Terveystalo

STRONG REVENUE GROWTH AND PROFITABILITY

RESULT BRIEFING 2019

President and CEO Ville Iho
CFO Ilkka Laurila

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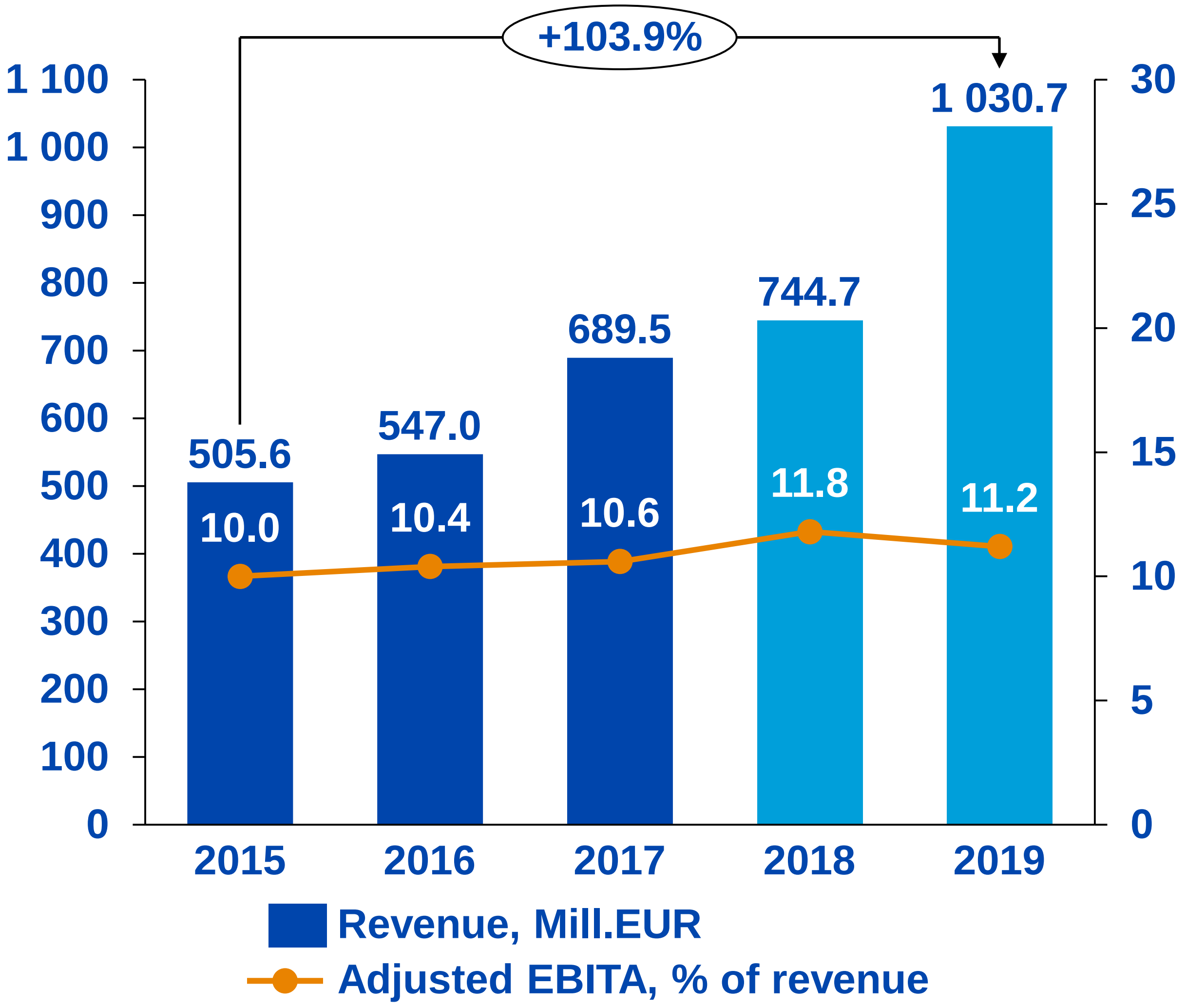
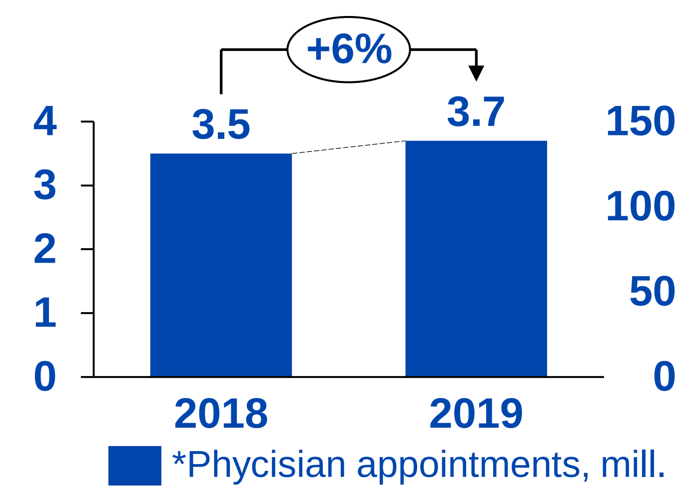
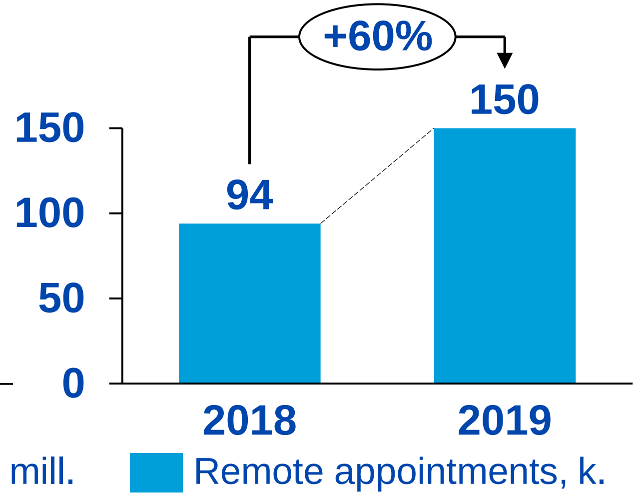
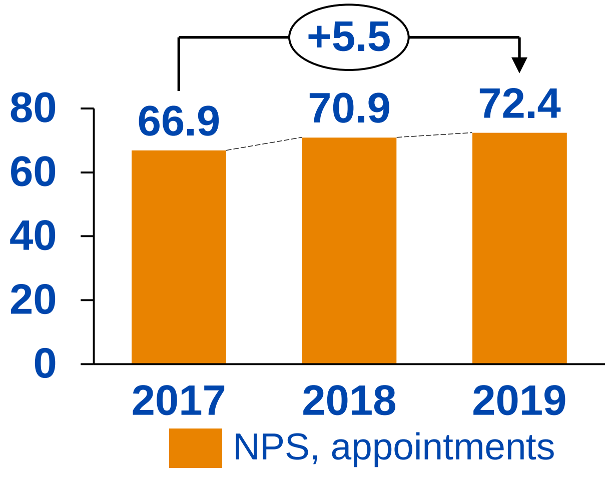
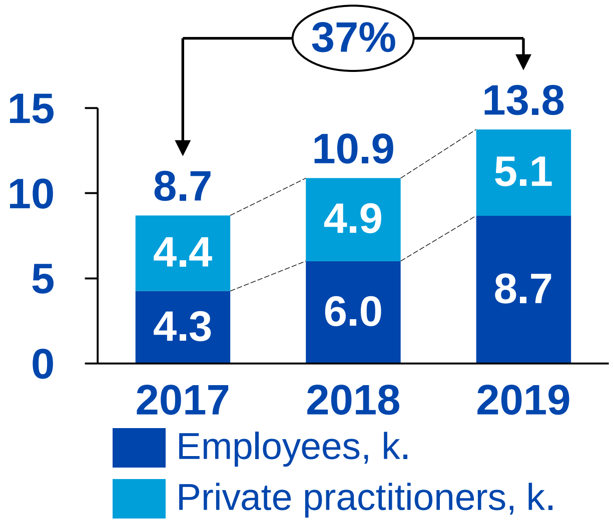
A year of financial and operational excellence







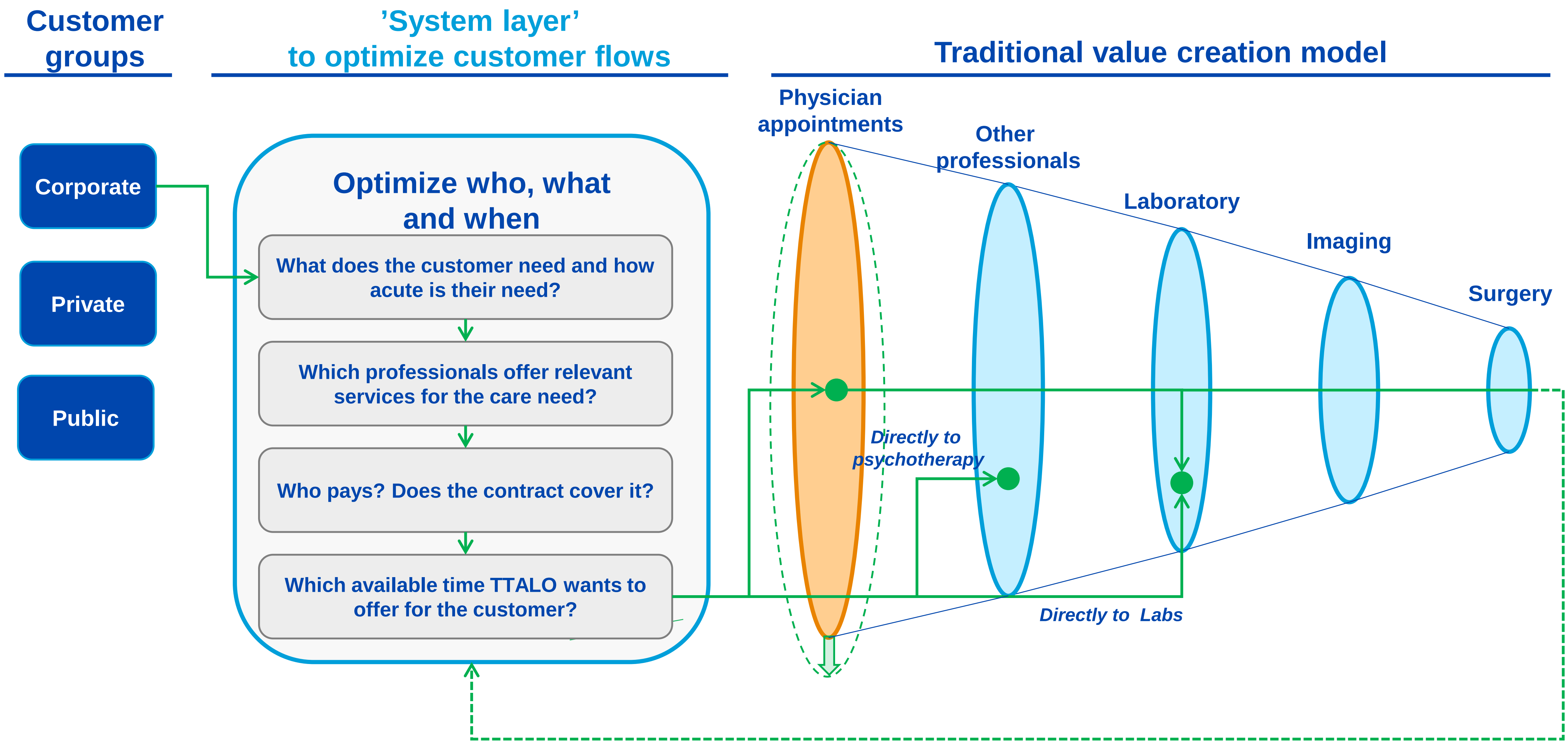




*Number visits do not include public outsourcings, dental or Rela.

QUALITY IS AT THE CORE OF OUR OPERATIONS

We aim to optimize our traditional care chain model with intelligent customer flow management



Case S Group: Supporting mental health with Terveystalo

February 13, 2020

Sanna-Mari Myllynen, Director, HR, S Group

Wide service range is a huge resource

Number one grocery store

~1,000 outlets
46% market share

Sales volume €8.2 billion

Number one in department stores and beauty

21 Sokos department stores
38 Emotion beauty stores

Sales €290 million

Finland’s most responsible bank

~1,000 outlets
Deposits €5.9 billion

3.0 million customers

Number one service station

~470 stations
32% market share

Sales volume €1.7 billion

Number one in restaurants, number two in hotels

57 hotels
~500 restaurants

Sales volume €842 million

A challenger in hardware trade

15 outlets

Sales volume €135 million

Largest private employer in Finland

Employment types

Number of employees

IN THE S GROUP
40,100

IN FINLAND
38,000

IN RUSSIA AND ESTONIA
2,100

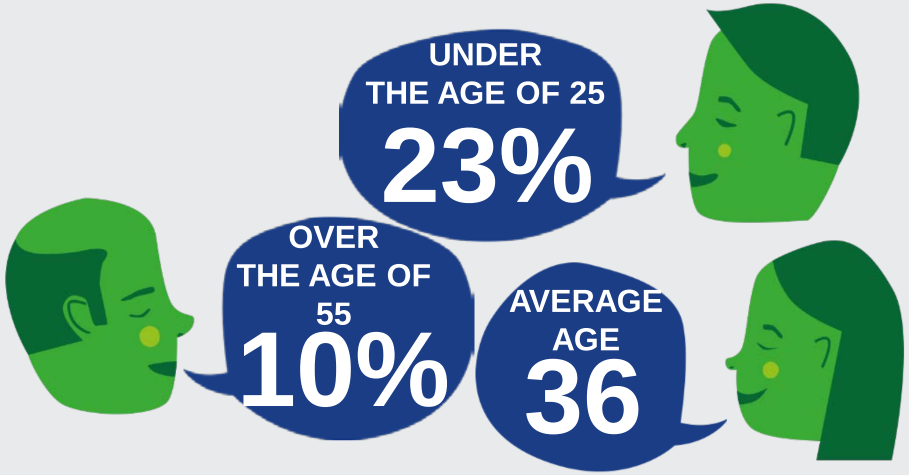
SUPERVISORS
2,500

Gender distribution

76%
FEMALE

24%
MALE

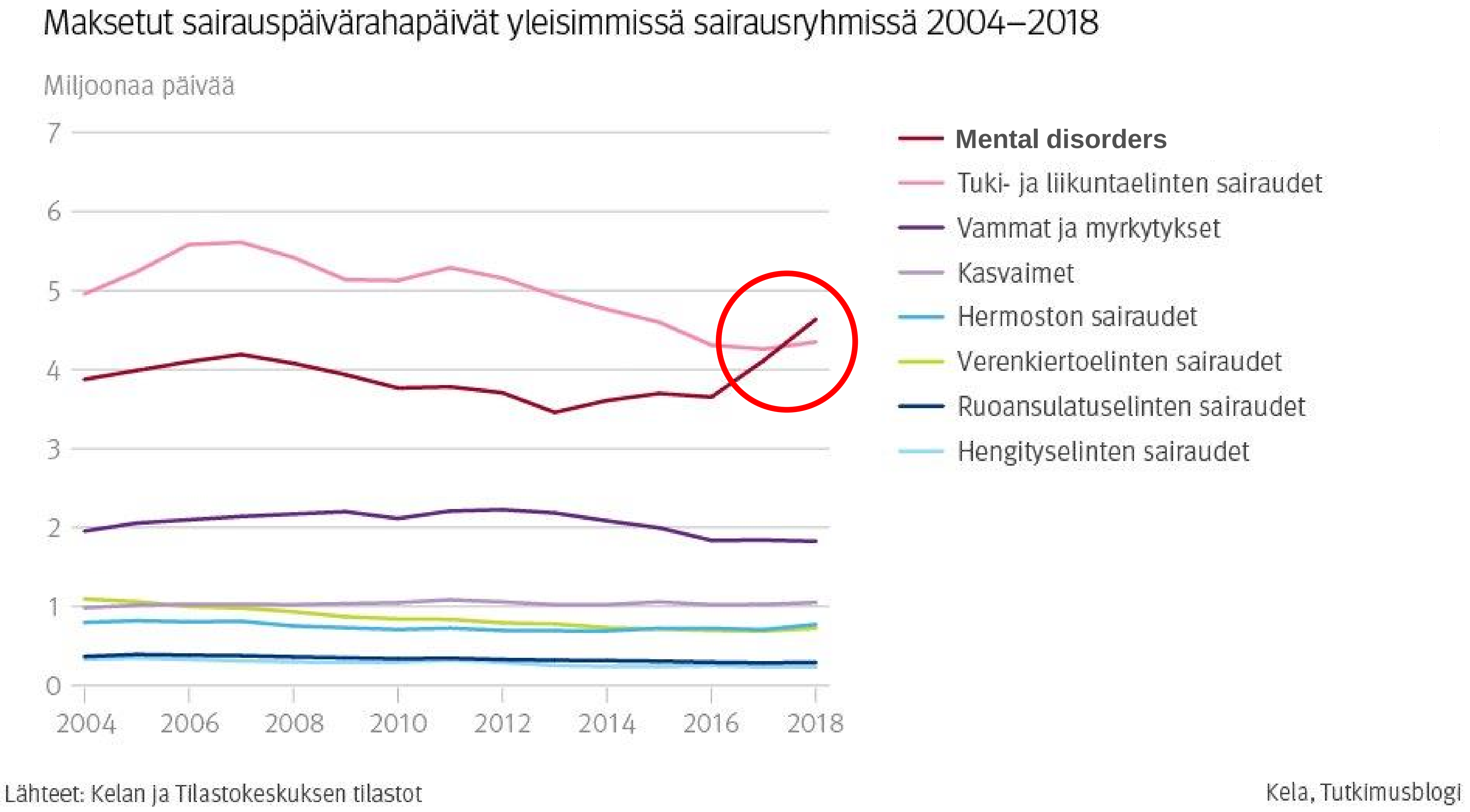
Age distribution



Nationalities

SHARE OF NON-FINNISH EMPLOYEES 1.7%

In 2018, mental disorders became the largest cause for sickness allowance days in Finland



Working together, S-Group and Terveystalo have found a model to turn the negative trend for mental disorders and sickness absences

- Terveystalo has participated in S-Group's Nuori Mieli Työssä ("Young mind at work") program, that aims to develop new ways to meet the challenge of growing mental health problems at work. The ”mental support model” was created in this program.

- Our mental support model includes eg.
  - supervisor training,
  - adapted work practices for supporting recovering from mental disorders,
  - occupational psychology consultation,
  - brief psychotherapy and
  - new digital services
    - Mielen chat and sparri

In addition to helping individual employees, the investment has been profitable to the employer

- Thanks to this program and our close cooperation, we’ve had good results in pilot projects in all S-Group companies that have widely introduced the mental support model

- **Case SOK** (1700 employees), year 2019:
  - **About 20% less sickness absence days caused mental disorders**
  - **Investment 49 000 €** in brief psychotherapy and new digital services (Mielen chat and sparri)
  - **Cost savings 140 000 €** in sickness absence days caused by mental disorders (400 days less x 350 €)

Lessons learned and a challenge for all opeartors

- Successful cooperation calls for joint development and seamless cooperation when working towards shared targets

- No single entity, such as the individual, employer, supervisor, organization or occupational health care, can solve the this problem alone

- Cost savings in sickness days are higher than the costs for supporting mental health

- Despite very encouraging results at SOK, S-Group is still at the beginning of this journey, and we need involve all S-group to this approach

- It is important that all parties in the society participate in this work: Otherwise, the employers, individuals and the entire country will have a huge bill to pay in the future

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Q4 HIGHLIGHTS

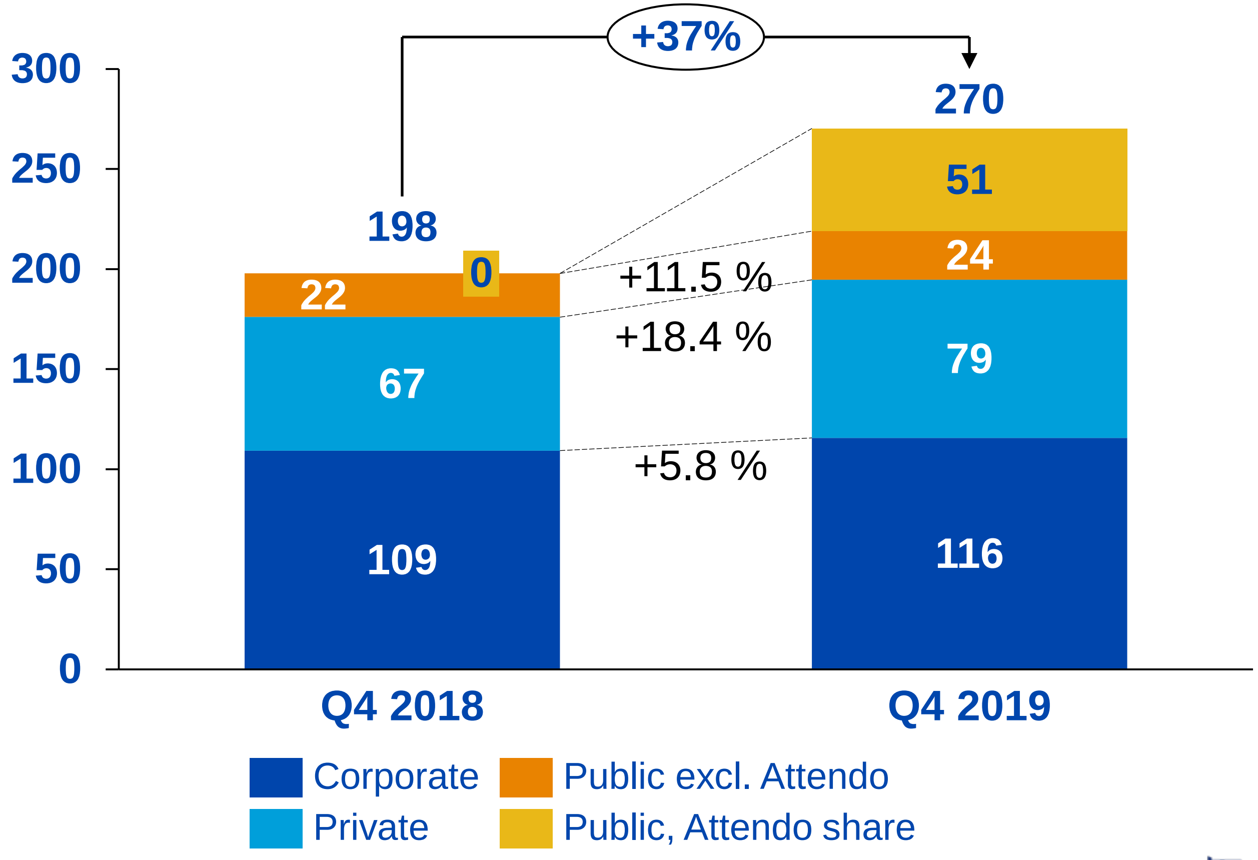
- Broad scale growth across all customer groups
- New processes and digital solutions improved access to care
- Profitability (EBITA margin) remained at a strong level
- Strong cash flow from operating activities, investments in digitalisation continued to grow
- A dividend of EUR 0.26 (0.13 + 0.13) per share proposed

Q4: Strong organic growth and Attendo deal increased revenue significantly

Strong growth in all customer groups

- In corporate customer group, strong growth continued in preventive occupational health services and well-being services. Mental well-being services and digital services increased significantly. Slight increase in illness-related appointments.
- Private customer group saw strong, broad based growth. In addition to well-being and digital services, the sales of diagnostics and surgical services grew as well.
- Public customer revenue more than tripled; In addition to the acquisition of Attendo Health Services, occupational health services grew significantly.
- There were 62 business days in October–December, same as in the reference period (62).

Q4 Revenue by payor group, M€



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Q4: Strong profitability

- **Adjusted EBITA** before IFRS 16 impact **EUR 31.9 million** (27.1)
- **Adjusted EBITA %** before IFRS 16 impact **11.8 % of revenue** (13.7 %)
- **Profit for the period EUR 16.1 million** (10.1)
- The Board of Directors proposes that a dividend of EUR 0.13 per share be distributed and that the Board be authorized to resolve on the payment of additional EUR 0.13 dividend in the Autumn 2020, **EUR 0.26 (0.20) per share in total**.

Market outlook

- The market environment remains favorable in spite of weakened consumer confidence.
- **Corporate customers** keep up a steady demand. Price competition is intensifying in certain customer groups in occupational health. At the same time, the relative share of preventive services is increasing, which is a trend that will be further strengthened by the change in legislation concerning Kela reimbursements at the beginning of 2020.
- **Private customer** demand also remains strong, and the trend of comprehensive well-being is creating broad growth in service demand. This is particularly reflected in growth in the demand for services other than physician appointments.
- **Public sector** demand remains strong in various service categories.

FINANCIAL PERFORMANCE

Increased scale, improvement in key corporate responsibility areas

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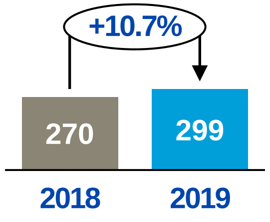
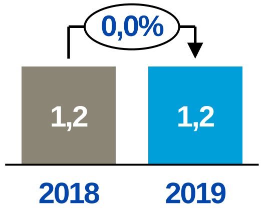
Operations

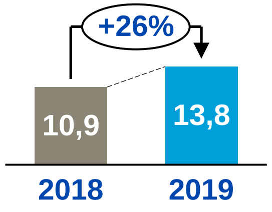
Units



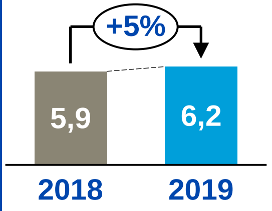
*Customers, mill.



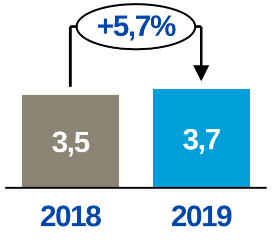
People working at TTALO, k.



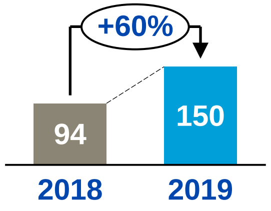
*Visits, mill.



*Visits to a physician, mill.



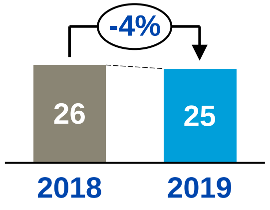
Remote appointments, k.



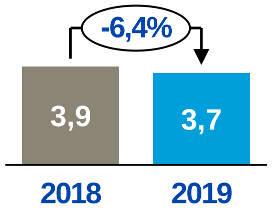
*Number of customers, and visits do not include public outsourcings, dental or Rela. Same boundary applies for people and environment KPIs

People

Accident occurrence rate



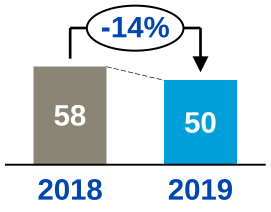
Sickness absence, %



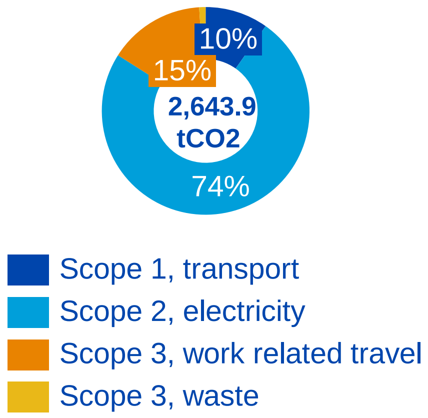
Accident occurrence refers to the ratio of accidents to hours worked. The ratio is calculated per million working hours. The national average is 39

Environment

Mixed waste, tonnes

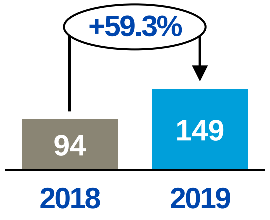


CO2 footprint

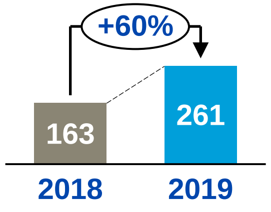


Economic

Tax footprint, mill.



Salaries and fees, mill.



Strong profitability despite the Attendo deal and increased investments in digitalization and IT

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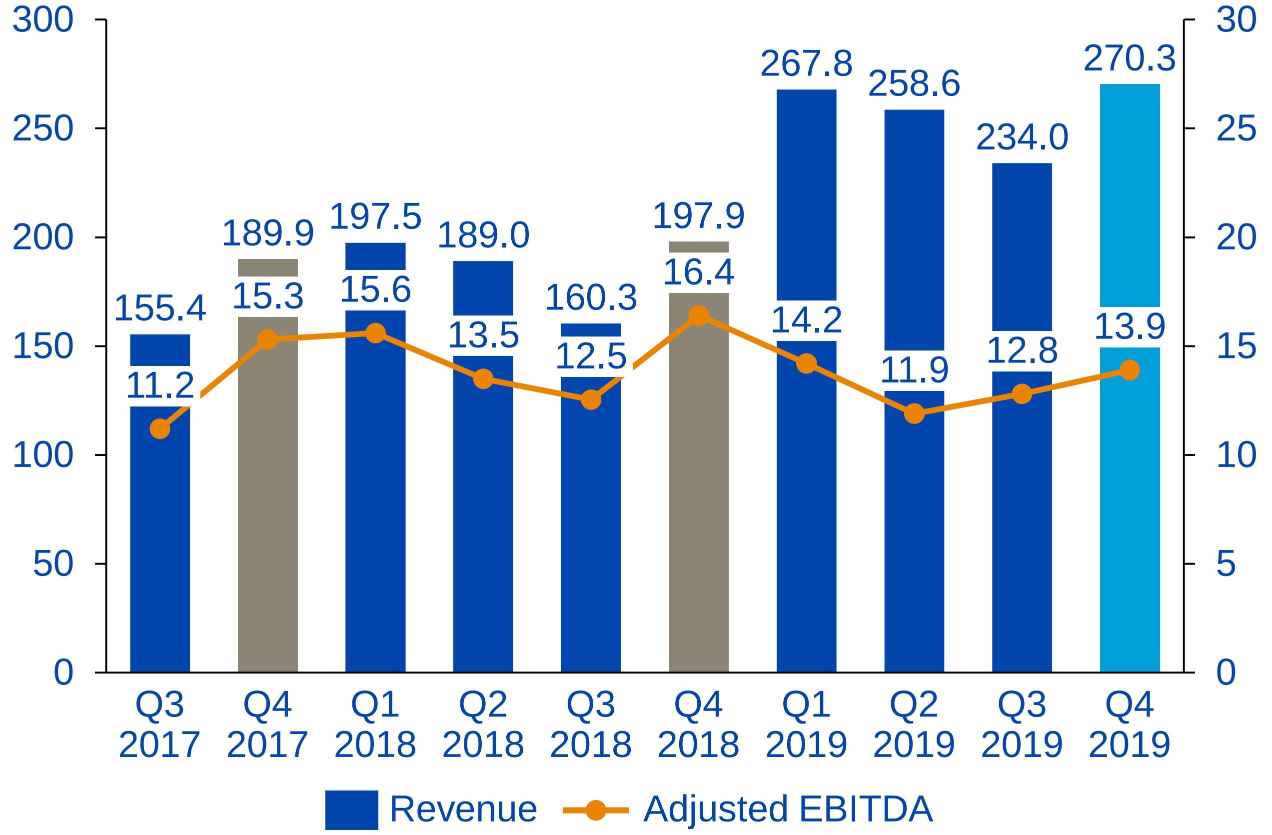
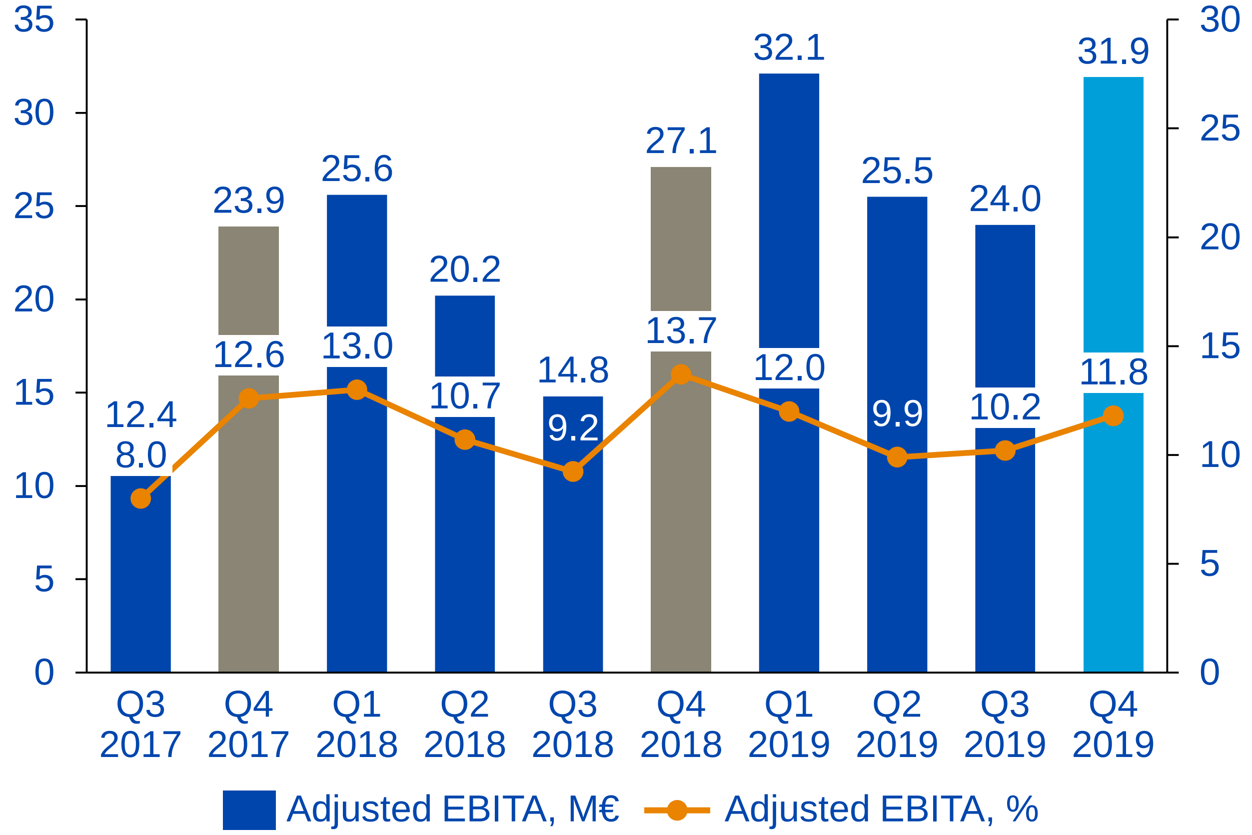
Revenue, Adjusted EBITDA*, %
Before IFRS 16 impact (comparable)



Adjusted EBITA*, M€ and %
Before IFRS 16 impact (comparable)



** Alternative performance measure*

Operating leverage still applies, the scale has changed post Attendo

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M€	10-12/2019	10-12/2018	Change, %	2019	2018	Change, %
Revenue	270.3	197.9	36.6	1,030.7	744.7	38.4
Other operating income	0.8	0.7	15.1	2.1	18.2	-88.4
Materials and services	-122.7	-93.5	31.2	-472.9	-351.3	34.6
Employee benefit expenses	-81.8	-50.9	60.8	-314.3	-197.1	59.5
Other operating expenses	-15.6	-16.6	-6.0	-58.4	-52.6	11.0
Rents, leases and premises *	-4.0	-10.9	-63.0	-16.0	-45.3	-64.7
EBITDA, comparable	46.8	26.6	76.2	171.2	116.6	46.9
Adjustments (**	1.0	5.9		5.1	-7.7	
Adjusted EBITDA, comparable	47.8	32.5	47.1	176.3	108.9	62.0
EBIT	23.8	16.1	47.9	81.4	75.4	7.9

Variable costs

Semi-fixed costs, scalable on a unit level

Fixed costs, scalable on a group level

** The presented number is not comparable, because the rent expenses have decreased by 39.9 million euro during 1-12/2019 and 10.2 million euro during 10-12/2019 due to implementation of IFRS 16.*

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

The impact of Attendo deal and the adoption of IFRS 16 is reflected in the balance sheet

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M€	31.12.2019	31.12.2018
ASSETS		
Property, plant and equipment	86.3	83.6
Right of use assets	176.4	-
Goodwill	779.2	768.7
Other intangible assets	161.9	167.7
Other assets	114.9	105.4
Cash and cash equivalents	40.6	36.9
TOTAL ASSETS	1 359.3	1 162.3
EQUITY AND LIABILITIES		
TOTAL EQUITY	541.2	511.8
Interest bearing liabilities	588.8	450.1
Other liabilities	229.2	200.4
TOTAL LIABILITIES	818.0	650.5
TOTAL EQUITY AND LIABILITIES	1 359.3	1 162.3

IFRS 16 impact 176.4 M€

IFRS 16 impact 178.7 M€

- Total assets of the Group amounted to EUR 1,359.3 (1,162.3) million. The growth was mainly attributable to the adoption of IFRS 16.
- Equity attributable to owners of the parent company totaled EUR 541.2 (511.7) million. The growth was mainly due to improved profitability.
- Adjusted net debt before IFRS 16 impact (comparable), amounted to EUR 369.5 (413.3) million. The effect of IFRS 16 on lease-related interest-bearing debt was EUR 178.7 million.
- Adjusted net debt/adjusted EBITDA before IFRS 16 impact was 2.7 (3.8).
  Adjusted net debt/adjusted EBITDA was 3.1, well below the updated financial target of 3.5.

Deleveraging the balance sheet continues, indebtedness well below the target

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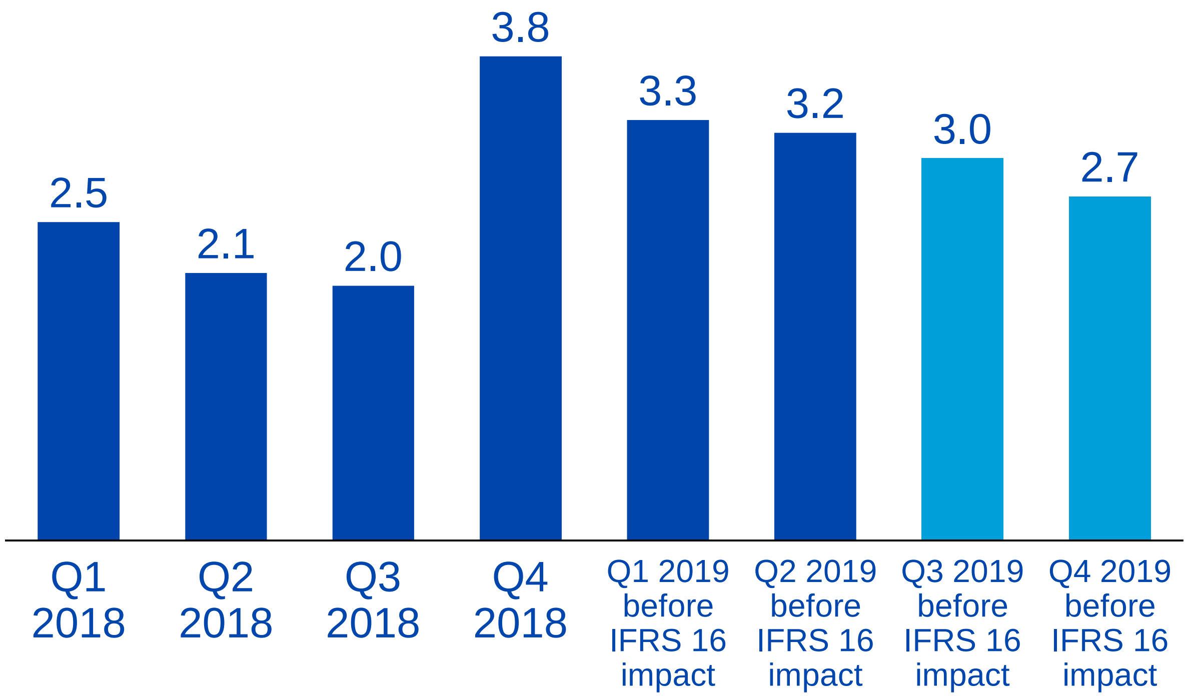
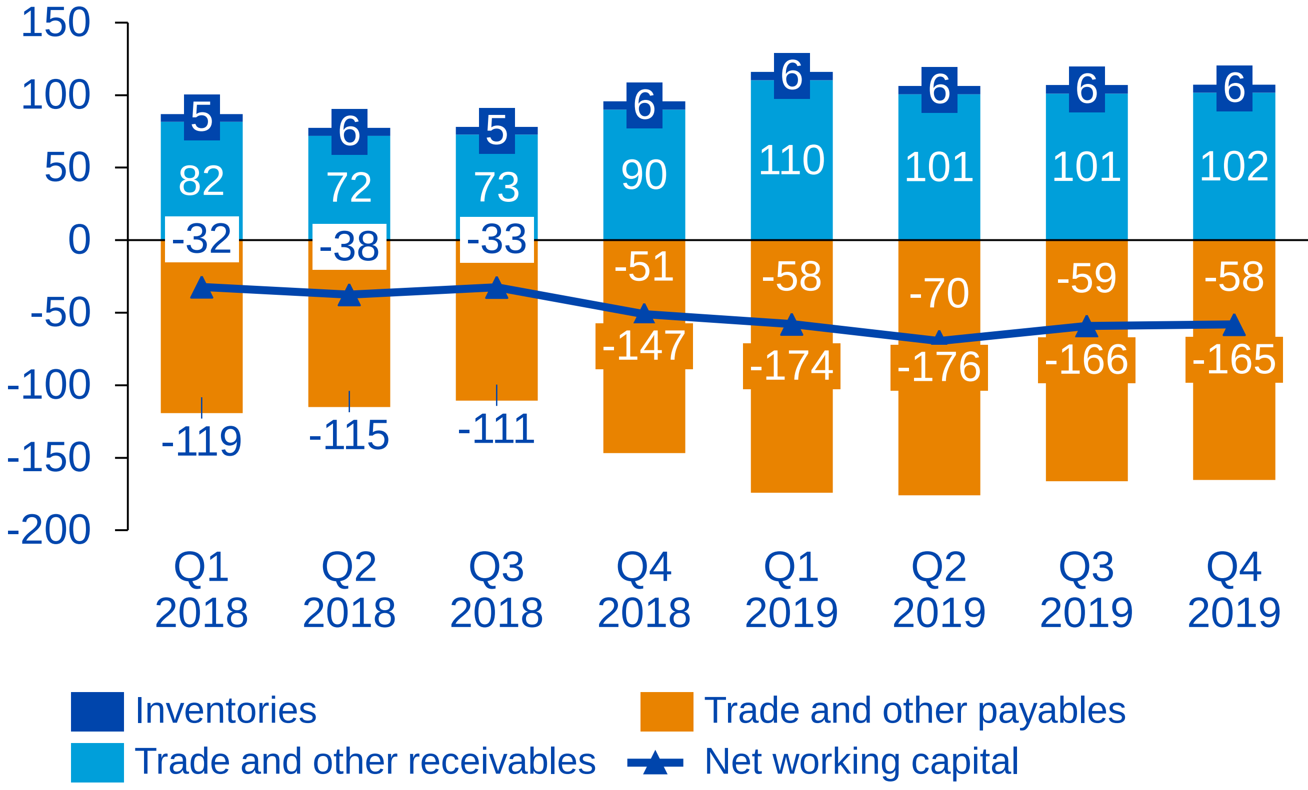
Net debt/adjusted EBITDA
(last 12 months)

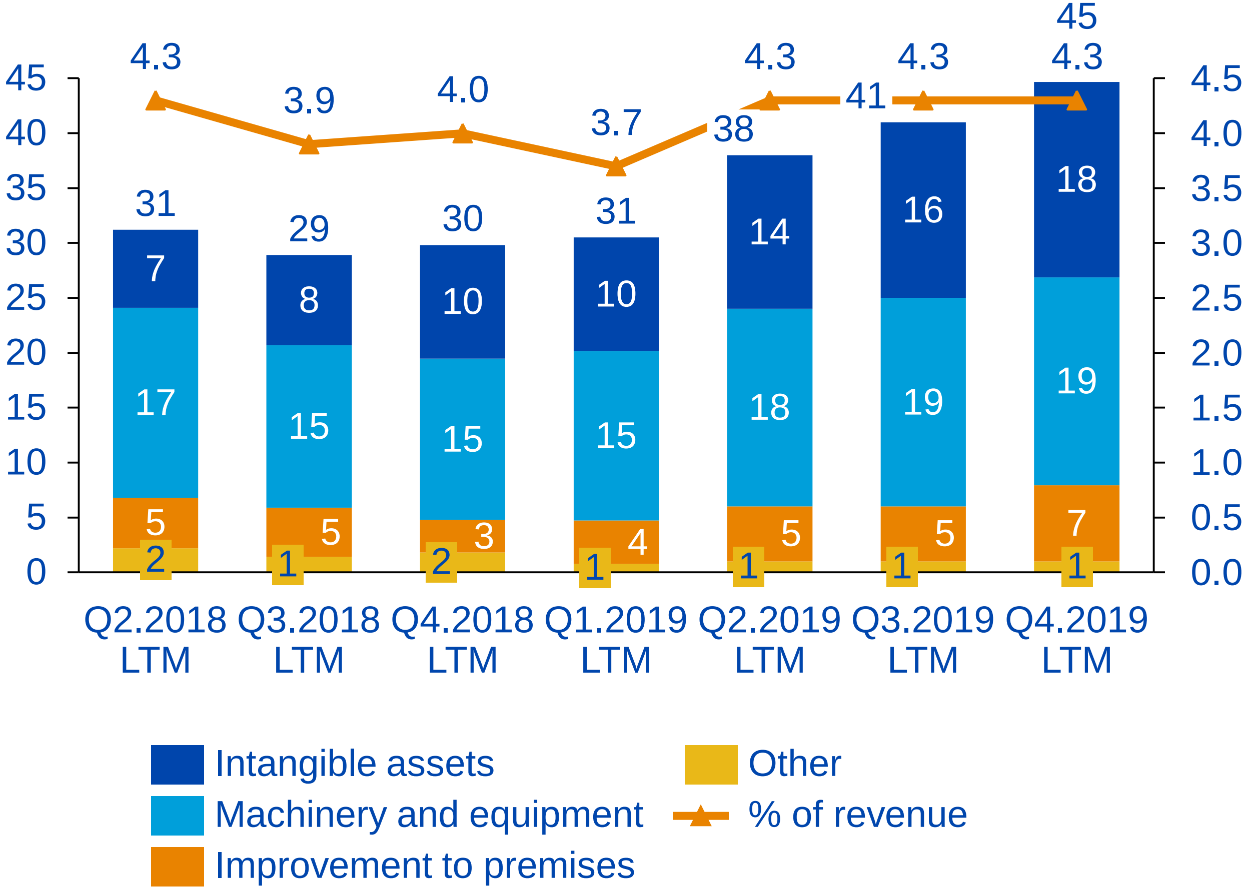


Operational efficiency is reflected in the negative net working capital

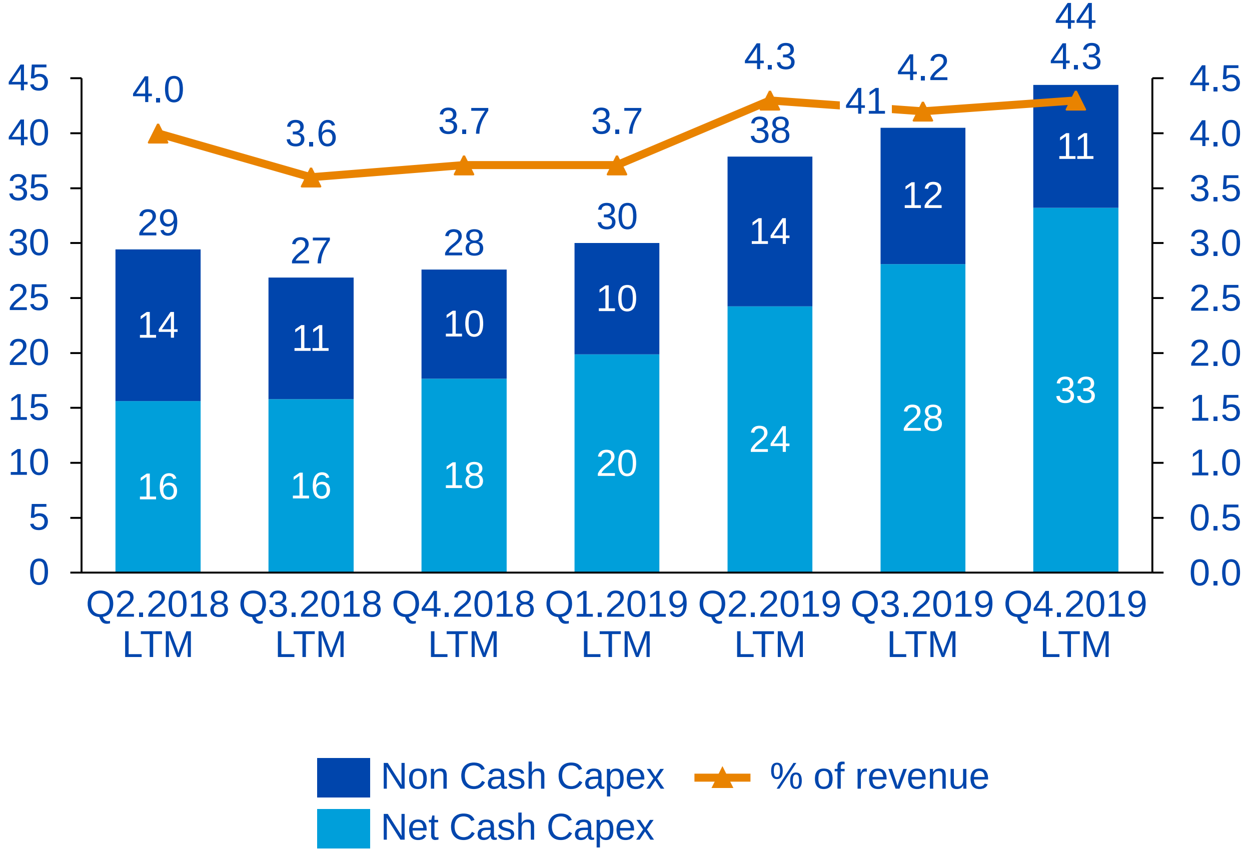


The share of intangible investments continue to grow (excluding M&A)

Gross capex, M€ and %- of revenue



Net capex, M€ and %- of revenue



Corporate responsibility is one of our strategic focus areas

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- The interest rate margin of our EUR 410 million financing agreement takes into account how we meet our targets for customer satisfaction, employee job satisfaction and wellbeing, and reduction in mixed waste:

KPI	Target in 2020	2019 act
NPS, appointments	74	72.4
eNPS	14	9
Mixed waste intensity (mixed waste [metric tons] relative to total revenue [100 million])	7.40	4.85

Corporate ESG Performance
Prime
RATED BY ISS ESG

WE SUPPORT
UN GLOBAL COMPACT

FIBS

Financial reporting and IR events and roadshows

Terveystalo

Financial reporting

- In 2020, Terveystalo Plc will publish financial reports as follows:
  - Annual Report 2019 on week 9, 2020
  - Interim report for January-March 2020 on Wednesday, 6 May 2020
  - Half-Year Report for January-June 2020 on Thursday, 6 August 2020
  - Interim report for January-September 2020 on Thursday, 29 October 2020
- AGM 2020 is held on Thursday, 2 April, 2020 in Helsinki.

Upcoming IR events

- 2 March Morgan Stanley European MedTech & Services Conference , London
- 4 March Carnegie Nordic Healthcare seminar, Stockholm
- 5 March OP one-on-one day, Helsinki

Q & A

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IFRS 16 impact on the reported figures

EUR mill.	1-12/2019 Reported	1-12/2019 IFRS 16 impact	1-12/2019 Before IFRS 16 impact	1-12/2018 Reported
Revenue	1,030.7	-	1,030.7	744.7
EBITDA	**171.2**	**39.9**	**131.3**	**116.6**
Adjusted EBITDA	**176.3**	**39.9**	**136.4**	**108.9**
Depreciation	-89.8	-38.3	-51.5	-41.1
Adjusted EBITA	**115.1**	**1.6**	**113.5**	**87.7**
Financial expenses (net)	-14.7	-3.5	-11.2	-9.5
Profit/loss before taxes	**66.8**	**-1.9**	**68.7**	**68.2**
Taxes	-12.7	0.5	-13.2	0.5
Net profit/loss	**54.1**	**-1.4**	**55.5**	**68.7**
Assets	1,359.3	176.4	1,182.9	1,162.3
Financial liabilities	588.8	178.7	410.1	450.1
Cash flow from operating activities	173.6	39.9	133.6	100.6

Key figures

EUR million	10-12/2019	10-12/2018	Muutos, %	2019	2018	Muutos, %
Revenue	270.3	197.9	36.6	1,030.7	744.7	38.4
Adjusted (EBITDA) * 1) 2)	47.8	32.5	47.1	176.3	108.9	62.0
Adjusted (EBITDA), % * 1) 2)	17.7	16.4	-	17.1	14.6	-
EBITDA 1) 2)	46.8	26.6	76.2	171.2	116.6	46.9
EBITDA, % 1) 2)	17.3	13.4	-	16.6	15.7	-
Adjusted earnings before interest, taxes and amortization (EBITA) * 1) 2)	32.3	27.1	19.2	115.1	87.7	31.2
Adjusted earnings before interest, taxes and amortization (EBITA), % * 1) 2)	12.0	13.7	-	11.2	11.8	-
EBIT 2)	23.8	16.1	47.9	81.4	75.4	7.9
Net profit 2) 3)	16.1	10.1	59.6	54.1	68.7	-21.3
Net debt 2)	-	-	-	548.2	413.3	32.7
Net debt/Adjusted EBITDA (last 12 months) * 1) 2)	-	-	-	3.1	3.8	-
Return on equity (ROE), % 1) 2)3)	-	-	-	10.3	14.2	-
Equity ration, % 1) 2)	-	-	-	39.9	44.1	-
Gearing, % 1) 2)	-	-	-	101.3	80.8	-
Earnings per share (€) 2) 3)	0.13	0.08	-	0.43	0.54	-
Operating cash flow 2)	49.5	38.6	28.2	173.6	100.6	72.5
Personnel (end of period)	-	-	-	8,685	6,018	44.3
Private practitioners (end of period)	-	-	-	5,068	4,877	3.9
Number of working day	62	62		251	251	

Before IFRS 16 impact (comparable), EUR million	10-12/2019	10-12/2018	Muutos, %	2019	2018	Muutos, %
Adjusted EBITDA * 1)	37.6	32.5	15.6	136.4	108.9	25.3
Adjusted EBITDA, % * 1)	13.9	16.4	-	13.2	14.6	-
Adjusted EBITA * 1)	31.9	27.1	17.5	113.4	87.7	29.3
Adjusted EBITA, % * 1)	11.8	13.7	-	11.0	11.8	-
Adjusted net debt * 1)	-	-	-	369.5	413.3	-10.6
Net debt/adjusted EBITDA (last 12 months) * 1)	-	-	-	2.7	3.8	-

** Adjustments are material items outside the ordinary course of business, associated with acquisition-related expenses, restructuring-related expenses, gain on sale of assets, strategic projects, and other items affecting comparability.*

1) Alternative performance measure. Additional information is provided in notes 13 and 14.
2) Not comparable because of the adoption of IFRS 16.
The adoption of IFRS 16 had a significant effect on adjusted EBITDA, which increased by EUR 10.2 million in October–December and by EUR 39.9 million in January–December. The impact of IFRS 16 on earnings before interest, taxes, and amortization (EBITA) was not material. Operating cash flow increased due to the impact of IFRS 16 by EUR 39.9 million in January–December. In addition, the adoption of IFRS 16 increased interest-bearing lease liabilities by EUR 178.7 million.
3) The net profit of the January–December reference period was improved by a non-recurring deferred tax asset of EUR 13.0 million related to confirmed losses and non-recurring capital gains, totaling EUR 15.9 million.

2019: Solid growth in all customer groups

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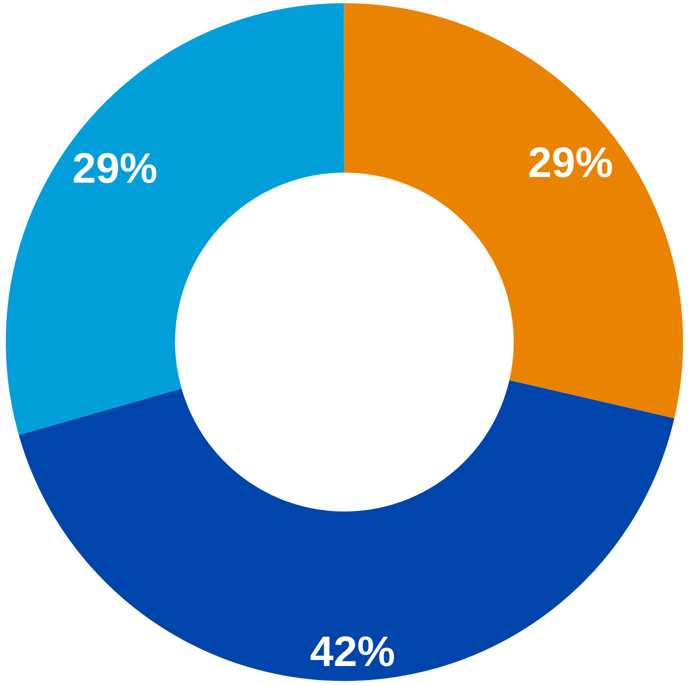
2019 Revenue by payor group, %



2019 Revenue by payor group, M€