses	10	-9.5	-24.2
Net finance expenses		-9.2	-24.1
Share of results in associated companies		1.9	-0.2
Profit before taxes		68.2	3.9
Income tax expense	11	0.5	3.3
Profit for the period		68.7	7.2
Profit attributable to			
Owners of the parent company		68.7	7.2
Non-controlling interests		0.0	0.0
Earnings per share for profit attributable to the shareholders of the parent company, in euro*			
Basic earnings per share		0.54	0.06
Diluted earnings per share		0.54	0.06

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Profit for the period	68.7	7.2
Total comprehensive income	68.7	7.2
Total comprehensive income attributable to:		
Owners of the parent company	68.7	7.2
Non-controlling interest	0.0	0.0

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	83.6	92.1
Goodwill	14,15	768.7	583.3
Other intangible assets	14	167.7	109.2
Investment properties	16	0.6	0.6
Investments in associates	17	2.4	0.3
Other receivables	21	0.0	0.0
Deferred tax assets	11	5.8	7.4
Total non-current assets		1,028.7	792.9
Current assets			
Inventories		5.8	5.2
Trade and other receivables	21	89.9	70.0
Cash and cash equivalents	22	36.9	33.0
Total current assets		132.5	108.2
Non-current assets held for sale	23	1.1	1.2
TOTAL ASSETS		1,162.3	902.3
EUR mill.	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		0.1	0.1
Invested non-restricted equity reserve		518.2	525.9
Treasury shares		-6.7	-
Retained earnings		0.1	-68.8
Non-controlling interest		0.1	0.1
Total equity		511.8	457.3
Non-current liabilities			
Non-current financial liabilities	20,25	400.4	270.2
Deferred tax liabilities	11	34.1	24.1
Provisions	27	9.1	6.6
Other liabilities		7.8	6.3
Total non-current liabilities		451.4	307.2
Current liabilities			
Provisions	27	2.3	1.4
Trade and other payables	26	146.9	117.1
Current tax liabilities		0.2	0.1
Current financial liabilities	20	49.8	19.2
Total current liabilities		199.1	137.8
TOTAL LIABILITIES		650.5	445.0
TOTAL EQUITY AND LIABILITIES		1,162.3	902.3

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR mill.	Note	1.1.-31.12.2018	1.1.-31.12.2017
Cash flows from operating activities			
Profit before income taxes		68.2	3.9
Adjustments for			
Non-cash transactions			
Depreciation, amortisation and impairment losses		41.1	40.0
Change in provisions		-2.1	-0.8
Other non-cash transactions		-2.3	1.1
Gains and Losses on sale of property, plant, equipment and other changes		-15.9	-0.2
Net finance expenses		9.2	24.1
Changes in working capital			
Trade and other receivables		1.9	1.0
Inventories		0.3	0.0
Trade and other payables		0.0	1.3
Interests received		0.2	0.1
Income taxes paid		0.3	-0.6
Net cash from operating activities		100.6	70.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-229.8	-81.6
Acquisition of property, plant and equipment		-9.4	-11.4
Acquisition of intangible assets		-10.4	-5.1
Proceeds from the disposal of subsidiaries, net of cash disposed of		24.1	-
Investments to associated companies		-1.8	-
Proceeds from sale of available-for-sale financial assets		1.9	0.1
Proceeds from sale of business operations, net of cash disposed of		-	1.1
Acquisition of business operations, net of cash acquired		-0.9	-0.7
Repayment of borrowings		-	-5.1
Proceeds from sale of property, plant and equipment		0.3	-
Dividends received		1.7	0.0
Net cash from investing activities		-224.4	-102.7
Cash flows from financing activities			
Share issue		-	100.0
Equity investment without consideration in the invested non-restricted equity reserve		-	25.0
Acquisition of treasury shares		-6.7	-
Proceeds from non-current borrowings	25	160.0	297.8
Repayment of non-current borrowings	25	-11.4	-344.9
Proceeds from current borrowings	25	10.0	20.0
Repayment of current borrowings	25	-0.8	-31.6
Payment of finance lease liabilities	25	-4.1	-14.6
Payment of hire purchase liabilities	25	-3.3	-9.4
Interests and other financial expenses paid		-8.4	-15.5
Acquisition of non-controlling interests		-	-0.3
Equity repayment		-7.7	-
Net cash from financing activities		127.6	26.5
Net change in cash and cash equivalents		3.9	-6.1
Cash and cash equivalents at 1 January		33.0	39.1
Cash and cash equivalents at 31 December		36.9	33.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Share capital	Invested non-restricted equity reserve	Treasury shares	Retained deficit	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	18	-	-	-	0.2	0.2	-	0.2
Equity repayment		-	-7.7	-	-	-7.7	-	-7.7
Acquisition of treasury shares	24	-	-	-6.7	-	-6.7	-	-6.7
Equity 31 Dec 2018		0.1	518.2	-6.7	0.1	511.7	0.1	511.8

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

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

1. CORPORATE INFORMATION

Terveystalo Plc is a Finnish public limited liability company organised 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 23 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 health care 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 180 clinics (of which 18 clinic-hospitals) in approximately 100 locations in financial year 2018.

In its meeting on 13 February 2019 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 2018. 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 IFRS

New and amended standards applied in the financial year 2018

Terveystalo Group has applied as from 1 January 2018 the following new and amended standards that have come into effect:

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

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

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

* = not yet endorsed for use by the European Union as of 31 December 2018.

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the

lessees to recognize the lease agreements on the statement of financial position as a right of use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short-term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. Terveystalo has assessed the impacts of IFRS 16 on its consolidated financial statements. The most significant impact identified is that Terveystalo will recognize new assets and liabilities, mainly for its operating leases of facilities. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities reported under financing expenses.

Terveystalo's ongoing IFRS 16 implementation project has proceeded according to the plan, and has been completed by the end of the year concerning the device and premises lease contracts that are classified under the general requirements of IFRS 16 standard and on responsibility of Terveystalo Group as per 31 December 2018. Based on the impact assessment, the most significant lease agreements are the lease contracts of the premises.

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

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

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

The following table presents the preliminary impact what the 1 January 2019 recognized lease liabilities and the right of use assets has to consolidated statement of income during financial year

2019, as well as the opening balances recognized on consolidated statement of financial position as per 1 January 2019. Concerning the new lease contract of the premises made during 2019, the Group will complete the analysis of those as contracts follows.

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

CONSOLIDATED STATEMENT OF INCOME 1.1.-31.12.2019

EUR mill.	Attendo's health care operations in Finland		Total
	Terveystalo	Finland	
Rental expenses	35.4	4.6	40.0
EBITDA	35.4	4.6	40.0
Depreciation	-34.4	-4.4	-38.7
Operating profit	1.0	0.2	1.2
Financial expenses	-3.2	-0.3	-3.5
Deferred taxes	0.4	0.0	0.4
Profit for the period	-1.8	-0.1	-1.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON JAN 1 2019

EUR mill.	Lease contract of the premises	
	Assets	Liabilities
Terveystalo	185.3	185.3
Attendo's healthcare operations in Finland	17.2	17.2
Total	202.5	202.5

- 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 is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The impacts on Terveystalo's consolidated financial statements are not expected to be significant.
- 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 impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 Jan-

uary 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

- 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 relate to IFRS 3, IFRS 11, IAS 12 and IAS 23. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.
- 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. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.
- 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 of activities and assets 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.

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 realised outcomes differ from the estimates and assumptions used in

the financial statements. In addition, the application of the accounting policies requires judgment, especially when the current IFRS standard has alternative accounting, valuation and presentation methods.

The Group monitors the realisation 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 judgment 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. Judgment 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

Management makes judgments and estimates while assessing when all the risks and rewards incidental to ownership of leased assets are substantially transferred to the Group.

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 empty leased premises and other loss-making contracts as well as retirement obligations related to some leased premises. Management estimates mainly relate to the estimated amount of losses.

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. The consideration transferred does not include 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 previously 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.

Depreciation on premises used in operations is recognized on a straight-line basis over a 40 year depreciation period.

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

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.

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 two to six years.

Operational premises acquired through sale and leaseback contracts and other leases of premises that are classified as finance lease are capitalised at the present value of minimum lease payments and depreciated over the lease period. Depreciation periods vary from 8 to 15 years. Property, plant and equipment also include artworks which are not depreciated.

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 capitalises 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 and trademarks. 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	3–5 years
Other capitalised expenditure	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 capitalised 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 a 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

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. Realised or unrealised gains and losses arising from changes in fair values are recognized in profit or loss in the period

in which they are incurred. There weren't any financial assets valued at fair value through profit or loss in Terveystalo Group during the periods 2017 and 2018.

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. Realised or unrealised 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.

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 includes 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. Realised or unrealised 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, finance 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 amortised 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 24 [Financial liabilities](#).

2.12 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined by using FIFO (first in, first out) method. Net realisable 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 10 percent 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 com-

pensated 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.

Leases become onerous if the leased premises become vacant, or if they are subleased at a lower rate than paid for the head lease. A provision is recognized for an estimated loss from vacant lease premises over the remaining lease period, and for losses from subleased premises. A provision is also recognized for other 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.

Terveystalo Group has early adopted the new IFRS 15 Revenue from Contracts with Customers standard in financial year 2017 before the mandatory application date of the standard.

2.16 SEGMENT INFORMATION

Terveystalo Group's business is divided into six geographical regions which are the Group's operating segments: Helsinki centre, Capital region and Uusimaa, Western region, Central region, Eastern region and Northern region. In addition to the regional structure, the Group functions include finance and administration, HR and legal, IT, commu-

nication, 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 no 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 recognised 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 capitalised customer relationships and trademarks, and to provisions related primarily to loss making contracts and to unused leased premises.

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 COMBINATION

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 Hammaslääkäri-asetat 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 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 has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

CONSIDERATION TRANSFERRED

EUR mill.	
Cash	250.5
Total consideration transferred	250.5

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

Goodwill	178.7
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The tangible assets acquired in the business combination described above were measured at fair value. In the business combination, the Group has acquired customer relationships. The fair value of customer contracts and related customer relationships included in other intangible assets has been determined on the basis of the duration of customer relationships and the discounted net cash flows from existing customer contracts. The customer relationships valuations are preliminary. The acquisition resulted preliminary in a goodwill amounting to EUR 178.7 million. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is not deductible for tax purposes.

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

The Group incurred acquisition-related expenses of EUR 6.2 million related 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 possible contingent consideration that is under consideration.

On 28 February 2018, Terveystalo Healthcare Oy acquired 100 percent of the shares of Naantalin Yksityislääkärit Oy. The acquired subsidiary has been consolidated to 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 Fysiatriinen 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. The acquisition includes a possible contingent consideration that is under consideration.

On 31 October 2018, Terveystalo Healthcare Oy acquired 100 percent of the shares of Puistosairaalan Silmälääkärit Oy and Jyväskylän Silmäntutkimuslaboratorio Oy. The acquired subsidiaries have been consolidated to 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 possible contingent consideration that is under 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
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As a result of these business combinations, preliminary goodwill amounting to EUR 6.7 million was recognized. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is tax deductible as far as it is related to asset deals.

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

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

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

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

YEAR 2017

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

Acquisition of Diacor terveystalvet Oy Group

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

The following table 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 has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

CONSIDERATION TRANSFERRED

EUR mill.	
Cash	19.8
Shares	93.9
Total consideration transferred	113.7

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

The Group incurred acquisition-related expenses of EUR 2.5 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

From the acquisition, revenue of EUR 83.4 million and loss of EUR -0.0 million is recognized in year 2017 to the Group's consolidated results. If the acquisition had occurred on 1 January 2017, management estimates that the Group's consolidated revenue in 2017 would have been EUR 724.1 million and the consolidated profit would have been EUR 8.3 million. As part of the acquisition, Terveystalo made certain commitments that are comparable to contingent consideration. Management estimates that the realization of these commitments is unlikely.

Acquisition of Porin Lääkäritalo Group

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

The following table 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 has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect.

CONSIDERATION TRANSFERRED

EUR mill.	
Cash	43.4
Total consideration transferred	43.4

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

EUR mill.	
Cash and cash equivalents	2.3
Intangible assets	2.0
Property, plant and equipment	11.4
Inventories	0.1
Trade and other receivables	1.6
Trade and other payables	-2.4
Provisions	-0.0
Deferred tax liabilities	-0.4
Interest bearing liabilities	-2.1
Total identifiable net assets acquired	12.5
Goodwill	30.9

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

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

The Group incurred acquisition-related expenses of EUR 0.8 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses. From the acquisition, revenue of EUR 22.6 million and profit of EUR 1.1 million is recognized in year 2017 to the Group's consolidated results.

Other business combinations

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

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

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

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

The following table 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 net assets have been adjusted to correspond to Terveystalo Group's accounting principles in all material respect.

CONSIDERATION TRANSFERRED

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

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

Goodwill	1.9
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The tangible assets acquired in the business combination described above were measured at fair value based on the market prices of corresponding assets. The acquisition resulted to a goodwill amounting to EUR 1.9 million. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is tax deductible as far as it related to asset deals.

The fair value of the acquired trade and other receivables amounts to EUR 0.0 million, for which the risk of impairment has been deemed non-significant.

The Group has incurred acquisition-related expenses of EUR 0.0 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

From these other business combinations, revenue of EUR 2.6 million and profit of EUR 0.2 million is recognized in year 2017 to the Group's consolidated results. If these other acquisitions had occurred on 1 January 2017, management estimates that the Group's consolidated revenue in 2017 would have been EUR 690.6 million and consolidated profit would have been EUR 7.3 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 health care services to three distinct customer groups: corporate customers, private customers and public customers.

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

Private customers are Terveystalo's second-largest customer group. Private customers include private individuals and families. The compa-

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

Terveystalo's public customer group is made up of Finnish public sector organisations, 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 healthcare services throughout the chain of care, make Terveystalo an attractive partner for the public sector. Terveystalo's services for public sector customers are mainly financed by municipalities and government budgets.

DISSAGREGATION OF REVENUE

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Corporate*	402.7	372.1
Private	260.7	253.8
Public*	81.2	63.6
Total	744.7	689.5

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

CONTRACT BALANCES

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Receivables, which are included in trade and other receivables	80.5	65.0
Contract liabilities	1.8	1.2

5. OTHER OPERATING INCOME

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Rental income	0.5	0.6
Gains on sale of property, plant and equipment	1.5	0.2
Gains on disposal of subsidiaries	14.6	-
Other items	1.6	1.3
Total	18.2	2.1

6. MATERIALS AND SERVICES

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Purchases of materials	-28.4	-27.8
Change in inventories	-0.2	-0.0
External services	-322.7	-296.5
Total	-351.3	-324.3

7. EMPLOYEE BENEFIT EXPENSES

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Wages and salaries	-163.2	-155.2
Share-based compensation, personnel offering	-0.2	-0.2
Pension expenses - defined contribution plans	-27.9	-28.1
Other social security costs	-5.9	-5.9
Total	-197.1	-189.5

Number of personnel at the end of the reporting period	6,018	4,265
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8. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Depreciation and amortisation by asset type		
Intangible assets		
Trademarks	-4.1	-4.2
Customer relationships	-10.8	-10.4
Other intangible assets	-5.0	-5.1
Total	-19.9	-19.8

Property, plant and equipment		
Buildings	-2.5	-3.6
Machinery and equipment	-13.4	-12.0
Improvement to premises	-4.7	-3.4
Other tangible assets	-0.6	-0.4
Total	-21.1	-19.4

Investment property	-0.0	-0.0
Depreciation and amortisation total	-41.0	-39.2

Impairment losses by asset groups		
Other intangible assets	-	-0.4
Land and water	-0.0	-
Buildings	-0.1	-0.2
Other property, plant and equipment	-0.0	-0.0
Machinery and equipment	-	-0.0
Available-for-sale financial assets	-	-0.2
Impairment total	-0.1	-0.8
Total depreciation, amortisation and impairment losses	-41.1	-40.0

9. OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
External services	-3.8	-7.1
Operating and maintenance expenses for premises and equipment	-14.9	-15.9
ICT expenses	-16.2	-19.4
Other personnel related expenses	-3.9	-5.1
Leases	-34.3	-32.9
Travel expenses	-3.5	-3.1
Marketing and communication	-7.1	-8.9
Acquisition related expenses	-6.5	-3.6
Other costs	-7.7	-13.6
Total	-97.9	-109.6

AUDITOR'S FEES

In thousands of euro	1.1.-31.12.2018	1.1.-31.12.2017
Audit and auditor's statements based on laws and regulations		
Audit, KPMG	-159.4	-229.1
Audit, other offices	-	-6.6
Auditor's statements based on laws and regulations, KPMG	-17.7	-89.0
Total	-177.1	-324.7
Non audit services		
Assurance services, KPMG	-1.6	-92.6
Tax services, KPMG	-32.8	-3.7
Other services, KPMG	-213.9	-516.6
Total	-248.3	-612.9
Auditor's fees total	-425.4	-937.6

10. FINANCIAL INCOME AND EXPENSES

EUR mill.	1.1.-31.12.2018	1.1.-31.12.2017
Interest income on loans and other receivables	0.3	0.1
Dividend income	0.0	0.0
Total financial income	0.3	0.1
Interest expense on loans from financial institutions	-6.5	-12.4
Interest expense on finance lease agreements	-1.2	-1.8
Change in fair value of interest rate derivatives, no hedge accounting	-0.9	-
Other financial expenses	-0.9	-10.0
Total financial expenses	-9.5	-24.2
Total financial income and expenses	-9.2	-24.1

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.-31.12.2018	1.1.-31.12.2017
Current tax for the reporting year	-0.1	-0.6
Income taxes for prior periods	-0.0	-0.0
Deferred taxes	0.7	3.9
Total income taxes	0.5	3.3

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.-31.12.2018	1.1.-31.12.2017
Profit or loss before taxes	68.2	3.9
Tax using the Parent company's tax rate	-13.6	-0.8
Tax rates in foreign jurisdictions	0.1	0.1
Tax exempt income	1.9	0.1
Non-deductible expenses	-0.0	-0.3
Share of profit in associated companies	0.4	-0.0
Utilisation of deferred tax assets relating to tax losses carried forward, recognized after concluded tax audit	11.9	-
Recognition of previously unrecognized tax losses	-	4.4
Taxes from previous periods	-0.0	-0.0
Other	-0.1	-0.1
Total tax in the statement of income	0.5	3.3

11.2 DEFERRED TAX ASSETS AND LIABILITIES

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

During the year 2017**DEFERRED TAX ASSETS:**

EUR mill.	1 Jan 2017	Recognized in profit or loss	Business combinations	31 Dec 2017
Provisions	0.8	0.1	-	0.9
Tax losses carried forward	3.8	0.9	-	4.8
Finance leases	0.6	-0.1	0.1	0.5
Other temporary differences	0.8	0.1	0.4	1.2
Total	6.0	1.0	0.4	7.4

DEFERRED TAX LIABILITIES:

EUR mill.	1 Jan 2017	Recognized in profit or loss	Business combinations	31 Dec 2017
Reversal of goodwill amortisation	2.0	0.1	-	2.2
Business combinations	22.2	-2.9	1.9	21.1
Depreciation difference	0.3	-0.0	-	0.3
Loan withdrawal expense	0.4	-0.1	-	0.3
Other temporary differences	0.1	-0.1	0.2	0.2
Total	25.0	-2.9	2.0	24.1

12. EARNINGS PER SHARE

	1.1.-31.12.2018	1.1.-31.12.2017
Result attributable to the equity holders of the company, EUR mill.	68.7	7.2
Weighted average number of shares, in thousands*	127,769	116,485
Diluted average number of shares, in thousands*	127,769	116,485
Basic earnings per share for result attributable to the equity holders of the company, EUR	0.54	0.06
Diluted earnings per share for result attributable to the equity holders of the company, EUR	0.54	0.06

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

13. PROPERTY, PLANT AND EQUIPMENT**13.1 CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT**

EUR mill.	Land and water	Buildings and constructions	Machinery and equipment	Improvements 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	0.0
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	-	-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

Other tangible assets and advances paid include advances paid EUR 0.8 million at the reporting date.

EUR mill.	Land and water	Buildings and constructions	Machinery and equipment	Improvements to premises	Other tangible assets and advances paid	Total
Acquisition cost 1 Jan 2017	0.1	35.2	62.8	15.7	3.0	116.8
Business combination	1.9	9.8	5.7	6.4	-	23.7
Additions	-	0.8	16.3	5.7	1.4	24.2
Disposals	-0.0	-0.0	-1.3	-0.6	-0.0	-2.0
Reclassifications	-	-6.0	-	6.3	-	0.3
Acquisition cost 31 Dec 2017	1.9	39.8	83.5	33.4	4.4	163.0
Accumulated depreciation and impairment losses 1 Jan 2017	-	-8.9	-35.9	-5.8	-0.7	-51.3
Depreciation	-	-3.6	-12.0	-3.4	-0.4	-19.4
Impairment losses	-	-0.2	-0.0	-	-0.0	-0.2
Accumulated depreciation and impairment losses 31 Dec 2017	-	-12.6	-48.0	-9.2	-1.1	-70.9
Carrying amount 1 Jan 2017	0.1	26.4	26.9	9.8	2.3	65.5
Carrying amount 31 Dec 2017	1.9	27.1	35.5	24.2	3.3	92.0

Other tangible assets and advances paid include advances paid EUR 2.2 million at the reporting date.

13.2 FINANCE LEASES

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 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 Jan 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

EUR mill.	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2017	32.7	16.4	1.1	50.1
Business combination	1.6	3.5	-	5.1
Additions	0.7	0.4	1.0	2.2
Disposals	-0.0	-0.8	-	-0.8
Reclassifications	-6.3	-1.7	-	-8.0
Acquisition cost 31 Dec 2017	28.7	17.8	2.1	48.6
Accumulated depreciation and impairment losses 1 Jan 2017	-7.4	-13.1	-0.7	-21.2
Depreciation	-3.2	-2.5	-0.4	-6.1
Accumulated depreciation and impairment losses 31 Dec 2017	-10.6	-15.6	-1.0	-27.3
Carrying amount 1 Jan 2017	25.3	3.2	0.4	28.9
Carrying amount 31 Dec 2017	18.1	2.2	1.1	21.3

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

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	-	-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

Other intangible assets and advances paid include advances paid EUR 6.8 million at the reporting date.

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

Other intangible assets and advances paid include advances paid EUR 2.1 million at the reporting date.

14.2 DEVELOPMENT COSTS

Other intangible assets include development costs as follows:

EUR mill.	Total
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

EUR mill.	Total
Acquisition cost 1 Jan 2017	1.2
Additions	0.2
Disposals	-0.0
Acquisition cost 31 Dec 2017	1.4
Accumulated amortisations and impairment losses 1 Jan 2017	-0.8
Amortisation	-0.3
Accumulated amortisations and impairment losses 31 Dec 2017	-1.1
Carrying amount 1 Jan 2017	0.4
Carrying amount 31 Dec 2017	0.3

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. Preliminary goodwill resulting from the acquisition of Attendo Terveyspalvelut Oy Group has been presented separately.

EUR mill.	31 Dec 2018 Goodwill	%	EUR mill.	31 Dec 2017 Goodwill	%
Attendo	178.7	23.3 %	Attendo		
Helsinki Centre	97.5	12.7 %	Helsinki Centre	96.6	16.6 %
Eastern Finland	76.2	9.9 %	Eastern Finland	76.2	13.1 %
Central Finland	97.2	12.6 %	Central Finland	93.3	16.0 %
Western Finland	122.6	15.9 %	Western Finland	122.3	21.0 %
Northern Finland	69.2	9.0 %	Northern Finland	69.2	11.9 %
Capital region and Uusimaa	127.3	16.6 %	Capital region and Uusimaa	125.8	21.6 %
Total	768.7	100.0 %	Total	583.3	100.0 %

In financial year 2018 there were six cash generating units, in comparison to five in financial year 2017. 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 2019–2023 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	10.18%
Long-term growth rate	2.00%
Discount rate (Pre-tax WACC)	8.01%
Discount rate (Post-tax WACC)	6.83%

In the 2018 impairment testing, the assumption for the profitability growth is 10.18 percent (2017: 9.36 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 (2017: 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 2018 calculations has been 8.01 percent (2017: 8.05 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)	
Helsinki Centre	Increase over 5.5 percentage points
Eastern Finland	Increase over 13.3 percentage points
Central Finland	Increase over 9.9 percentage points
Western Finland	Increase over 3.4 percentage points
Northern Finland	Increase over 10.2 percentage points
Capital region and Uusimaa	Increase over 8.5 percentage points
Profitability growth rate	
Helsinki Centre	Decrease over 5.1 percentage points
Eastern Finland	Decrease over 8.7 percentage points
Central Finland	Decrease over 7.2 percentage points
Western Finland	Decrease over 3.7 percentage points
Northern Finland	Decrease over 7.1 percentage points
Capital region and Uusimaa	Decrease over 7.5 percentage points
Long term growth	
Helsinki Centre	Decrease over 5.8 percentage points
Eastern Finland	Decrease over 18.5 percentage points
Central Finland	Decrease over 12.1 percentage points
Western Finland	Decrease over 3.4 percentage points
Northern Finland	Decrease over 12.6 percentage points
Capital region and Uusimaa	Decrease over 10.0 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.–31.12.2018	1.1.–31.12.2017
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.–31.12.2018	1.1.–31.12.2017
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 %
Terveyden Tuottajat Oy	Finland	0.1 %	49.0 %

SUMMARISED FINANCIAL INFORMATION ON ASSOCIATED COMPANIES

EUR mill.	2018	2017
Carrying amount	2.4	0.3
Group's share of total comprehensive income	1.9	-0.2

18. SHARE-BASED PAYMENTS

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

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

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

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

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

In its July meeting, the Board made a decision concerning the acquisition and management of Terveystalo Plc's shares with Evli Awards Management Oy, in accordance with the section of the Limited Liability Companies Act concerning incentives and financing the acquisition of company shares. For this arrangement, EAM established EAM TTA-LO Holding Oy (a holding company) to purchase Terveystalo's shares financed by Terveystalo, in accordance with the agreement. The shares are used as part of Terveystalo's share-based incentive system, in accordance with the terms of the system. During the review period, EAM TTALO Holding Oy acquired 730,000 Terveystalo's shares worth EUR 6.7 million.

There were no expenses in 2018 related to the Performance Share Plan.

Program	2018
Grant date	30 Jan 2018
Maximum number of shares, pcs	943,000
Fair value at grant date	6.87
Validity	31.12.2018
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 2018, EUR 187.8 thousands were booked in personnel expenses and retained earnings (2017: EUR 157.2 thousand).

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

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	

EUR mill. 31 Dec 2017	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	-	65.0	65.0	65.0	Level 2
Cash and cash equivalents	23	-	33.0	33.0	33.0	Level 2
Total		-	98.0	98.0	98.0	
Financial liabilities						
Non-current						
Loans from financial institutions	25	-	243.9	243.9	243.9	Level 2
Hire purchase liabilities	25	-	6.2	6.2	6.2	Level 2
Finance lease liabilities	25	-	20.1	20.1	20.1	Level 2
Accrued additional purchase price liabilities		-	0.3	0.3	0.3	Level 3
Current						
Loans from financial institutions	25	-	12.3	12.3	12.3	Level 2
Hire purchase liabilities	25	-	3.1	3.1	3.1	Level 2
Finance lease liabilities	25	-	3.8	3.8	3.8	Level 2
Trade payables	26	-	27.0	27.0	27.0	Level 2
Accrued additional purchase price liabilities		-	0.5	0.5	0.5	Level 3
Total		-	317.2	317.2	317.2	

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

ACCRUED ADDITIONAL PURCHASE PRICE LIABILITIES

EUR mill.	2018	2017
Carrying amount 1 Jan	0.8	0.6
Additions	1.7	0.4
Disposals	-0.1	-
Through profit or loss	-0.5	-0.2
Carrying amount 31 Dec	2.0	0.8

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 minimise 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 2018, the Group's average interest rate for loans from financial institutions has been 2.1 percent (2017: 3.4 percent). An increase of one percentage point in the average interest rate would have increased the Group's interest expenses by EUR 1.9 million during the year 2017 (2017: EUR 3.3 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 0.49 and 0.51 percent interest rate and receives variable interest on EUR 50.0 and 25.0 million loan capital.
- Floor agreements, in which the interest rate floor has been set to 0.00 percent on EUR 50.0 and 25.0 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.

MATURITY ANALYSIS OF LIQUIDITY RISK

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

31 Dec 2017 EUR mill.	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
Loans from financial institutions	256.2	279.2	17.4	26.2	235.6	-
Finance lease liabilities	23.9	29.4	4.9	4.3	8.7	11.5
Hire purchase liabilities	9.3	9.6	2.9	2.7	4.1	-
Trade payables	27.0	27.0	27.0	-	-	-
Total	316.4	345.2	52.2	33.2	248.4	11.5

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 38.0 million remained unused at the reporting date (2017: EUR 48.0 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 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.

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, amongst 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 80.8 percent at the reporting date (2017: 56.1 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 450.1 million at the reporting date (2017: EUR 289.4 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.	2018	2017
Non-current		
Loan receivables	0.0	0.0
Total non-current receivables	0.0	0.0
Current		
Trade receivables	80.5	65.0
Other receivables	1.8	1.7
Accrued income and deferred expenses	7.3	3.3
Total	89.6	70.0

SPECIFICATION OF ACCRUED INCOME AND DEFERRED EXPENSES

EUR mill.	2018	2017
Personnel related deferred expenses	0.3	0.2
Current tax receivables	0.5	0.4
Other accrued income and deferred expenses	6.4	2.6
Total	7.3	3.3

During the reporting period the Group has recognized impairment losses and provisions for impairment losses on trade receivables through profit or loss totalling EUR 0.8 million (2017: EUR 0.9 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:

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.

2017 EUR mill.	Trade receivables total	Recognized impairment losses	Carrying amount
Not past due	60.0	-	60.0
Past due			
Less than 30 days	3.1	-	3.1
31-90 days	1.4	-	1.4
91-180 days	0.5	-	0.5
Over 180 days	1.0	-0.9	0.1
Total	65.9	-0.9	65.0

22. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents at 31 December 2018, amounting to EUR 36.9 million (2017: EUR 33.0 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.	1.1.-31.12.2018	1.1.-31.12.2017
Unquoted equity investments	1.1	1.2

Non-current assets held for sale at 31 December 2018, amounting to EUR 1.1 million (2017: EUR 1.2 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 2017	308,000	-	308,000	0.0	308.0	-	308.0
Increase in share capital	-	-	-	0.1	-0.1	-	-
Directed share issue to Helsinki Deacon- ess Institute Foundation	48,146	-	48,146	-	93.9	-	93.9
Share class conversion	-297,268	-	-297,268	-	-	-	-
Equity investment without consider- ation	-	-	-	-	25.0	-	25.0
Issuance of new shares without payment (share split)	58,878	-	58,878	-	-	-	-
Personnel Offering	356	-	356	-	3.1	-	3.1
Public Offering	9,926	-	9,926	-	96.9	-	96.9
Transaction costs paid in connection with share issue, net of tax	-	-	-	-	-0.9	-	-0.9
31 Dec 2017	128,037	-	128,037	0.1	525.9	-	526.0
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

Shares and share capital

On 31 December 2018 the amount of shares is 128,036,531 of which amount of outstanding shares is 127,306,531 and amount 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 recognized in invested non-restricted equity reserve.

Distributable funds

On December 31 2018 the distributable funds of the parent company totaled EUR 518.2 million including the profit of the financial period 2018 of EUR 9.2 million. The Board of Directors proposes to the Annual General Meeting in 2019 that the distributable funds are used as follows:

- 0.20 eur per share totaling EUR 25.5 million will be distributed from the invested non-restricted equity reserve
- EUR 492.7 million will be left in equity

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.	2018	2017
Non-current		
Loans from financial institutions	372.8	243.9
Hire purchase liabilities	9.2	6.2
Finance lease liabilities	18.3	20.1
Total	400.4	270.2
Current		
Loans from financial institutions	41.5	12.3
Hire purchase liabilities	4.4	3.1
Finance lease liabilities	3.9	3.8
Total	49.8	19.2
Financial liabilities total	450.1	289.4

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 FINANCE LEASE LIABILITIES - MATURITY OF THE MINIMUM LEASE PAYMENTS

EUR mill.	2018	2017
Within one year	4.9	4.9
Between one and five years	11.6	13.0
Later	9.5	11.5
Total	26.1	29.4
Financial expenses to be accrued in the future	-3.8	-5.5
Present value of finance lease liabilities	22.3	23.9

MATURITY OF THE PRESENT VALUE OF FINANCE LEASE LIABILITIES

EUR mill.	2018	2017
Within one year	3.9	3.8
Between one and five years	9.7	10.0
Later	8.7	10.0
Total	22.3	23.9

LIABILITIES ARISING FROM FINANCING ACTIVITIES

EUR mill.	1 Jan 2018	Cash flows	Non-cash changes				31 Dec 2018
			Additions	Business combination	Other	Reclassifications	
Long-term							
Loans from financial institutions	243.9	148.6	-	-	0.3	-20.0	372.8
Hire purchase liabilities	6.2	-2.7	5.8	-	-	-	9.2
Finance lease liabilities	20.1	-3.7	1.6	0.4	-	-	18.3
Total	270.2	142.2	7.3	0.4	0.3	-20.0	400.4
Short-term							
Loans from financial institutions	12.3	9.2	-	0.0	-	20.0	41.5
Hire purchase liabilities	3.1	-0.6	1.4	0.4	-	-	4.4
Finance lease liabilities	3.8	-0.4	0.3	0.1	-	-	3.9
Total	19.2	8.3	1.8	0.5	-	20.0	49.8

26. TRADE AND OTHER PAYABLES

CARRYING AMOUNTS OF TRADE AND OTHER PAYABLES

EUR mill.	2018	2017
Trade payables	33.2	27.0
Other payables	58.5	52.5
Advances received	1.8	1.2
Interest rate derivatives	0.9	-
Accrued expenses	52.5	36.5
Total	146.9	117.1

SPECIFICATION OF OTHER PAYABLES

EUR mill.	2018	2017
Doctor's fee liabilities	34.6	34.9
VAT liabilities	15.7	13.9
Other	8.1	3.7
Total	58.5	52.5

SPECIFICATION OF ACCRUED EXPENSES

EUR mill.	2018	2017
Personnel related accrued expenses	45.6	34.1
Interest liabilities	1.1	1.1
Other	5.9	1.2
Total	52.5	36.5

27. PROVISIONS

CARRYING AMOUNTS OF PROVISIONS

EUR mill.	2018	2017
Non-current provisions	9.1	6.6
Current provisions	2.3	1.4
Total	11.4	8.0

EUR mill.	2018	2017
Onerous contracts	7.0	3.9
Other provisions	4.4	4.1
Total	11.4	8.0

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

CHANGES IN PROVISIONS DURING THE FINANCIAL YEAR 2017

EUR mill.	Onerous contracts	Other provisions	Total
1 Jan 2017	4.4	0.8	5.2
Increase in provisions	1.5	4.7	6.2
Used provisions	-2.0	-1.4	-3.4
31 Dec 2017	3.9	4.1	8.0

28. COLLATERAL AND OTHER CONTINGENT LIABILITIES

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

28. COLLATERAL AND OTHER CONTINGENT LIABILITIES

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

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

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

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

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	2018	2017
Sales	8.6	14.8
Purchases	18.4	27.6
Receivables	1.5	0.5
Liabilities	15.7	4.1

COMPENSATION FOR THE KEY MANAGEMENT

Remuneration for CEO, in thousands of euro	2018	2017
Salaries and benefits	910.4	573.1
Pension costs*	162.2	102.1
Total	1,072.6	675.2

* Includes statutory pension, there is no supplementary pension benefit

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

Remuneration to Board of Directors, in thousands of euro	2018	2017
Fredrik Cappelen (Chairman of the board)	80.0	50.0
Eeva Ahdekivi*	39.0	-
Lasse Heinsonen*	49.0	-
Olli Holmström	39.0	17.7
Vesa Koskinen	-	-
Åse Aulie Michelet	39.0	25.0
Katri Viippola*	39.0	-
Tomas von Rettig*	49.0	-
Members to Board of directors until April 12, 2018		
Ralf Michels**	-	25.0
Matti Rihko**	-	25.0
Total	344.0	142.7

* Member of the Board of Directors starting April 12, 2018.

** Annual remuneration of Matti Rihko and Ralf Michaels, who served as members of the Board until 12 April, are included in the remuneration reported for 2017.

Remuneration to members of the Executive team (excluding CEO), in thousands of euro	2018	2017
Salaries and benefits	2,460.9	1,891.4
Pension costs	446.8	336.9
Total	2,907.7	2,228.3

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 new 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.

MANAGEMENT HOLDINGS

Name	Position	2018
Fredrik Cappelen ¹	Chairman of the Board of Directors	267,795
Eeva Ahdekivi	Member of the Board of Directors	1,439
Lasse Heino	Member of the Board of Directors	8,808
Olli Holmström	Member of the Board of Directors	1,439
Vesa Koskinen	Member of the Board of Directors	-
Åse Aulie Michelet ²	Member of the Board of Directors	24,063
Katri Viippola	Member of the Board of Directors	1,439
Tomas von Rettig	Member of the Board of Directors	1,808
Yrjö Närhinen ³	Chief Executive Officer	1,316,459
Jens Jensen	SVP, Commercial	119,476
Juha Juosila	Chief Digital Officer	94,323
Johanna Karppi	SVP, HR	10,112
Susanna Laine	SVP, Communications, Marketing and Brand	18,668
Ilkka Laurila	Chief Financial Officer	314,923
Julia Ormio ⁴	SVP, Legal	-
Laura Rätty ⁵	SVP, Public Partnerships	9,078
Siina Saksi	Chief Operating Officer, Clinic Network	50,559
Pia Westman	Chief Operating Officer, Centralized Businesses and Capital Region	23,594

¹ 262,795 of Fredrik Cappelen's shares are owned by Baskina AB, which he controls.

² Åse Aulie Michelet's shares are owned by Michelet Consult AS, which she controls.

³ From the shares that Yrjö Närhinen owns, 556,353 shares are owned by Närhen Pesä Oy, which he controls and the rest 760,106 shares are held by Mandatum Life Insurance Company Limited, Närhinen being the ultimate beneficiary.

⁴ Julia Ormio, SVP Legal as of 1 December 2018 had no shareholdings in Terveystalo Plc.

⁵ 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 2018

Company name	Domicile	Group's share	Group's voting rights
Terveystalo Healthcare Holding Oy	Finland	100.0%	100.0%
Terveystalo Healthcare Oy	Finland	100.0%	100.0%
Suomen Terveystalo Oy	Finland	100.0%	100.0%
Examinatio Magnetica Fennica Oy	Finland	60.0%	60.0%
Fertility Clinic Holding Oy	Finland	100.0%	100.0%
Fysiatriinen osaamiskeskus Prima Oy	Finland	100.0%	100.0%
Rela-hierojat Oy	Finland	100.0%	100.0%
Hierojakoulu Relaxi Oy	Finland	100.0%	100.0%
Rela-Group Oy	Finland	100.0%	100.0%
Puistosairaalan Silmälääkärit Oy	Finland	100.0%	100.0%
Jyväskylän Silmatutkimuslaboratorio Oy	Finland	100.0%	100.0%
Kuntoutumisasema OTE Oy	Finland	100.0%	100.0%
Terveystalo Tactus Oy	Finland	100.0%	100.0%
Attendo Terveyspalvelut Oy	Finland	100.0%	100.0%
Attendo Kuntaturva Oy	Finland	100.0%	100.0%
Attendo Ålands Tandläkarna Oy	Finland	100.0%	100.0%
Attendo Estonia OÜ	Estonia	100.0%	100.0%
Attendo Hammaslääkärikeskukset Oy	Finland	100.0%	100.0%
Attendo Työterveyspalvelut Oy	Finland	100.0%	100.0%
Attendo Hammaslääkäripalvelut Oy	Finland	100.0%	100.0%
Attendo Aaria Oy	Finland	100.0%	100.0%
Attendo Hammaslääkäriasemat Oy	Finland	100.0%	100.0%
EAM TTALO Holding Oy*	Finland	0.0%	100.0%

* The Board of Directors decided in their meeting in July to implement a share acquisition and administration arrangement of Terveystalo PLC (Terveystalo) shares with Evli Awards Management Oy (EAM) according to the stipulations of the Companies Act for financing the purchase of own shares (The Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM TTALO Holding Oy (Holding company) which acquires the shares with Terveystalo's funding and according to the agreement. These shares will be delivered to the employees according to the Terveystalo's share plan terms and conditions. The Holding company is owned by EAM in legal terms, but according to the agreement Terveystalo has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control is arising from contractual terms means that the Holding company is consolidated in to the Group's IFRS financial statements as a structured entity.

30.1 CHANGES IN THE GROUP STRUCTURE

The financial year 2018

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.

The financial year 2017

Following mergers took place during the financial year 2017:

- 31.3.2017 Lotta Holding III S.a.r.l merged with Lotta Holding II S.a.r.l.
- 31.3.2017 Lotta Holding II S.a.r.l merged with Terveystalo Holding I Oy.
- 30.6.2017 Into Sales Oy merged with Turun Teknohammas Oy.
- 31.7.2017 Terveystalo Holding I Oy merged with Terveystalo Oyj.
- 31.7.2017 Porin Lääkärikeskus Oy merged with Porin Lääkäritalo Oy.
- 31.7.2017 Porin Lääkäritalo Oy merged with Suomen Terveystalo Oy.
- 31.8.2017 Diacor terveyspalvelut Oy merged with Suomen Terveystalo Oy.
- 30.9.2017 Eloni Oy merged with Suomen Terveystalo Oy.
- 31.10.2017 Densens Oy merged with Suomen Terveystalo Oy.
- 31.10.2017 Curia Oy merged with Suomen Terveystalo Oy.
- 30.11.2017 Vimadent Oy merged with Suomen Terveystalo Oy.

31. GROUP'S KEY FINANCIAL RATIOS

Terveystalo Group, EUR mill.	2018	2017	2016
Revenue	744.7	689.5	547.0
Adjusted EBITDA ^{*, **}	108.9	92.4	72.9
Adjusted EBITDA, % ^{*, **}	14.6	13.4	13.3
Adjusted EBITA ^{*, **}	87.7	73.0	56.8
Adjusted EBITA, % ^{*, **}	11.8	10.6	10.4
Adjusted operating profit (EBIT) ^{*, **}	67.7	52.3	33.6
Adjusted operating profit (EBIT), % ^{*, **}	9.1	7.6	6.1
EBITDA [*]	116.6	68.2	68.9
EBITDA, % [*]	15.7	9.9	12.6
EBITA [*]	95.5	48.8	52.7
EBITA, % [*]	12.8	7.1	9.6
Operating profit (EBIT) [*]	75.4	28.2	29.6
Operating profit (EBIT), % [*]	10.1	4.1	5.4
Return on equity (ROE), % [*]	14.2	2.1	5.6
Equity ratio, % [*]	44.1	50.7	31.7
Earnings per share (€) ^{***}	0.54	0.06	0.11
Gearing, % [*]	80.8	56.1	132.6
Net debt/Adjusted EBITDA (LTM) ^{*, **, ****}	3.8	2.8	4.2
Total assets	1,162.3	902.3	734.1
Average personnel FTE	3,498	3,180	2,605
Personnel (end of period)	6,018	4,265	3,463
Private practitioners (end of period)	4,877	4,431	3,448

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

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

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

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

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

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, %	2018	2017	2016
Profit/loss for the period (LTM)	68.7	7.2	12.7
Equity (including non-controlling interest) (average)	484.5	344.8	226.3
Return on equity, %	14.2	2.1	5.6

Equity ratio, %	2018	2017	2016
Equity (including non-controlling interest)	511.8	457.3	232.3
Total assets	1,162.3	902.3	734.1
Advances received	1.8	1.2	1.0
Equity ratio, %	44.1	50.7	31.7

Gearing, %	2018	2017	2016
Interest-bearing liabilities	450.1	289.4	347.2
Interest-bearing receivables and cash and cash equivalents	36.9	33.0	39.1
Equity	511.8	457.3	232.3
Gearing, %	80.8	56.1	132.6

Net debt /Adjusted EBITDA (LTM)	2018	2017	2016
Interest-bearing liabilities	450.1	289.4	347.2
Interest-bearing receivables and cash and cash equivalents	36.9	33.0	39.1
Adjusted EBITDA (LTM)	108.9	92.4	72.9
Net debt /Adjusted EBITDA (LTM)	3.8	2.8	4.2

Adjusted EBITDA, EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
Depreciation, amortisation and impairment losses	41.1	40.0	39.3
Adjustments*	-7.7	24.1	4.0
Adjusted EBITDA	108.9	92.4	72.9

Adjusted EBITDA, %	2018	2017	2016
Adjusted EBITDA	108.9	92.4	72.9
Revenue	744.7	689.5	547.0
Adjusted EBITDA, %	14.6	13.4	13.3

Adjusted EBITA, EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
Amortisation and impairment losses	20.0	20.6	23.1
Adjustments*	-7.7	24.1	4.0
Adjusted EBITA	87.7	73.0	56.8

Adjusted EBITA, %	2018	2017	2016
Adjusted EBITA	87.7	73.0	56.8
Revenue	744.7	689.5	547.0
Adjusted EBIT, %	11.8	10.6	10.4

Adjusted operating profit (EBIT), EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
Adjustments*	-7.7	24.1	4.0
Adjusted EBITA	67.7	52.3	33.6

Adjusted operating profit (EBIT), %	2018	2017	2016
Adjusted EBITA	67.7	52.3	33.6
Revenue	744.7	689.5	547.0
Adjusted EBIT, %	9.1	7.6	6.1

EBITDA, EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
Depreciation, amortisation and impairment losses	41.1	40.0	39.3
EBITDA	116.6	68.2	68.9

EBITDA, %	2018	2017	2016
EBITDA	116.6	68.2	68.9
Revenue	744.7	689.5	547.0
EBITDA, %	15.7	9.9	12.6

EBITA, EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
Amortisation and impairment losses	20.0	20.6	23.1
EBITA	95.5	48.8	52.7

EBITA, %	2018	2017	2016
EBITA	95.5	48.8	52.7
Revenue	744.7	689.5	547.0
EBITA, %	12.8	7.1	9.6

Operating profit (EBIT), EUR mill.	2018	2017	2016
Profit (loss) for the period	68.7	7.2	12.7
Income tax expense	-0.5	-3.3	-3.2
Share of profits in associated companies	-1.9	0.2	-
Net finance expenses	9.2	24.1	20.1
EBIT	75.4	28.2	29.6
Operating profit, (EBIT), %	2018	2017	2016
EBIT	75.4	28.2	29.6
Revenue	744.7	689.5	547.0
EBIT, %	10.1	4.1	5.4
Adjustments based on subject area*, EUR mill.	2018	2017	2016
Acquisition related expenses**	6.6	17.7	0.2
Restructuring related expenses***	1.4	5.8	6.2
Gain on sale of asset	-15.8	-0.2	-4.6
Strategic projects, new operations and other items affecting to comparability	0.1	0.8	2.2
Adjustments	-7.7	24.1	4.0
Adjustments based on account group*, EUR mill.	2018	2017	2016
Other operating income	-16.8	-0.2	-5.3
Materials and services costs	0.4	0.1	3.4
Personnel expenses	0.0	4.0	2.0
Other operating expenses	8.7	20.3	3.9
Adjustments	-7.7	24.1	4.0

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

** including transaction costs and expenses from integration of acquired businesses as well as IPO related expenses.

*** including restructuring of network and business operations, start up losses, provisions for onerous contracts (lease agreements and other contracts)

34. SUBSEQUENT EVENTS

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

PARENT COMPANY'S FINANCIAL STATEMENT, FAS

PARENT COMPANY'S INCOME STATEMENT

EUR	Note	1.1.-31.12.2018	1.1.-31.12.2017
Revenue	1.1	495,915	194,043
Employee benefit expenses			
Wages and salaries		-1,527,033	-979,095
Social security expenses			
Pension expenses		-221,457	-156,124
Other social security expenses		-15,270	-27,531
Depreciation, amortisation and impairment losses	1.2	-14,874	-4,768
Other operating expenses	1.4	-1,530,175	-11,418,287
Operating profit or loss		-2,812,894	-12,391,761
Financial income and expenses	1.5		
Other interest and financial income			
From Group companies		-	345,570
From others		1,183	10
Other interest and financial expenses			
To Group companies		-15,261	-3,877
To others		-2,251	-1,455
Profit or loss before appropriations and taxes		-2,829,223	-12,051,512
Appropriations	1.6		
Increase/decrease in depreciation in excess of plan		-216	-14,702
Group contributions		12,000,000	2,000,000
Taxes		-1,415	-1,455
Profit or loss for the period		9,169,147	-10,067,668

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

EUR	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	2.1		
Machinery and equipment		60,188	72,845
Investments	2.2		
Holdings in Group companies		506,685,344	506,685,344
Total non-current assets		506,745,532	506,758,189
Current assets			
Trade receivables		8,465	-
Receivables from Group companies	2.3	29,492,208	15,765,919
Prepayments and accrued income	2.4	183,859	700,315
Cash and cash equivalents		96,644	2,498,091
Total current assets		29,781,175	18,964,325
TOTAL ASSETS		536,526,707	525,722,515
EUR	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity	2.5		
Share capital		80,000	80,000
Invested non-restricted equity reserve		519,111,269	526,793,461
Retained earnings		-10,069,991	-2,323
Profit or loss for the period		9,169,147	-10,067,668
Total equity		518,290,424	516,803,469
Appropriations			
Depreciation in excess of plan		14,918	14,702
Total appropriations		14,918	14,702
Liabilities	2.6		
Non-current liabilities			
Loans from financial institutions		35,598	56,805
Current liabilities			
Loans from financial institutions		21,207	21,207
Trade payables		238,100	7,631,159
Liabilities to Group companies		16,993,771	175,834
Other liabilities		88,437	82,909
Accruals and deferred income		844,252	936,429
Total liabilities		18,221,365	8,904,344
TOTAL EQUITY AND LIABILITIES		536,526,707	525,722,515

PARENT COMPANY'S STATEMENT OF CASH FLOWS

EUR	1.1.-31.12.2018	1.1.-31.12.2017
Cash flows from operating activities		
Profit/loss for the period	9,169,147	-10,067,668
Adjustments		
Depreciations according to plan	14,874	4,768
Non-cash transactions	-11,999,784	-1,566,665
Financial income and expenses	17,512	-340,239
Other adjustments	1,415	1,455
Change in working capital		
Change in trade and other receivables	98,683	-887,278
Change in trade and other payables	-7,464,756	8,717,182
Taxes	-1,415	-1,455
Interest paid	-17,512	-5,331
Net cash from operating activities	-10,181,837	-4,145,231
Cash flows from investing activities		
Purchase of tangible and intangible items	-2,216	-77,614
Purchase of investments	-	-115,500,000
Net cash from investing activities	-2,216	-115,577,614
Cash flows from financial activities		
Change in long-term receivables	-6,708,591	-
Share issue	-	100,000,000
Equity investment without consideration in the invested non-restricted equity reserve	-	25,000,005
Change in Group account	20,194,595	-3,391,611
Proceeds from short-term borrowings	-	21,207
Repayment of short-term borrowings	-	-820,559
Proceeds of long-term borrowings	-	56,805
Repayment of long-term borrowings	-21,207	-
Received Group supports	2,000,000	350,000
Equity repayment	-7,682,192	-
Net cash from financial activities	7,782,606	121,215,846
Net change in cash and cash equivalents	-2,401,448	1,493,002
Cash and cash equivalents at 1 January	2,498,091	10,823
Cash and cash equivalents from acquisitions	-	994,266
Cash and cash equivalents at 31 December	96,644	2,498,091

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	2018	2017
Finland	495,915	194,043
Total	495,915	194,043

1.2 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR	2018	2017
Depreciation	-14,874	-4,768
Total	-14,874	-4,768

1.3 PERSONNEL

	2018	2017
Average number of personnel during financial year	5	2

1.4 OTHER OPERATING EXPENSES

EUR	2018	2017
External services	-1,260,232	-4,052,206
ICT expenses	-9,678	-1,319
Other personnel related expenses	-220,594	-3,432
Leases	-6,709	-1,184
Travel expenses	-91,390	-29,033
Marketing and communication	-354,449	-475,962
Other costs	412,876	-6,855,151
Total	-1,530,175	-11,418,287

AUDITOR'S FEES

EUR	2018	2017
Audit and auditor's statements based on laws and regulations		
Audit, KPMG	-63,195	-119,065
Auditor's statements based on laws and regulations, KPMG	-13,500	-89,000
Total	-76,695	-208,065
Non audit services		
Assurance services, KPMG	-6,448	-92,600
Tax services, KPMG	-41,352	-
Other services, KPMG	-	-516,600
Total	-47,800	-609,200
Auditor's fees total	-124,495	-817,265

1.5 FINANCIAL INCOME AND EXPENSES

EUR	2018	2017
Other interest and financial income		
From Group companies	-	345,570
From others	1,183	10
Total	1,183	345,580
Other interest and financial expenses		
To Group companies	-15,261	-3,877
To others	-2,251	-1,455
Total	-17,512	-5,331

1.6 APPROPRIATIONS

EUR	2018	2017
Increase/decrease in depreciation in excess of plan	-216	-14,702
Group contributions received	12,000,000	2,000,000
Appropriations total	11,999,784	1,985,298

NOTES TO THE STATEMENT OF THE FINANCIAL POSITION

2.1 PROPERTY, PLANT AND EQUIPMENT

MACHINERY AND EQUIPMENT

EUR	2018	2017
Acquisition cost 1.1	77,614	-
Additions	2,216	77,614
Acquisition cost 31.12	79,830	77,614
Accumulated depreciation and impairment losses 1.1	-4,768	-
Depreciation for the period	-14,874	-4,768
Accumulated depreciation and impairment losses 31.12	-19,642	-4,768
Carrying amount 1.1	72,845	-
Carrying amount 31.12	60,188	72,845

2.2 INVESTMENTS

HOLDINGS IN GROUP COMPANIES

EUR	2018	2017
Acquisition cost 1.1	506,685,344	308,000,000
Addition	-	198,685,344
Acquisition cost 31.12	506,685,344	506,685,344
Carrying amount 1.1	506,685,344	308,000,000
Carrying amount 31.12	506,685,344	506,685,344

PARENT COMPANY OWNERSHIPS:

Holdings in Group companies	2018	2017
Terveystalo Healthcare Holding Oy	100 %	100 %

2.3 RECEIVABLES FROM GROUP COMPANIES

EUR	2018	2017
Loan receivables	10,132,900	10,132,900
Trade receivables	650,717	241,408
Group account receivables	-	3,391,611
Prepayments and accrued income	12,000,000	2,000,000
Total	22,783,617	15,765,919

2.4 PREPAYMENTS AND ACCRUED INCOME

EUR	2018	2017
VAT receivables	-	277,976
Other	183,859	422,339
Total	183,859	700,315

2.5 CHANGES IN EQUITY**Restricted equity****SHARE CAPITAL**

EUR	2018	2017
At the beginning of the period	80,000	2,500
Share capital increase	-	77,500
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	2018	2017
At the beginning of the period	526,793,461	307,997,500
Directed share issue	-	93,873,456
Share capital increase	-	-77,500
Equity investment without consideration in the invested non-restricted equity reserve	-	25,000,005
Share issue	-	100,000,000
Equity repayment	-7,682,192	-
At the end of the period	519,111,269	526,793,461

RETAINED EARNINGS

EUR	2018	2017
Retained earnings at the beginning of the period	-10,069,991	-2,323
Retained earnings at the end of the period	-10,069,991	-2,323
Profit or loss for the period	9,169,147	-10,067,668
Total unrestricted equity	518,210,424	516,723,469
Total equity	518,290,424	516,803,469

DISTRIBUTABLE EARNINGS

EUR	2018	2017
Invested non-restricted equity reserve	519,111,269	526,793,461
Retained earnings	-10,069,991	-2,323
Profit or loss for the period	9,169,147	-10,067,668
Total	518,210,424	516,723,469

Shares and share capital

On 31 December, 2018 the amount of shares is 128,036,531 of which 730,000 is held by EAM TTALO Holding Oy, company which is under control of Terveystalo PLC. 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	2018	2017
Loans from financial institutions	35,598	56,805
Total	35,598	56,805

2.6.2 Current liabilities

EUR	2018	2017
Loans from financial institutions	21,207	21,207
Trade payables	238,100	7,631,159
Other liabilities to Group companies	16,993,771	175,834
Other liabilities	88,437	82,909
Accruals	844,252	936,429
Total	18,185,767	8,847,539

2.6.3 Liabilities to Group companies

EUR	2018	2017
Trade payables	190,786	175,834
Group account payables	16,802,984	-
Total	16,993,771	175,834

2.6.4 Accruals and deferred expenses

EUR	2018	2017
Personnel related accrued expenses	832,083	936,164
Other	12,170	266
Total	844,252	936,429

OTHER NOTES

3.1 COLLATERAL AND OTHER CONTINGENT LIABILITIES

EUR	2018	2017
Contingent liabilities on behalf of Group companies		
Suretyship	415,600,000	257,000,000
Guarantees	446,312	322,709

Signatures to the financial statements and Board of Director's report

Helsinki, 13th February 2019



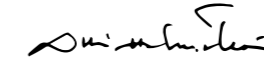
Fredrik Cappelen
Chairman of the Board of Directors



Eeva Ahdekivi
Member of the Board of Directors



Lasse Heinonen
Member of the Board of Directors



Olli Holmström
Member of the Board of Directors



Vesa Koskinen
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



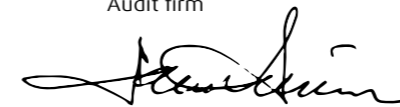
Yrjö Närhinen
Managing director

AUDITORS NOTE

A report on the audit has been issued today.

Helsinki, 15th 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 2018. 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 ser-

vices referred to in Article 5(1) of EU regulation 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 2018 the goodwill amounted to 768.7 M€ and accounted for 66% of the consolidated total assets and for 150% of the consolidated equity. At the end of the financial period Terveystalo expanded its operations through the acquisition of the Finnish health operations of Attendo from which goodwill of 178.7 M€ was recognized.
- 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 intangible assets at the year-end 2018 were in total 149.3 M€ of which a substantial part related to recognized assets for trade mark and customer relationships. 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 forecasts. This included a comparison to external financial and industry forecasts.
- In respect of the acquisition-related intangible assets and especially those in relation to the Finnish health operations of Attendo 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 744.7 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 6 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, 15 February 2019
KPMG Oy Ab



Jari Härmälä
Authorised Public Accountant, KHT

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Terveystalo