

TERVEYSTALO

Annual Report 2020



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Foreword

This report is for shareholders, investors, analysts, media, clients, personnel, and other stakeholders who are interested in Terveystalo. Terveystalo's business activities focus on holistic health and well-being. We offer a wide variety of primary health care, specialized care, and well-being services for corporate and private customers and the public sector. Our nationwide network covers over 300 clinics across Finland. The network of clinics is supplemented by 24/7 digital services.

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

The Annual Report includes Terveystalo's highlights in 2020, the CEO's review, a description of the operating environment, the strategy and value creation section, the Corporate Governance Statement, and the remuneration policy statement as well as the Report of the Board of Directors and the financial statements with notes.

The Statement of Non-Financial Information as required by the Accounting Act is included in the Report of the Board of Directors found in the financials section of the Annual report. Terveystalo's sustainability management and results are reported in more detail in Terveystalo's Corporate Responsibility Report.

Year 2020


In 2020, Terveystalo had approximately 1.2 million individual customers. The number of customer visits reached 6.9 million, 1.8 million of which were remote appointments. Our revenue was EUR 986 million, and we employed a total of 13,000 professionals directly and indirectly. This year, we particularly invested in the availability of digital services and COVID-19 tests, in addition to the development of preventive and comprehensive well-being services. Terveystalo plays a vital role in helping Finns overcome the COVID-19 crisis. Effective and efficiently provided care benefits everyone.




Terveystalo in brief

Terveystalo is listed on the Helsinki Stock Exchange and has a predominantly Finnish ownership. In terms of revenue and network, Terveystalo is the largest private health service provider in Finland. We offer a wide variety of primary health care, specialized care, and well-being services for corporate and private customers and the public sector. Our nationwide network covers over 300 clinics across Finland. The clinic network is supplemented by 24/7 digital services.

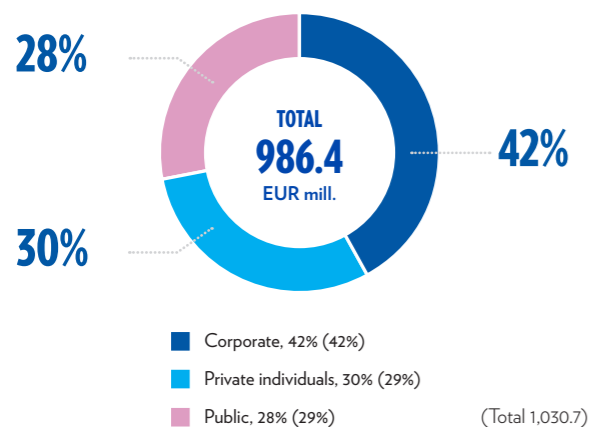
TERVEYSTALO IS THE LARGEST PRIVATE HEALTH SERVICE PROVIDER IN FINLAND

APPROX. **3.7** 
million visits to the doctor
in 2020

APPROX. **1.8** 
million remote visits
in 2020

APPROX. **1.2** 
million individual customers
in 2020

REVENUE BY CUSTOMER GROUP 2020



KEY FIGURES

986
REVENUE IN MILL. EUROS
2020 (1,030)

10.3%
PROFIT (ADJUSTED EBITA),
% OF REVENUE
2020 (11.2%)

SERVICES PROVIDED

- OCCUPATIONAL HEALTH SERVICES
- GENERAL AND SPECIALIST MEDICAL SERVICES
- WELFARE SERVICES
- IMAGING AND LABORATORY STUDIES
- OUTPATIENT SURGERY
- OUTSOURCING SERVICES
- STAFFING SERVICES



Finland's largest

309

CLINICS OF WHICH
17 ARE HOSPITAL UNITS AND
43 DENTAL CLINICS



TERVEYSTALO'S PLATFORM BUSINESS MODEL MATCHES CUSTOMERS WITH PRIVATE PRACTITIONERS AND INTEGRATES EPISODES INTO EFFECTIVE CARE CHAINS



Year 2020

In 2020, Terveystalo adapted its services in response to the rapidly changing environment created by COVID-19, strongly increased the range of digital services and developed new services related to the COVID-19 strategy. This spread includes some of the highlights of 2020.

FEBRUARY

TERVEYSTALO INTRODUCED STRONG IDENTIFICATION FOR ONLINE BOOKING

Terveystalo was the first Finnish private health care provider to adopt strong identification also for electronic online booking.



MARCH

TERVEYSTALO INITIATED COVID-19 TESTING

In 2020, approximately 10% of all COVID-19 tests in Finland were performed at Terveystalo. At best, Terveystalo conducted 11,000 tests per day and the results were provided in approximately one day.



MAY

TERVEYSTALO BIOBANK THE FIRST FINNISH BIOBANK TO RECEIVE ISO QUALITY CERTIFICATION - BIOBANK ACTIVITIES ALSO PROMOTE SCIENTIFIC RESEARCH RELATED TO COVID-19

Biobank samples of COVID-19 patients collected in Terveystalo Biobank have been used in national and international research projects.

SEPTEMBER

FINNAIR AND TERVEYSTALO OFFER CUSTOMERS EASY ACCESS TO A COVID-19 TEST BEFORE FLYING

Through this cooperation, customers have convenient and rapid access to a certificate of negative COVID-19 test result required by the destination country. Customers can use their Finnair Plus points to pay for this service.

OCTOBER

TERVEYSTALO DEFINED THE KEY TARGETS OF THE UN SUSTAINABLE DEVELOPMENT GOALS IN ITS OPERATIONS

Terveystalo commits to promoting sustainable development goals that are pivotal to its business.

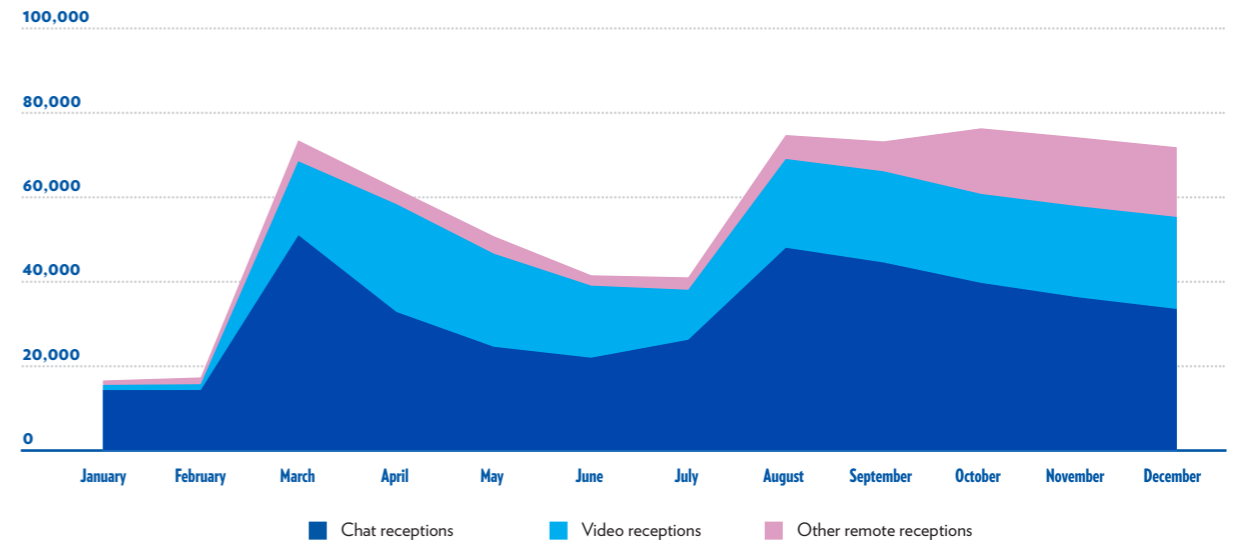


THE NUMBER OF DIGITAL APPOINTMENTS BREAKS THE LIMIT OF 0.5 MILLION

Terveystalo was quick to respond to the growing demand of digital appointments and increased their supply throughout the year. The limit of 0.5 million digital appointments was broken in October.

THE DEVELOPMENT OF DIGITAL SERVICES

Reception visits per month



NOVEMBER

TERVEYSTALO IS THE MOST POPULAR WORKPLACE AMONG PROFESSIONALS

According to the employer image study conducted by Universum, Terveystalo is the most attractive workplace among health care professionals. Terveystalo has been the most popular choice among students for seven consecutive years.

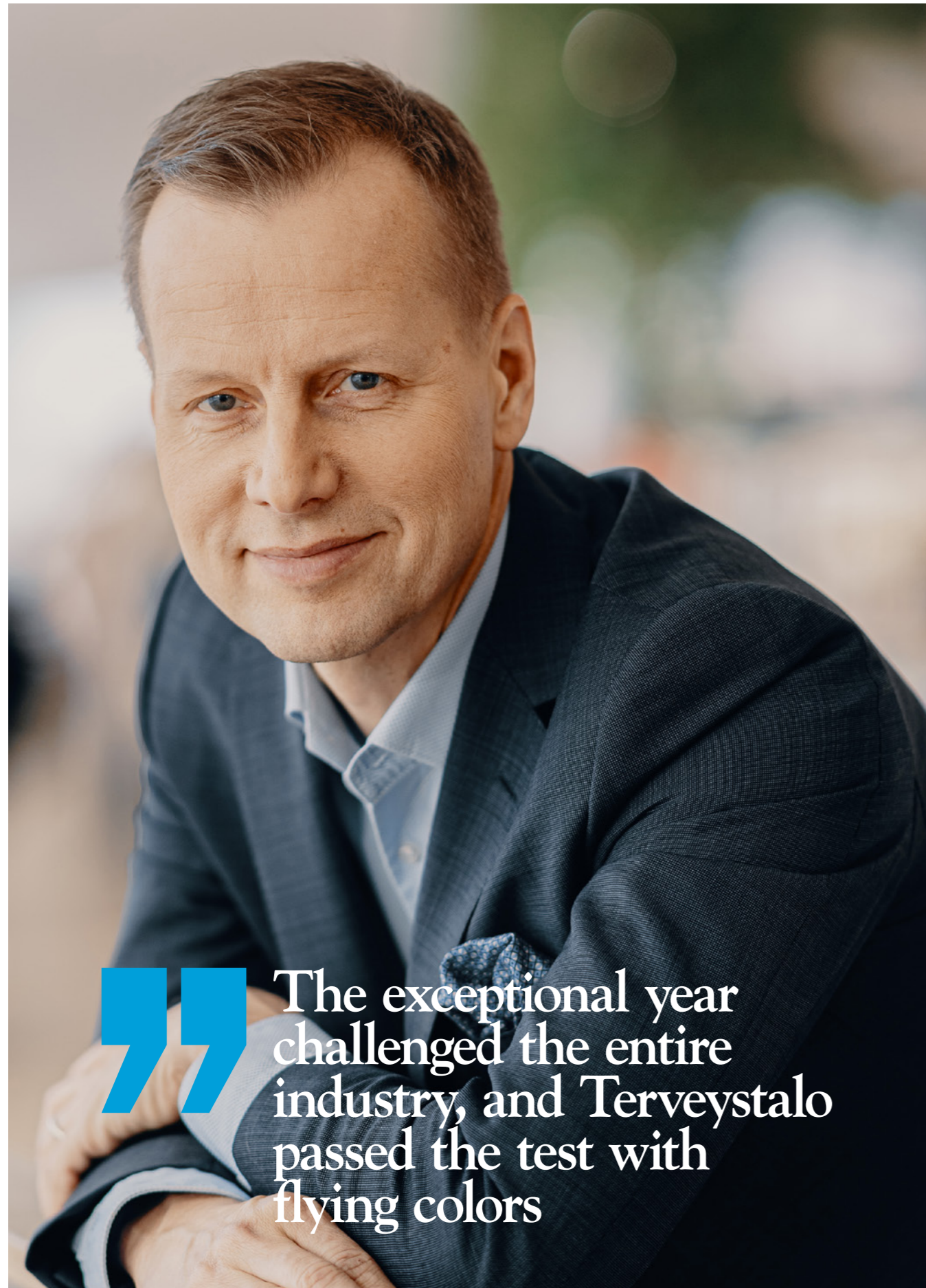


Top of Industry
Hospital and Health Care

Terveystalo

by Health/Medicine
Professionals





“ The exceptional year challenged the entire industry, and Terveystalo passed the test with flying colors

CEO'S REVIEW:

The COVID-19 pandemic accelerates the digitalization of health care

The COVID-19 pandemic faced by the world in 2020 strengthened the trends of health care and accelerated the change of the field. The digital transformation of the industry is a fact and people's interest in their health and well-being is clearly growing. At Terveystalo, demand has increasingly shifted toward digital services. Our solutions work: Despite the exceptional circumstances, our customer satisfaction has remained at a record-high, and we are the most attractive employer in our industry for the seventh consecutive year. Our brand preference has reached an all time high and is clearly the best in the industry.

THE EXCEPTIONAL YEAR CHALLENGED THE ENTIRE INDUSTRY, AND TERVEYSTALO PASSED THE TEST WITH FLYING COLORS

Since the very beginning of the COVID-19 crisis, we focused on agility and preserving room for financial flexibility. Operatively speaking, we focused on optimal targeting of supply in the continuously changing demand environment. Whereas the second quarter tested our ability to adjust to a sharp decline in demand, the third quarter challenged us to scale up our services and create new services. Faced with rapidly changing demand conditions, we shifted the focus of our service production particularly toward testing and digital services. Thanks to our agility, we managed to defend our top line. Revenue decreased only by 4 percent year-on-year, while our cost control and quick adjustment measures to respond to the development of the pandemic ensured that our profitability remained at a high level.

The second wave of COVID-19 testing started at the beginning of August, and we were able to quickly respond by quintupling our testing capacity over a period of a couple of weeks. Over the entire year, we conducted over 200,000 tests, and their demand is expected to remain high at least until the next spring. With the service solutions that are related to the COVID-19 strategy, we do our part to help society remain open and operational, even though the service chain takes up resources from our other business areas.

The exceptional business circumstances brought on by the COVID-19 pandemic will last at least until the summer. In our management, we will continue to emphasize agility and responsiveness. While the uncertain environment and the need to maintain a shorter-term focus than usual has placed great demands on our organization, we have performed well. I am proud of the performance of Terveystalo's employees and I am very pleased about the trust shown to us by customers and professionals.

OUR STRATEGY FOCUS AREAS ARE THE MOST INTELLIGENT SERVICE PLATFORM IN THE INDUSTRY AND HEALTH PARTNERSHIPS WITH OUR CUSTOMERS

COVID-19 has not changed the trend of people being increasingly interested in investing in their well-being, and we witness growth potential in services that support holistic well-being and lifelong health. One of our three strategic focus areas will be to develop health partnerships with our customers. We

are building a model for supporting our customers and keeping in touch with them, anticipating their needs, and providing comprehensive well-being services. Our second focus area is the development of the most intelligent service platform in our industry, one that will enable us to effectively provide our customers with the right service regardless of time, place, payment method and channel, from the beginning of the treatment path to its end. Our third focus area is to grow through acquisitions.

Our strategy is not reliant on the development of the publicly funded market or policy decisions concerning social and health services. It is based on the industry-leading innovations and competencies that also serve public buyers, and a bigger role would serve to improve the functioning of the entire health care system.

THE AFTERCARE OF THE CORONA CRISIS CONTINUES

The pandemic is both an immediate health crisis and a slow-moving health crisis. The treatment backlog in Finland is growing every day due to the pandemic despite the partial recovery of demand and services. According to the Finnish Institute for Health and Welfare, the number of people who have been waiting for non-urgent care for more than six months approached 18,000 in August. The pandemic is also causing an increase in mental health problems: According to Terveystalo's data, anxiety disorders are now the third most common diagnosis and three of the top five causes of sickness absences are related to mental health problems.









Terveystalo has been at the forefront of addressing the immediate effects of the crisis, and we will play an important part in responding to the long-term effects. Elimination of the treatment backlog will require the input of the private sector, and the growing challenges related to mental well-being will call for more digital solutions. Thanks to the strength of our traditional clinic network and our digital capabilities, we play an important role in helping Finns to overcome the crisis. Efficiently produced effective care benefits everyone – the individual, employer, and society.

Ville Iho
Chief Executive Officer
Terveystalo

Operating environment and megatrends

Digital services transform health care and create new solutions, but they also create new expectations from customers

HEALTHCARE TRENDS

 <p>CHANGE IN DEMOGRAPHICS</p>	 <p>CUSTOMER CENTRIC DIGITAL SERVICES</p>	 <p>THE EMPOWERED CONSUMER</p>	 <p>THE DISTRUSTFUL CONSUMER</p>	 <p>HOLISTIC HEALTH AND WELLBEING</p>	 <p>LONGER LIVES AND CHRONIC DISEASES</p>	 <p>DEPLETING RESOURCES</p>	 <p>CHANGING EMPLOYEE EXPECTATIONS</p>
<p>Aging population</p> <ul style="list-style-type: none"> Increased healthcare costs 	<p>Growing preference of digital channels</p> <ul style="list-style-type: none"> Role of proactive and preventative care enforced More frequent interactions Service chain transformation, for example digital diagnosis, to a doctor only if needed 	<p>Customers increasingly own their data and select their own services</p> <ul style="list-style-type: none"> Customer experience and digital personalization 	<p>New type of competitors (from start-ups to tech giants)</p> <ul style="list-style-type: none"> Competitive advantage from data and quality metrics Digital platforms as a source of competitive advantage 	<p>Increasing interest in own health</p> <p>Nutrition trends</p> <p>Wearables and biohacking</p> <p>Meditation & yoga</p> <p>Exercising gaining popularity</p> <ul style="list-style-type: none"> Increasing demand for preventive care and wellbeing offering 	<p>Increasing need for cost-effective population management</p> <ul style="list-style-type: none"> Monetization models change e.g. from fee-for-service to subscription-based services 	<p>Lack of professional resources</p> <ul style="list-style-type: none"> Role of nurses and other professionals increasing Efficiency will be value driver Ability to attract professionals is key 	<p>Increased popularity of flexible, self-directed forms of work that allow better work-life balance</p> <p>More widespread desire for work with a purpose and opportunities for impact</p>

OUR RESPONDS

Terveystalo promotes healthier and better life for everyone. That means that in addition to providing tailored treatment for our customers, we strive to create a healthier society. Our vision is to empower people for a long life of health and well-being. We don't just treat illnesses – we support, advise, and keep in touch. Our mission is to support customers with our services that are based on extensively researched information.



WE ARE BUILDING THE MOST INTELLIGENT PLATFORM IN THE INDUSTRY

We provide our customers with the right service regardless of time, place, and channel, from the beginning of the treatment path to its end.



WE DEVELOP HEALTH PARTNERSHIPS WITH OUR CUSTOMERS

We support our customers and keep in touch with them, anticipate their needs, and provide comprehensive well-being services.



WE OFFER THE BEST DIGITAL CUSTOMER EXPERIENCE 24/7, WITH A WAIT TIME OF ONLY 7 SECONDS

WE OFFER PROFESSIONALS THE MOST ATTRACTIVE WORKPLACE IN THE INDUSTRY

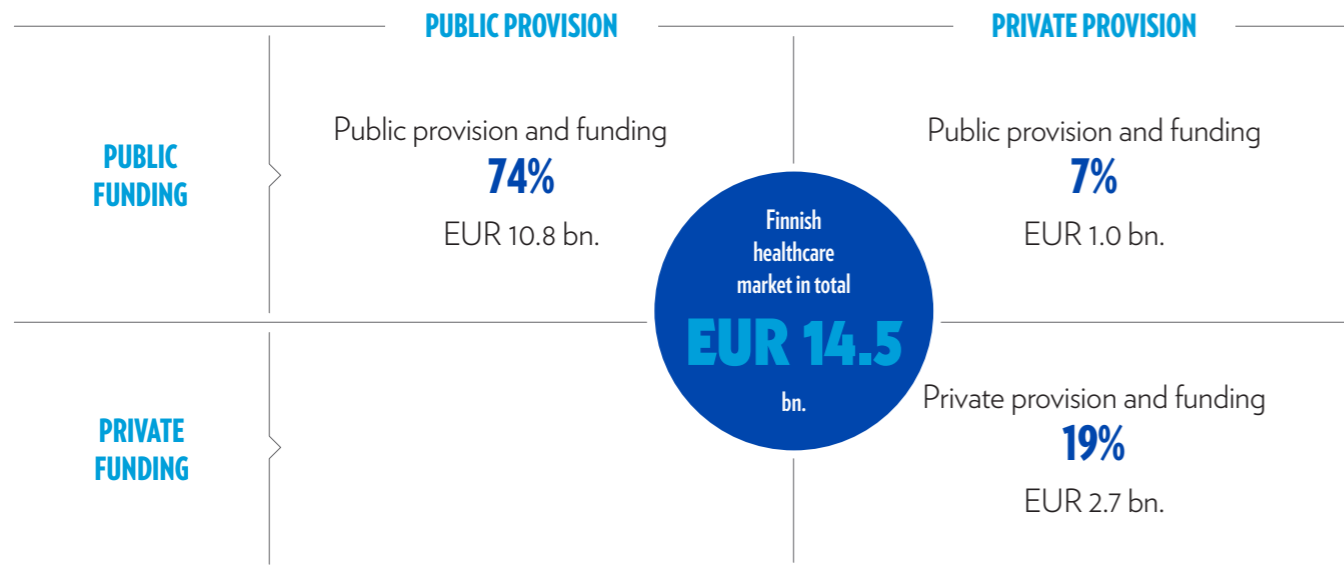
THE FINNISH HEALTH CARE MARKET

Private health care plays a significant role in the Finnish system. Nearly half of all primary health care visits in Finland are provided privately.

Finland has a unique occupational health system that covers 1.9 million Finns. Occupational health is associated with a statutory pension system. The system encourages employers to invest in occupational health to bring down pension costs. This has effects on public health as well as the total cost of health care. According to studies, companies that systematically

invest in work ability management benefit manifold. One invested euro returns six euros as a result of lower sickness absence and pension costs.

The total annual cost of health care in Finland is approximately EUR 15 billion. Privately provided health care accounts for about one quarter. Rapid aging of the population, the treatment backlog accrued during the pandemic as well as high rate of lifestyle diseases will increase the need for care in the years to come.



In 2017 according to Nordic Healthcare Group estimate.

Finnish health care hit hard by the pandemic

The global COVID-19 pandemic heavily affected the Finnish health care system as well. During the second quarter of the year, health care activities were restricted with a heavy hand and resources were shifted to treatment of COVID-19 in public health care. Privately provided health care services focused more on remote appointments, while there was a strong increase in the demand for COVID-19 testing.

The downsizing of non-urgent care in the private and public health care sectors while the restrictions were in place resulted in a significant treatment gap in other illnesses. According to the Finnish Institute for Health

and Welfare, the number of people who have been waiting for non-urgent care for more than six months approached 18,000 in August. The pandemic has also increased the number of mental health problems: According to Terveystalo's data, anxiety disorders were the third most common diagnosis and three of the top five causes of sickness absences were related to mental health problems. Elimination of the treatment backlog will require the input of the private sector, and the growing challenges related to mental well-being will call for more digital solutions.

Terveystalo's intelligent platform spurs growth of health and well-being services

Terveystalo serves a diverse customer base, offering them health and well-being services and integrating courses of treatment into efficient chains using a physical and digital platform business model. Terveystalo's scalable platform has been built for privately funded business but it can also be used for public sector customers.

	TERVEYSTALO PLATFORM	PUBLIC OUTSOURCING & STAFFING
OPERATING MODEL	<ul style="list-style-type: none"> Market leader with ≈ EUR 800 million sales Terveystalo clinics and 24/7 digital platform, fee for service -model, scalable Corporate, Private and Public service sales 	<ul style="list-style-type: none"> One of the largest in the market with ≈ EUR 200 million sales Public clinics and equipment, capitation/fixed fee
GROWTH	Organic growth, bolt-on M&A, strategic M&A	Opportunity: Long queues in public, aging population
MARGIN POTENTIAL	High with operating leverage as a key profitability driver	High-medium-low
INVESTMENT REQUIREMENTS	Moderate with digitalization as a key driver	Low

The growing demand for health and well-being services offers growth opportunities, and Terveystalo seeks to take advantage of them by growing the market. The toolkit includes introducing new products in the portfolio, increasing the market share, promoting customer loyalty, and making selected acquisitions.

MARKET AND SHARE GROWTH	GROW SHARE OF WALLET	CONTINUED M&A
<p>The smartest platform in the industry</p> <p>Opportunity: increase conversion, profit per visit, higher output from limited resources, increase visits and grow in verticals</p> <p>We invest in: "the Engine room", Centers of Excellence, pricing intelligence</p>	<p>The customer's health partner</p> <p>Opportunity: Expand to new markets with new products, increase share of wallet</p> <p>We invest in: Customer relationship and engagement</p>	<p>Selective M&A</p> <p>Opportunity: Further strengthen our capabilities, scale and service scope + enter new markets</p> <p>We invest in: Scale, scalable competencies, adjacencies and specialties</p>

OUR STRATEGY

Our vision is to empower people to lifelong health and well-being

That is why we are fighting for a healthier life. Every day.

VALUES



Human being in the center

We take responsibility for the health and well-being of our fellow human beings, for the opportunity to live a good life. We work together to help the customer and customer guides us in our renewal. We help each other and value all of our experts.



Steered by medical science

Everything we do is based on medical science and researched knowledge. All our decisions are steered by care efficacy and the well-being of our customers.

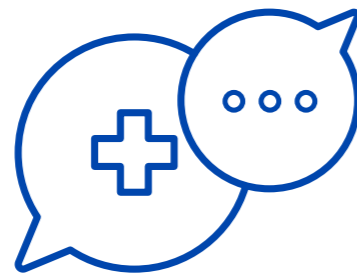


For the common good

We build health and wealth for the society and produce effective care efficiently. We share information and ignite discussion and create better healthcare for all: customers, Professionals, and society.

MEGATRENDS

- Holistic health and wellbeing
- Customer centric digital services
- Longer lives and chronic diseases
- Purpose at work
- Life-job balance
- Competition for professionals
- Distrust in institutions



HOW



The smartest platform in the industry

We offer the most relevant service to the customer regardless of time, place and channel, from the beginning to the end of the integrated care chain.



The customer's health partner

We engage in dialogue with the customers, anticipate their needs and offer comprehensive wellbeing services.

STRATEGIC OBJECTIVES



The profitability leader in the Nordic region in private health services.



Preferred by customers and professionals.



OUR STRATEGY

Terveystalo's customer-driven high-quality services promote the health of Finns and, thereby, the well-being of the Finnish society as a whole. Our mission is to fight for a healthier life. In addition to providing tailored treatment for our customers, we strive to create a healthier society. Our vision is to empower people to long-life health and well-being. We don't just treat illnesses – we support, advise, and keep in touch. Our mission is to support customers with our services that are based on extensively researched information.

Our competitive advantages include a wide and comprehensive network, a scalable business model, and a broad range of digital services; together with our development-oriented culture, they attract the field's best talent.

In the spring 2020, Terveystalo's Board of Directors approved the new focus areas as well as strategic and financial goals for the strategy period 2021–2025.

Terveystalo's strategic goals:

- To be the most profitable private health care operator in the Nordic countries
- To be the preferred choice of customers and professionals

To attain these strategy goals, the Board approved the following development areas as the strategy period's focus areas:

- **We build the most intelligent platform in the industry** - We provide our customers with the right service regardless of time, place, and channel, from the beginning of the treatment path to its end.
- **We develop health partnerships with our customers** - We support our customers and keep in touch with them, anticipate their needs, and provide comprehensive well-being services.

Expansion of well-being services and strategic, complimentary acquisitions will be a part of Terveystalo's growth strategy also in the future.

In addition to providing tailored treatment for our customers, we strive to create a healthier society.

THE MOST INTELLIGENT SERVICE PLATFORM IN THE INDUSTRY

We are developing our operating model to respond to the transformation needs brought on by market trends. The demand for novel health services, pricing models and operative models is growing, while the scarcity of health care professionals is increasing the need for more intelligent use of competence. Digital services transform health care and create new solutions, but they also create new expectations from customers. We are developing an intelligent platform to meet the customer expectations and demands in a scalable manner also in the future. The intelligent platform guides growth, profitability, customer satisfaction, and commitment. Through the most intelligent platform in the industry, we are able to provide our customers with the right service regardless of time, place, and channel, from the beginning of the treatment path to its end.

HEALTH PARTNERSHIPS WITH CUSTOMERS

As many as 50 percent of working-age Finns have or are at risk of developing a lifestyle disease. Obesity, diabetes, hypertension, sleep disorders, substance abuse, back problems and mental health challenges are increasing the need for preventive and well-being services. At the same time, the interest in holistic well-being is growing. In addition to curing diseases, we want to create health partnerships with our customers and to keep in touch, predict the customers' needs and offer holistic well-being services. We use digital solutions to engage customers and to offer a platform for continuous health partnership and personalized services. We will also introduce new low-threshold well-being services in our portfolio.

UPDATED FINANCIAL TARGETS

As long-term financial goals, Terveystalo's Board of Directors adopted 5 percent annual revenue growth through organic growth and acquisitions and, in terms of profitability, an adjusted EBITA margin of 12–13 percent in the medium to long term. With regard to the capital structure, the target for the net debt/adjusted EBITDA ratio is 3.5x or less. However, indebtedness may temporarily exceed the target level, such as in conjunction with acquisitions. The company also aims to distribute a minimum of 40 percent of net profit as dividends annually. However, the dividend proposal must take into account Terveystalo's long-term development potential and financial position.

STRATEGY IMPLEMENTATION IS PROGRESSING DESPITE COVID-19

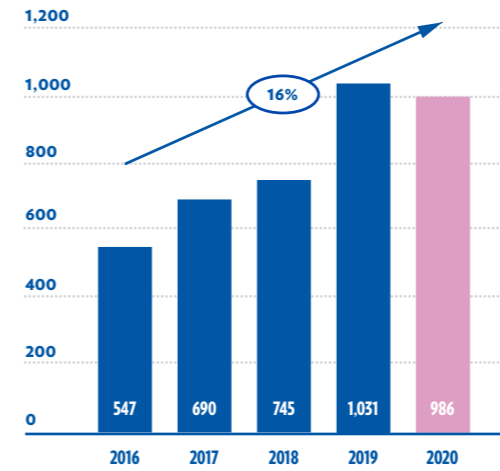
The key strategic measures in 2020 included increasing our digital offering and further developing our platform.

The Net Promoter Score* (NPS) for customer experience reached a record high in all of the measured areas. Personnel job satisfaction at Terveystalo was at an excellent level, and the employee net promoter score (eNPS) was clearly improved compared to the reference period. Terveystalo's comprehensive overall health and well-being service portfolio was further diversified, especially with regard to digital channels. Revenue decreased by 4.3 percent, due to negative impact from COVID-19 in the second quarter of the year. Profitability was strong nevertheless and adjusted EBITA was 10.3 percent of revenue.

ACHIEVEMENT OF FINANCIAL TARGETS

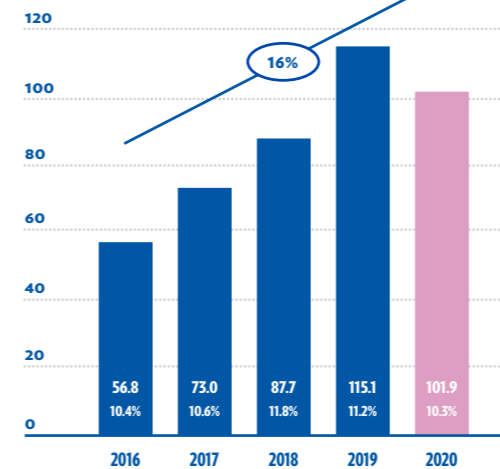
REVENUE, EUR MILL.

Target of at least 5% growth annually



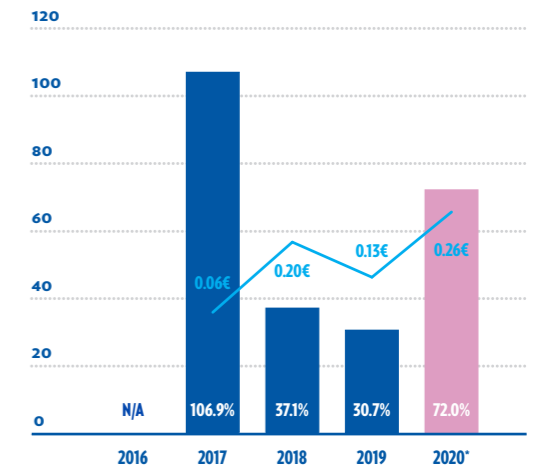
ADJUSTED EBITA, EUR MILL. AND % OF REVENUE

Target 12-13% Adj. EBITA margin



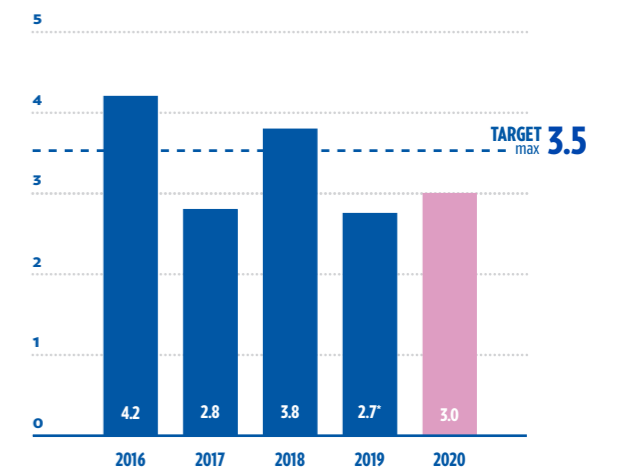
DISTRIBUTION OF DIVIDENDS, € & % OF NET PROFIT

Target is to distribute at least 40% of net profit as dividends.



*Proposed dividend in total

NET DEBT / ADJUSTED EBITDA



*Before IFRS 16 impact (comparable)

18 ENPS, NET PROMOTER SCORE OF EMPLOYEES AND PROFESSIONALS

83 NET PROMOTER SCORE, NPS IN APPOINTMENTS

Value creation model

RESOURCES AND KEY CAPITAL:

PERSONNEL AND COMPETENCE

- We employed more than 13,000 people, of whom more than 5,000 are private practitioners. Our employees include about 1,800 doctors and Bachelors of Medicine, more than 3,200 nurses, 650 dentists and dental hygienists, 610 other health and well-being professionals, 91 psychologists and psychotherapists, and more than 740 customer service staff, and nearly 900 people in administrative or managerial positions.

FINANCIAL

- Net debt excluding IFRS 16 EUR 325.9 million
- Equity EUR 571.4 million

IMMATERIAL

- ISO 9001: 2015 Quality Certification
- Utilising customer information in the management of medical quality and promoting public health in society
- Care chains based and developed on evidence-based medicine
- Medical Quality Management Tools: Etydi, Medical Reporting, and Dashboard
- A strong brand, the most interesting employer among doctors and healthcare students
- Responsible use of data and artificial intelligence
- Ensuring data protection and data security

SOCIAL

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

INFRASTRUCTURE

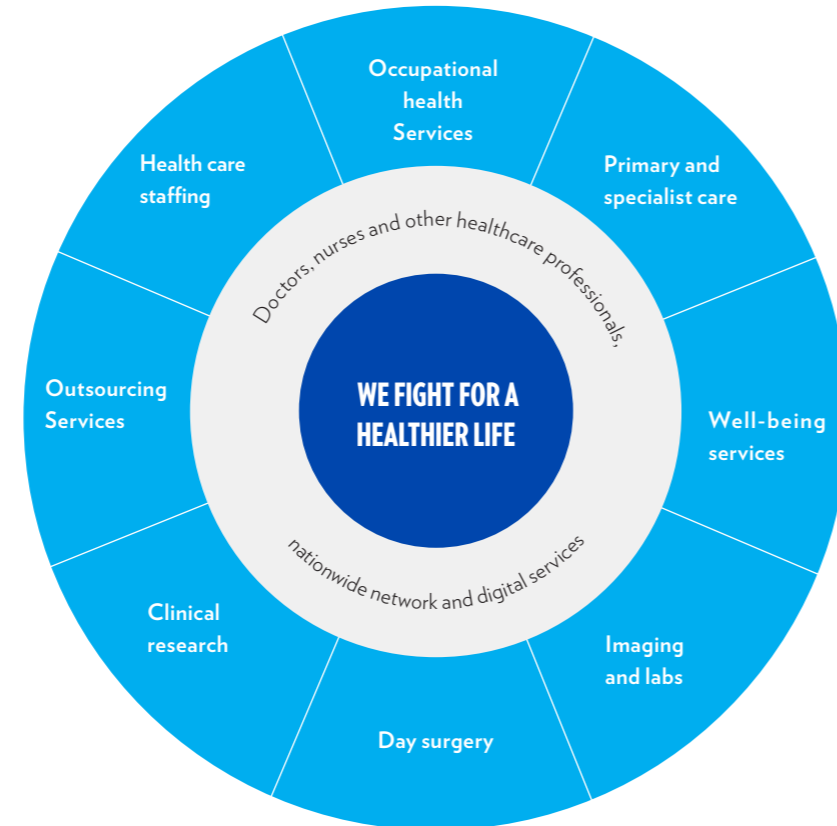
- 309 clinics
- 17 clinic hospitals
- 43 dental clinics
- 53 Rela massage therapy units

NATURAL RESOURCES

- Energy consumption 15,944 MWh (electricity)

BUSINESS MODEL:

We empower people to lifelong health and well-being



KEY OPERATIONAL MANAGEMENT SYSTEMS

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

DIGITALIZATION AND INNOVATIONS

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

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

OUTPUTS:

CUSTOMER AND HEALTH CARE SERVICES

- 6.9 mill. customer visits
- 3.7 mill. doctor visits for 1.2 mill. individual customers,
- Over 1.8 mill. remote appointments
- Population Health Management Monitoring Tool, PRO professional's work management application
- "In the Best Hands" operating model in taking customer needs into consideration
- My Plan (personal health plan) operating model in preventive health care
- Medical research: Terveystalo clinical research, biobank
- Trainee programs, recruitment and staff training (A total of 63,864 hours of training was provided)

EMISSION AND WASTE

- Carbon footprint 996.4 tonnes CO₂e (Scope 1 & 2)
- Waste 81 tonnes (mixed and hazardous waste)

CREATED VALUE AND IMPACTS:

HEALTH AND WELLBEING

- High quality and efficacy of care and individual-centered services for promoting health
- Utilization of data in managing medical quality and promoting public health in society (e.g. the results of the mental health care pathway)
- Smooth care chains ensure fast access to care and work ability recovery
- Decrease in sickness related work absences and the cost of work left undone
- Prevention of illnesses
- Fast access to care: Chat reception to a general practitioner or occupational health practitioner available 24/7 in 7 seconds on average
- High Customer Satisfaction and Net Promoter Score, NPS 83
- Strong patient safety
- Corona-related services enable society to remain open

ACCESS TO CARE AND INNOVATIONS

- Availability of care everywhere in Finland, digital services available 24/7, average Finn lives 8.5 kilometers drive away from Terveystalo unit
- Cost savings and improved access to care in publicly funded services
- Biobank samples are used in clinical research to determine the causes of diseases and to develop treatments
- Cooperation and partnerships with the public sector - solutions for access to care and productivity
- Digital tools for professionals assist in identifying disease risks and improve the quality and effectiveness of care

RESPONSIBLE WORK AND ECONOMIC GROWTH

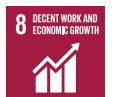
- Wages and salaries, EUR 310 million
- Personnel sickness absenteeism rate 3.6 below national average
- Lost work injury frequency rate, LTIR 25, significantly below industry national average
- eNPS at 18, a good level
- Tax EUR 40 mill.
- Dividends distributed EUR 17 mill.
- Investments, excl. M&A EUR 33 mill.
- Materials and services purchased EUR 448 mill.
- Financial expenses (net) of EUR 10 mill.

SAFE AND ETHICAL PRACTICES

- We ensure data protection and security by storing patient data in a security-certified patient information system
- The development of ethical operating principles and compliance ensures compliance with laws, regulations and generally accepted ethical standards.
- Responsible sourcing practices and supplier self-assessments

SUSTAINABLE CONSUMPTION AND CLIMATE WORK

- Reduce travel emissions by developing digital healthcare solutions
- Minimize negative environmental impacts through material efficiency and improved recycling



Terveystalo as an investment – a growth platform for health and well-being

Terveystalo, a company founded in 2001, has grown through nearly 200 acquisitions into Finland's largest health care service company. In recent years, Terveystalo has made some significant investments, particularly in digitalization and customer experience as well as clinical and operational quality. Terveystalo's strengths provide it with several channels for growth.

1 STRONG DRIVERS FOR MARKET GROWTH



Aging population and high rate of lifestyle diseases increase the demand for and costs of health care. Growing interest in health and well-being, increasing use of services.

2 THE LARGEST PRIVATE HEALTH CARE COMPANY IN THE INDUSTRY



Finland's largest in terms of revenue, network, digital footprint and profitability.

3 THE MOST DESIRABLE EMPLOYER



Terveystalo has been chosen as the most attractive employer among physicians and health care students for seven years in a row.

4 STRONG PLATFORM WITH GROWTH POTENTIAL



Growing market and market share, selected acquisitions and a larger share of customers' consumption through increased loyalty.

5 ADDED POTENTIAL FOR IMPROVED PROFITABILITY



The leverage effect of operations as a driver for profitability and improved conversion in addition to improving customer engagement.

Corporate governance

At Terveystalo, the highest decision-making power is exercised by the shareholders at the Annual General Meeting. The Board of Directors is responsible for Terveystalo's administration and the appropriate organisation of its operations. The Board of Directors is responsible for ensuring that Terveystalo complies with good corporate governance principles. The Board of Directors appoints the CEO who is responsible for the day-to-day management of the company in accordance with the instructions and orders issued by the Board of Directors. The rest of the Executive Team assists and supports the CEO in his duties.



Corporate Governance Statement

I. INTRODUCTION

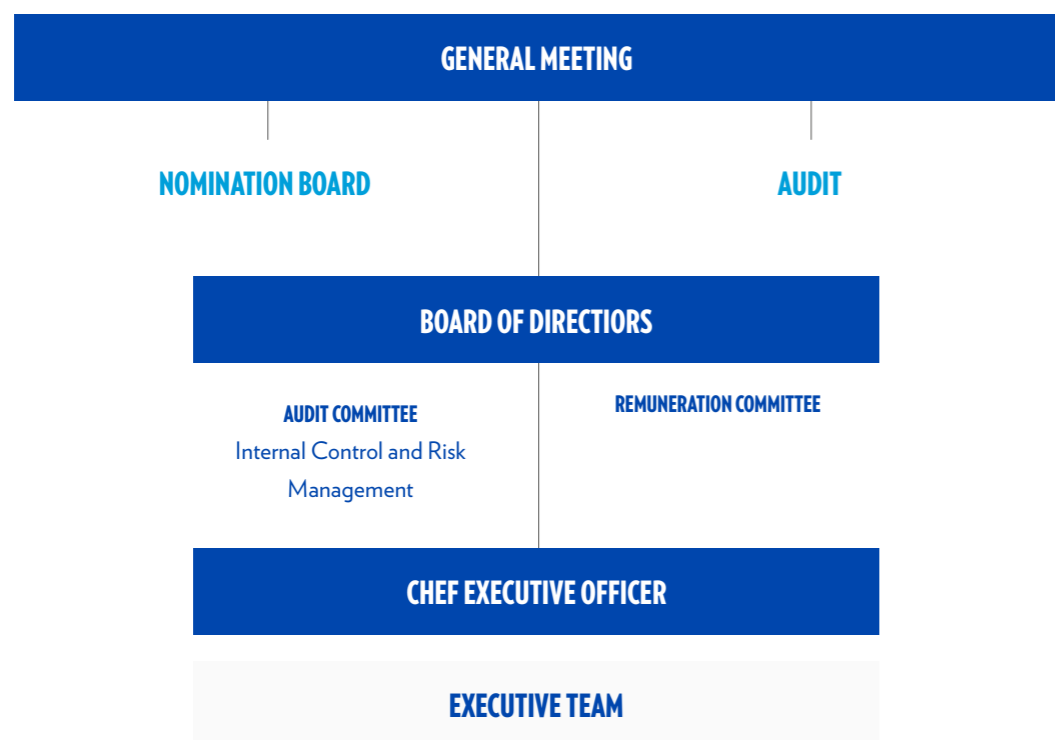
Governance at Terveystalo Plc (hereinafter referred to as “Terveystalo” or the “Company”) is based on applicable laws, the rules and recommendations of Nasdaq Helsinki Ltd (hereinafter referred to as the “Helsinki Stock Exchange”), and the Company’s Articles of Association. In addition, the Company follows the Finnish Corporate Governance Code 2020 (“Corporate Governance Code”), issued by the Securities Market Association and available on its website at www.cgfinland.fi. Terveystalo complies with all the recommendations in the Corporate Governance Code. Terveystalo’s Corporate Governance Statement has been prepared in accordance with the Corporate Governance Reporting section of the Corporate Governance Code.

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

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Terveystalo Plc is a Finnish public limited liability company domiciled in Helsinki. The parent company, Terveystalo Plc, and its subsidiaries form the Terveystalo Group (hereinafter referred to as the “Group”). The responsibility for the administration and operations of Terveystalo Group lies with the governing bodies of the parent company, Terveystalo Plc. These governing bodies include the Annual General Meeting, the Board of Directors, and the CEO. The AGM elects the members of the Board of Directors on the basis of the proposal of the Shareholders’ Nomination Board consisting of the largest shareholders. The work of the Board of Directors is aided by two committees. The Board elects the committee members from amongst its members. The CEO appointed by the Board manages the operations of Terveystalo Group, assisted by the rest of the Executive Team. The work of the Board of Directors, its committees, the CEO, and the rest of the Executive Team is governed by the Company’s corporate governance principles, adopted by the Board of Directors. These principles include the Charters of the Board and its committees, the division of responsibilities between the decision-making bodies, and the principles concerning the arrangement of internal control and risk management. The Company’s governance structure is described below.

TERVEYSTALO’S GOVERNANCE STRUCTURE



ANNUAL GENERAL MEETING

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

The Annual General Meeting deals with matters falling within its competence pursuant to the Finnish Limited Liability Companies Act and Terveystalo’s Articles of Association, and any possible other matters. An Extraordinary General Meeting is convened when necessary. More detailed information about the Annual General Meeting is provided in Terveystalo’s Articles of Association, which can be found on the company website at: <https://www.terveystalo.com/en/investors/Corporate-governance>. The Annual General Meeting for 2020 was held on May 28, 2020. The decisions of each Annual General Meeting can be found on Terveystalo’s website at: <https://www.terveystalo.com/en/investors/Corporate-governance/General-Meeting-of-Shareholders/>.

SHAREHOLDERS’ NOMINATION BOARD

In accordance with the decision of the Annual General Meeting, the Shareholders’ Nomination Board (hereinafter referred to as the “Nomination Board”) annually prepares proposals to the next Annual General Meeting concerning the number of the Members of the Board and their election and remuneration. It also identifies candidates for Members of the Board. The Nomination Board consists of the Chair of the Company’s Board of Directors and, generally, representatives of the Company’s four largest shareholders. If the ownership of the Company’s fifth largest shareholder exceeds ten (10) percent of all the shares and votes in the Company, the five largest shareholders shall be represented in the Nomination Board. The composition of the Nomination Board is determined based on the shareholdings on the first bank day in September each calendar year. The Chair of the Board of Directors convenes the first meeting of the Nomination Board. The Nomination Board elects a Chair from amongst its members. Subsequent meetings of the Nomination Board are convened by the elected Chair. If more than half of the members of the Nomination Board are present, they constitute a quorum. The Nomination Board has a written Charter which includes a more detailed description of the election process and the duties of the Nomination Board members as well as the procedures of the Nomination Board’s meetings. A description of the main contents of the Charter of the Nomination Board can be found on the Company website at: <https://www.terveystalo.com/en/investors/Corporate-governance/shareholders-nomination-board/>.

In accordance with shareholdings on September 1, 2020, Terveystalo’s Nomination Board consists of the representatives of the Company’s four largest shareholders and the Chair of the Board of Directors. In accordance

with the above, the following persons continued as members of Terveystalo’s Nomination Board from September 6, 2020 onwards: Risto Murto (Varma Mutual Pension Insurance Company), Matts Rosenberg (Rettig Group AB), Peter Therman (Hartwall Capital), Olli Lehtilä (OP Group), and Kari Kauniskangas (Chair of the Board of Directors of Terveystalo Plc). There were no changes in the composition of the Nomination Board in 2020.

In its organization meeting held on September 6, 2020, the Nomination Board re-elected Risto Murto as its Chair. The Shareholders’ Nomination Board forwarded its proposals for the Annual General Meeting to Terveystalo’s Board of Directors on December 10, 2020. In 2020, the Nomination Board convened 7 times. The attendance rate of members was 100%.

Name	Meetings	Attendance rate
Risto Murto	7/7	100%
Olli Lehtilä	7/7	100%
Matts Rosenberg	7/7	100%
Peter Therman	7/7	100%
Kari Kauniskangas	7/7	100%

BOARD OF DIRECTORS

According to Terveystalo's Articles of Association, the Board of Directors has a minimum of five (5) and a maximum of eight (8) ordinary members. The Annual General Meeting of Shareholders elects the members of the Board of Directors. The Board of Directors elects the Chair from among their members. In 2020, the Annual General Meeting elected seven members to the Board of Directors:

- Dag Andersson, born in 1961, BBA, MBA, main occupation: XVIVO Perfusion, CEO
- Lasse Heinonen, born in 1968, M. Sc. (Econ.), main occupation: Ahlström Capital, CEO
- Kari Kauniskangas (Chair), born in 1962, M. Sc. (Econ.), main occupation: Board Professional
- Åse Aulie Michelet, born in 1952, M. Sc. (Pharm.), main occupation: Board Professional
- Niko Mokkila, born in 1979, M.Sc. (Tech.), M.Sc. (Econ.) main occupation: Hartwall Capital Ltd, Managing Director
- Katri Viippola, born in 1976, Executive MBA, Master of Arts, main occupation: Varma Mutual Pension Insurance Company, SVP, HR, Communications and Corporate Social Responsibility
- Tomas von Rettig, born in 1980, BBA, CEFA, main occupation: Rettig Group Ltd, Chair of the Board

All the members of the Board are independent of the Company. Kari Kauniskangas, Dag Andersson, Lasse Heinonen, and Åse Aulie Michelet are independent of major shareholders of the Company. According to the Board of Directors' assessment, the following members of the Board are not independent of major shareholders of the Company due to their main occupation: Niko Mokkila (Managing Director of Hartwall Capital Ltd), Katri Viippola (Varma Mutual Pension Insurance Company, SVP, HR, Communications and Corporate Social Responsibility) and Tomas von Rettig (Rettig Group Ltd, Chair of the Board).

In accordance with the decision of the Annual General Meeting of 2019, Kari Kauniskangas (Chair), Dag Andersson, Paul Hartwall, Lasse Heinonen, Olli Holmström, Åse Aulie Michelet, Katri Viippola, and Tomas von Rettig were members of the Board of Directors until May 28, 2020.

HOLDINGS OF THE BOARD MEMBERS AND THEIR CONTROLLED ENTITIES IN THE GROUP, DECEMBER 31, 2020

Kari Kauniskangas	7,990
Dag Andersson	3,467
Lasse Heinonen	13,161
Åse Aulie Michelet	27,530
Niko Mokkila	1,772
Katri Viippola	4,906
Tomas von Rettig	6,161

DIVERSITY OF THE BOARD OF DIRECTORS

The Company's principles concerning the diversity of the Board of Directors came into effect on September 27, 2017. The Company regards the diversity of the Board of Directors as a material contributing factor in achieving the Company's strategic targets. The work of the Board of Directors requires understanding of differences in cultures, values, and business practices. Diversity is assessed from different perspectives, including age, gender, education, and professional background. Both genders shall be represented on the Board of Directors. In planning the composition of the Board of Directors, the Shareholders' Nomination Board considers the composition of the Board from the perspective of the Company's current and future business needs, taking into account the diversity of the Board. In 2020, the Company's Board of Directors met the diversity criteria. The age span of Board members is 40–68 years. Two of the Board members are women and five are men.

DESCRIPTION OF THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors has adopted a written Charter of the Board on January 23, 2018. It supplements the provisions of the Articles of Association and the applicable laws and regulations. The Charter of the Board of Directors describes the Board's composition, election process of the directors, responsibilities of the Board, meeting arrangements, and reporting to the Board of Directors. The CEO attends Board meetings. The Chief Financial Officer (CFO), General Counsel, and other members of the Executive Team attend Board meetings upon invitation by the Board of Directors. The Board of Directors has general competence to decide and to act in matters that do not fall within the competence of the Annual General Meeting or the CEO's general authority under law or the Company's Articles of Association. The Board of Directors is responsible for the Company's governance and the appropriate arrangement of its operations. In addition, the Board of Directors is responsible for ensuring appropriate supervision of the Company's accounting and asset management. The Board of Directors decides on matters of principle and on any issues that could have broad-ranging implications for the Company. It decides on major corporate plans and transactions. The Board of Directors also establishes limits for capital expenditure, investments, divestments, and financial commitments. The Board of Directors' responsibilities also include reviewing and approving the strategic objectives and strategic plans of the Company and its various business functions as well as monitoring their implementation. The Board of Directors also reviews and approves the Company's financial targets. In addition, the Board of Directors monitors and assesses the Company's financial reporting system, approves the Company's financial reports, and monitors the Company's external audit process. It also ensures that the Company has defined the operating principles of internal control, internal auditing, and risk management, and monitors compliance with these principles. In all situations, the Board of Directors shall act in the best interest of the Company and its shareholders. The Board of Directors appoints and dismisses the CEO, supervises the CEO's actions, and approves the CEO's service contract. It also approves the CEO's remuneration and other benefits upon the recommendation of the Remuneration Committee, within the framework of the Remuneration Policy presented to the Annual General Meeting. Upon the proposal of the CEO, the Board of Directors appoints the rest of the Executive Team reporting directly to the CEO and approves

their service contracts and remuneration based on the recommendation of the Remuneration Committee. In addition, the CEO shall consult the Chair of the Board of Directors on dismissal of members of the Executive Team reporting directly to the CEO. The number of terms or the age of Board members has not been limited. A description of the main contents of the Charter of the Board of Directors can be found at: <https://www.terveystalo.com/en/investors/Corporate-governance/Board-of-Directors/>.

The Board of Directors may establish committees to support the Board with the preparation and performance of its duties and responsibilities. The Board of Directors determines the size and composition of such committees and approves their charters.

In 2020, the Board of Directors convened 19 times. The average attendance rate at Board meetings was 98 percent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2020.

COMMITTEES OF THE BOARD OF DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee carries out its responsibilities under its Charter adopted by the Board of Directors on January 23, 2018. The Audit Committee assists the Board of Directors in performing and monitoring its supervisory duties related to the financial reporting process and auditing. In addition, the Audit Committee assists the Board of Directors in supervising matters related to financial reporting, internal control, internal auditing, and risk management. The Audit Committee monitors the financial reporting processes, the quality and integrity of the financial statements and other financial reports, and the Company's financial performance. In addition, the Audit Committee monitors the statutory audit of the financial statements, consolidated financial statements, and the annual, half-year, and interim reports. The Audit Committee also monitors the efficiency of the Company's internal control, internal auditing, and risk management systems and assesses the performance of internal auditing. Furthermore, the Audit Committee evaluates the qualifications and independence of the external auditor and, in particular, the provision of non-audit services to the Company, prepares the proposal for the election of the external auditor, and monitors compliance with laws and regulations. The Audit Committee prepares the proposal for the remuneration and election or re-election of the external auditor and submits its recommendation for the appointment of the external auditor to the Board of Directors. In addition, the Audit Committee shall ensure that the Board of Directors is aware of matters which may significantly impact the Company's financial condition or business operations. A description of the main contents of the Charter of the Audit Committee can be found at: <https://www.terveystalo.com/en/investors/Corporate-governance/Board-of-Directors/>.

The Audit Committee consists of at least three members appointed by the Board of Directors. The Audit Committee has a Chair, elected by the Board of Directors. The members of the Audit Committee must meet the expertise and independence criteria and other criteria applicable to Audit Committee members of publicly listed companies in Finland. These provide, for example, that the majority of the Audit Committee members shall be independent of the Company, and at least one member shall be independent of the major shareholders of the Company.

Lasse Heinonen served as Chair of the Audit Committee, and Paul Hartwall and Olli Holmström served as Committee members until May 28, 2020. As of May 28, 2020, Committee members comprised Niko Mokkila and Tomas Von Rettig. Lasse Heinonen continued as the Chair. The Audit Committee convened 5 times in the financial year 2020. The average attendance rate of the Committee members was 100 percent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2020.

REMUNERATION COMMITTEE

The Remuneration Committee carries out its responsibilities under its Charter adopted by the Board of Directors. The Charter of the Remuneration Committee came into effect on January 23, 2018. The Remuneration Committee of the Board of Directors identifies individuals qualified to serve as the CEO of the Company and gives its recommendation on the appointment of the CEO to the Board of Directors. It also assists the Board of Directors with any major management reorganizations based on the preparation and proposals by the CEO. The Remuneration Committee assists the Board of Directors with the evaluation and remuneration of the CEO and the rest of the Executive Team reporting directly to the CEO, oversees the Company's remuneration policies, schemes, and plans, as well as reviews appropriate succession planning procedures for the Executive Team. A description of the main contents of the Charter of the Remuneration Committee can be found at: <https://www.terveystalo.com/en/investors/Corporate-governance/Board-of-Directors/>.

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

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

Kari Kauniskangas is Chair of the Remuneration Committee and Dag Andersson, Åse Aulie Michelet, and Katri Viippola are Committee members. The Remuneration Committee convened 7 times during the financial year. The average attendance rate of the Committee members was 100 percent. Attendance rate by member is shown in a separate table under Attendance of Board members at Board and Committee meetings in 2020.

ATTENDANCE OF BOARD MEMBERS AT BOARD AND COMMITTEE MEETINGS IN 2020

NAME	ATTENDANCE AT BOARD MEETINGS*	ATTENDANCE AT AUDIT COMMITTEE MEETINGS*	ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS*
Kari Kauniskangas	19/19		7/7
Dag Andersson	16/19		7/7
Lasse Heinonen	19/19	5/5	
Niko Morkkila	12/12	3/3	
Åse Aulie Michelet	19/19		7/7
Katri Viippola	18/19		7/7
Tomas von Rettig	19/19	3/3	
Members of the Board of Directors until May 28, 2020:			
Paul Hartwall	7/7	2/2	
Olli Holmström	7/7	2/2	

* Attendance rates cover meetings held during each member's term of office.

CHIEF EXECUTIVE OFFICER

The CEO is responsible for the day-to-day management of the company and for implementing the Company strategy in accordance with the instructions and orders issued by the Board of Directors. The CEO undertakes the execution of measures approved by the Board of Directors and oversees preparations for strategically important measures. The CEO ensures that the management of the Company is adequately arranged, and that the Company's accounting complies with the applicable legislation. The CEO also ensures the appropriate arrangement of the Company's administration and asset management. Ville Iho has served as the CEO for Terveystalo since late 2019. Biographical details of the CEO are provided below under Group Management.

GROUP EXECUTIVE TEAM AND MANAGEMENT SYSTEM

The Company's CEO serves as the Chair of the Executive Team. In 2020, the Executive Team also included the Chief Medical Officer and the Officers and Senior Vice Presidents responsible for digitalization, finances, HR, legal matters, communications, marketing, and the various business lines. The share holdings of the members of the Executive Team and their controlled entities on December 31, 2020 are presented below.

Ville Iho, born in 1969, M.Sc. (engineering), CEO	0
Petri Bono, born in 1970, MD, oncologist, Adjunct Professor, Chief Medical Officer	0
Tomi Gustafsson, born in 1978, Master of Arts (Education), Interim SVP, Corporate Health since May 13, 2020	0
Juha Juosila, born in 1972, M. Sc. (Econ), Chief Digital Officer	87,435
Ilkka Laurila, born in 1977, M. Sc. (Econ), M. Sc. (Forestry), Chief Financial Officer	304,900
Siina Saksi, born in 1966, M. Sc. (Econ), EMBA, Senior Vice President, Private Customers and Clinics	50,559
Elina Saviharju, born in 1981, LL.B, LL.M (Harvard), Senior Vice President, Legal, General Counsel since May 11, 2020	0
Veera Siivonen, born in 1980, M. Sc. (Tech), Senior Vice President, Marketing and Communications since May 1, 2020	348
Minttu Sinisalo, born in 1980, M. Sc. (Econ), Senior Vice President, Human Resources since January 1, 2020	0

Mikko Tainio, born in 1979, M.Sc. (Econ), Senior Vice President, Public Partnerships since November 1, 2020	518
Pia Westman, born in 1965, PhD, Senior Vice President, Wellbeing, Diagnostics and Digital Services	23,594

The following persons have been members in the Executive Team during 2020: Susanna Laine until January 2020, Julia Ormio until January 2020, Jens Jensen until May 2020, as well as Laura Rätty until November 2020.

In addition, the following changes in the Executive Team have been published or have taken place as per the date of this review: Marja-Leena Tuomola has been appointed Senior Vice President, Corporate Health at Terveystalo and member of the Executive Team as of 1 January 2021. Petri Keksi has been appointed Senior Vice President, Growth Businesses and member of the Executive Team as of 1 January 2021. Veera Siivonen has been appointed Senior Vice President, Consumer Business as of 1 January 2021. Siina Saksi has been appointed COO of Terveystalo as of 1 January 2021. Pia Westman, who previously was responsible for Well-being, Diagnostics and Digital Services business area, was appointed to lead separate strategic growth projects as of 1.1.2021.

The current information on the Executive Team shall be found from the Company's website: <https://www.terveystalo.com/en/Company/Contact-information/Management/>.

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

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

GROUP ORGANIZATION



The CEO, CFO, and General Counsel usually serve as members of the subsidiaries' Board of Directors. From the perspective of business operations, the Group subsidiaries operate in accordance with the Group's management system. The Group's operative business activities are mainly carried out by Suomen Terveystalo Oy, Terveystalo Julkiset Palvelut Oy and Terveystalo Kuntaturva Oy. Terveystalo Healthcare Oy is the Group's purchasing company.

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

RISK MANAGEMENT

Risk management is part of Terveystalo's management system. The Company applies a risk management policy adopted by the Board of Directors. The purpose of risk management is to ensure fulfillment of the customer promise, patient and occupational safety, high quality of the operations, financial performance, business continuity, a good public image of the Company, and corporate social responsibility.

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

The objectives of risk management include, among others:

- Ensuring business continuity
- Ensuring the achievement of strategic and operative objectives
- Managing risks associated with financial transactions
- Supporting decision-making
- Ensuring top quality care and patient safety
- Ensuring employees' expertise and occupational safety
- Avoiding operational risks and risks of damage and minimizing damage if a risk is realized
- Ensuring data security, data protection, and environmental responsibility

- Improving risk awareness within the organization
- Identifying opportunities associated with risk-taking, improving risk tolerance
- Identifying development opportunities within the operations
- Gaining the trust of external and internal stakeholders

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

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

RISK MANAGEMENT PROCESS

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

INTERNAL CONTROL

In its operations, the Company applies a risk management and internal control policy, adopted by the Board of Directors. The objectives of internal control related to the financial reporting process are to ensure that Terveystalo's financial reporting is reliable; that interim reports and financial statements are prepared in accordance with the accounting principles and policies applied by Terveystalo and give essentially correct information of the Company's finances; and that regulations and principles are complied with. Internal control is based on Terveystalo's risk management system, business culture, and respective practices. The Company values, Code of Conduct, and Group policies and principles, such as the risk management and internal control policy, financial policy, procurement policy, credit policy, disclosure policy, and approval authorizations, guide the internal control. The purpose of compliance is to ensure compliance with corporate governance principles throughout the Company and the accuracy of financial reporting. It aims to create a uniform control environment by applying appropriate internal control principles in the various business processes. Terveystalo is using WhistleB, a whistleblower system open for everyone. This channel enables anonymous reporting of observed or suspected misconduct at: www.report.whistleb.com/terveystalo.

Generally, financial reporting-related policies are owned by the Chief Financial Officer. Internal control is carried out by the Board of Directors, Audit Committee, operational management and, in respect of the financial reporting process, the employees in financial administration. Terveystalo's Board of Directors bears overall responsibility for internal control and risk management in the Company. The Board of Directors has delegated the practical implementation of an efficient control environment and control measures related to the reliability of financial reporting to the CEO. The Chief Financial Officer is responsible for the control environment of financial reporting. The CFO acts as the owner of reporting risks, reporting to the Audit Committee and the Board of Directors on risk management and

internal control. Control involves various measures, such as the revision of financial reports, the balancing of accounts, subledgers, and system transfers, logical analyses of reported figures, and reference analyses of forecasts and realizations. Monitoring of monthly performance in relation to the specified targets is an essential factor. These control measures are carried out at different organizational levels.

IV. OTHER INFORMATION PROVIDED IN THE STATEMENT

INTERNAL AUDIT

The primary objective of internal audit is to support the Board of Directors, other corporate bodies, and the management in performing their control duties. The Company has outsourced internal audit to be carried out by authorized public accountants. On the basis of a report drafted by the authorized public accountants, the Company adopts a plan of appropriate measures and monitors the fulfillment of that plan. The internal audit function reports to the Audit Committee on the audits carried out in accordance with its annual audit plan. The report will be brought before the Board of Directors if deemed necessary by the Audit Committee.

The key principles applied in the Company's internal audit are the principles of independence, objectivity and confidentiality. The purpose of internal audit is to produce impartial and independent information for the Board of Directors and the management. Internal audit focuses, in particular, on issues that are important both in the long and short term from the perspective of strategy, business, and operations. When preparing the audit plan and establishing the scope and focus areas of internal audit, the following matters are typically considered: business-driven internal audit, internal audit relating to the Company's risks and strategy execution, and internal audit focusing on Corporate Governance and Compliance. The planning and risk assessment process of internal audit also includes reviewing the annual plans and work results of the other second line of defense players. In 2020, audits were conducted on a strategic development project, Core, management of the COVID-19 pandemic as well as ensuring continuity. The planned focus areas for audits in 2021 include IT and digital development processes and the payroll process. Terveystalo's quality system has been certified in accordance with the ISO 9001:2015 standard. Compliance is assessed regularly through internal audits and audits conducted by an external accredited party. The Company's internal quality function ensures that the organization complies with the quality standards in accordance with the certificate.

RELATED PARTY TRANSACTIONS

To identify related party transactions, the Company keeps a record of the individuals and legal persons falling amongst its related parties. According to the Company's definition, related parties include the Group companies, members of the Board of Directors, the CEO and the rest of the Management Team, including close family members of the aforementioned as well as entities in which the aforementioned have control, joint control, or significant influence. In agreements and other legal acts between the Company and its related parties, the ordinary course of business of the Company and market conditions shall be followed. If a transaction with the Company's related

parties were not part of the ordinary course of business of the Company or if it deviated from arm's length terms, the decision on entering such related party transaction should be made by the Company's Board of Directors. With regard to agreements or other legal acts between the Company and its related parties, provisions on conflicts of interest shall be observed, as applicable, and the persons connected to the related party in question shall not participate in the decision-making process regarding the related party transaction.

The Company's financial administration monitors related party transactions as part of the Company's normal reporting and control procedures and submits regular reports on related party transactions to the Audit Committee. The Audit Committee monitors and evaluates transactions between the Company and its related parties to ensure that they are in the ordinary course of business and at arm's length. Material transactions between the Company and its related parties are presented annually in Notes to the Consolidated Financial Statements.

MAIN PROCEDURES OF INSIDER MANAGEMENT

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

The Company has identified persons in charge of insider management tasks and their substitutes. The Company does not have a permanent, company-specific insider list. Instead, it has project-specific insider lists. In accordance with MAR, the Company has specified the members of the Board of Directors, the CEO, the CFO, and the Senior Vice President, Legal as executives until the end of 2020. The executives must specify the persons and communities closely associated with them and disclose them to Terveystalo as their related parties. Terveystalo's executives and their related parties must report to the Company and FIVA their transactions with Terveystalo's financial instruments that exceed the limit specified by FIVA for a calendar year (EUR 5,000). Terveystalo has recommended that executives and their related parties report all transactions with Terveystalo's financial instruments to the Company, regardless of whether the abovementioned threshold is met or not. Terveystalo publishes all executive transactions reported to the Company in a stock exchange release. The executives and persons involved in the preparation of the Company's financial reviews, i.e., those who participate in the preparation or publication of interim reports and annual financial statements/financial statement releases shall not, directly or indirectly, carry out transactions with the Company's financial instruments themselves or on behalf of a third party, or advise anyone to do so, during a silent period of 30 calendar days preceding the publication of the Company's each interim report and annual financial statements release and on the date of publication of such a report.

AUDITOR

The Company's auditor in 2020 was Authorised Public Accountants KPMG Oy Ab. APA Henrik Holmbom, elected by the Annual General Meeting 2020, served as the auditor in charge starting from May 28, 2020, preceded by APA Jari Härmälä (both from KPMG Oy Ab). Auditor's fees paid in 2020 for statutory audit totaled EUR 145,500, and fees paid for other services totaled EUR 22,100. Auditor's fees are presented without VAT.

GROUP MANAGEMENT Board of Directors



KARI KAUNISKANGAS

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

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

Committees:

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

Main occupation:

Board professional

Relevant work history:

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

Main positions of trust:

Chairman of the Board of Directors of: 2020– Ahlström Capital Oyj and 2019– Veho Oy Ab. Member of the Board of: 2018– Luhta Sportswear Company Oy, 2017– O.Mustad & Son A.S., 2020– CAP Group Oy and 2020– Cura of Sweden AB.

Main past positions of trust:

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



DAG ANDERSSON

b. 1961, BBA, MBA, Swedish citizen

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

Committees:

Member of the Remuneration Committee

Main occupation:

CEO, XVIVO AB

Relevant work history:

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

Main positions of trust:

Member of the Board of Directors of: 2014–2020 Nolato AB, 2018– GHP AB and 2018– 2020 XVIVO AB

Main past positions of trust:

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



LASSE HEINONEN

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

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

Committees:

Chairman of the Audit Committee

Main occupation:

2018– Ahlström Capital, CEO

Relevant work history:

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

Main positions of trust:

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

Main past positions of trust:

Member of the Board of Directors in Are Oy



ÅSE AULIE MICHELET

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

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

Committees:

Member of the Remuneration Committee

Main occupation:

Board professional

Relevant work history:

Managing Director of Teres Medical Group AS, CEO of Marine Harvest ASA (now Mowi ASA), and Senior Management positions at GE Healthcare

Main positions of trust:

Chairman of the Board of Directors at Inven2 AS, SpinChip Diagnostics AS, CSAM Health AS and BI Norwegian Business School, Member of the Board of Directors of Odfjell SE

Main past positions of trust:

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

GROUP MANAGEMENT

Board of Directors



NIKO MOKKILA

b. 1979, M. Sc. (Tech.), M. Sc. (Econ.), Finnish citizen

Member of Terveystalo's Board of Directors since 28 May 2020. Independent of the company. Not Independent of the major shareholders of the company due to main occupation.

Committees:
Member of the Audit Committee since 28 May 2020

Main occupation:
Managing Director, Head of Investments, Hartwall Capital Oy Ab

Relevant work history:
Altor Equity Partners 2007–2019: multiple positions, most recently Director, Merrill Lynch 2005–2007: Analyst

Main positions of trust:
2020– Konecranes Plc, Member of the Board of Directors, 2019 - Remeo Oy, Member of the Board of Directors, 2019 - LeaseGreen Group Oy, Chairman of the Board of Directors, 2016– Realia Group Oy, Member of the Board of Directors

Main past positions of trust:
2018–2019 Trioplast Industrier AB, Member of the Board of Directors



KATRI VIIPPOLA

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

Member of Terveystalo's Board of Directors since 2018. Independent of the company. Not Independent of the major shareholders of the company due to main occupation.

Committees:
Member of the Remuneration Committee

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

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

Main positions of trust:
The Finnish Broadcasting Company Yle, Vice Chairman of The Board, Economy and youth TAT, Board Member



TOMAS VON RETTIG

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

Vice Chairman of Terveystalo's Board of Directors since 2018. Independent of the company. Not Independent of the major shareholders of the company due to main occupation.

Committees:
Member of the Audit Committee since 28 May 2020

Main occupation:
2019– Rettig Group Ltd, Chairman of the Board

Relevant work history:
2016–2019 Rettig Group Ltd., President & CEO. 2008–2016 Rettig Group Ltd., several leadership positions. 2006–2008, 2006–2008 Skandinaviska Enskilda Banken Ab (publ), Middle Office

Main positions of trust:
Purmo Group Ltd., Chairman of the Board, EQ Plc, Member of the Board of Directors

Main past positions of trust:
Nordkalk Ltd., Bore Ltd., Roof Productions Ltd, Chairman of the Board. Finlayson Ltd., Member of the Board of Directors

CHANGES IN THE MEMBERS OF THE BOARD OF DIRECTORS

Paul Hartwall and Olli Holmström were Members of the Board of Directors until 28 May 2020 In accordance with the Annual General Meeting's resolution.

Paul Hartwall

Information presented as per 28 May 2020. b. 1981, M. Sc. (Econ.), Finnish citizen. Member of Terveystalo's Board of Directors 2019–2020. Independent of the company. Not Independent of the major shareholders of the company due to positions of trust. **Committees:** Member of the Audit Committee until 28 May 2020. Main occupation: Kusinkapital Ab, CEO. **Relevant work history:** 2008–Kusinkapital Ab, CEO. **Main positions of trust:** Member of the Board of Directors of 2010– Hartwall Capital Oy Ab and 2009– Ultivista Oy. **Main past positions of trust:** 2019–2020 Hoivatil Plc and 2014–2017 Sponda Plc, Member of the Board of Director

Olli Holmström

Information presented as per 28 May 2020. b. 1960, M.Th., Finnish citizen. Member of Terveystalo's Board of Directors 2017–2020. Independent of the company. Not Independent of the major shareholders of the company due to main occupation. **Committees:** Member of the Audit Committee until 28 May 2020. **Main occupation:** CEO of the Helsinki Deaconess Institute Foundation sr. **Relevant work history:** Nokia Plc, Director, HR of the CTO unit, multiple senior positions in human resources management at Nokia Plc. **Main positions of trust:** Member of the Board of Directors of Suomen Diakoniaopisto Ltd, Diaconia University of Applied Sciences Ltd, Finnish Association of Private Care Providers, Chairman of the Board of Directors of Helsinki Deaconess Institute Hoiva Ltd. **Main past positions of trust:** Chairman of the Board of Diacor Terveyspalvelut Ltd and Cecilia Hoiva Ltd.; Chairman of the Finnish Association of Private Care providers, Member of the Board of the Confederation of Finnish Industries, Vice Chairman of the Executive Committee of the Association for Finnish Work, Member of the Board of Medix Laboratoriot Ltd, Joint Medix Laboratoriot Ltd, Chairman of the Board of Rinnekoti Foundation sr.

GROUP MANAGEMENT

Executive team



VILLE IHO, CEO

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

President and Chief Executive Officer from December 6, 2019.

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

Main positions of trust:
The Finnish Association of Private Care Providers, Member of the Board of Directors (from 1 January 2021 onwards Chairman of the Board). From 1 January 2021 onwards Confederation of Finnish Industries (EK), Member of the Executive Committee and of the Labor Committee



PETRI BONO, CHIEF MEDICAL OFFICER

b. 1970, MD, oncologist, adjunct professor, Finnish citizen

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

Relevant work history:
Hospital District of Helsinki and Uusimaa (HUS), Deputy Chief Medical Officer, Helsinki University Central Hospital (HUCH), Chief Medical Officer, HUS Comprehensive Cancer Center, Director

Main positions of trust:
Association of Finnish Private Healthcare Providers, Member of the Board; Finnish Medical Association, Member of the Quality Council; TILT therapeutics, Oncorena and Faron Pharmaceuticals, member of the Scientific Advisory Board; Instru Science Foundation, Vice Chairman of the Board

Main past positions of trust:
HUS Kiinteistöt Oy, HYKS Instituutti Oy, Board member; Orion Research Foundation, Vice Chairman of the Board



TOMI GUSTAFSSON, INTERIM SENIOR VICE PRESIDENT, CORPORATE HEALTH

b. 1978, Master of Arts (Education), Finnish citizen

Deputy Senior Vice President, Corporate Health and member of the Management Group 13 May 2020 - 31 December 2020.

Relevant work history:
Terveystalo, Business Director for Customers, Corporate Health, Sales and Insurance Business; Terveystalo, Director, Corporate Health for Western and Central Finland; Terveystalo, Unit Director for Turku District. Several leadership positions in the insurance business, the most recent being Director, Broker and Public Business with If, member of the Management Board for Corporate Business with If, as well as member of the Management Board of the Nordic Broker Business with If



JUHA JUOSILA, CHIEF DIGITAL OFFICER

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

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

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

Main positions of trust:
Member of the Board of Directors at Etsimo Healthcare Oy until 21 December 2020

Main past positions of trust:
Member of the Board of Directors of Realia Isännöinti Oy, Huoneistokeskus Oy, Huoneistomarkkinointi Oy, Realia Management Oy, SKV Kiinteistönvälitys Oy, Sentraali Oy, and Jokakoti Oy (currently Oikotie Asunnot Oy), vice Member of the Board of Directors of Oy Suomen Uutisradio Ab

GROUP MANAGEMENT

Executive team



ILKKA LAURILA, CFO

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

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

Relevant work history:

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

Main positions of trust:

Confederation of Finnish Industries (EK), Member of the Economy and Tax Committee; Hurtti-Paino Oy, Member of the Board of Directors. Since 21 January 2021, member of the Board of Directors of Musti Group Plc.



SIINA SAKSI, SENIOR VICE PRESIDENT, PRIVATE CUSTOMERS AND CLINICS

b. 1966, M.Sc. (Econ), EMBA, Finnish citizen

Senior Vice President for Private Customers and Clinics since 2019, Member of the Management Group since 2016. Since 1 January 2021, Chief Operating Officer.

Relevant work history:

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



ELINA SAVIHARJU, SENIOR VICE PRESIDENT, LEGAL

b. 1981, LL.B., LL.M. (Harvard), Finnish citizen

Senior Vice President, Legal and member of the Management Group since 11 May 2020.

Relevant work history:

Avance Attorneys Ltd., Senior Associate, Co-Head for IP & Technology practice; Paul Hastings LLP (New York City, USA), Life Sciences IP Litigation Associate; Roschier Attorneys Ltd., Associate



VEERA SIIVONEN, SENIOR VICE PRESIDENT, MARKETING AND COMMUNICATIONS

b. 1980, M.Sc. (Tech.), Finnish citizen.

Senior Vice President, Marketing and Communications and member of the Management Group since 24 April 2020. Since 1 January 2021, Senior Vice President, Consumer Business.

Relevant work history:

Several leading positions in Sanoma Corporation, as, inter alia Marketing Director and Head of Strategy and Business Development for Helsingin Sanomat and Vice President, Portfolio Development and Marketing of Sanoma News & Feature. Business manager in Blyk Services Oy and multiple international managerial positions in Nokia Mobile Phones



MINTTU SINISALO, SENIOR VICE PRESIDENT, HUMAN RESOURCES

b. 1980, M.Sc. (Econ.), Finnish citizen

Senior Vice President, Human Resources and member of the Management Team since 1 January 2020.

Relevant work history:

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

Main positions of trust:

A-Talent Recruiting Oy, member of the Board of Directors

Main past positions of trust:

Finnair Pension Fund Board member and Chairman of the Board



MIKKO TAINIO, SENIOR VICE PRESIDENT, PUBLIC PARTNERSHIPS

b. 1979, M.Sc. (Econ.), Finnish citizen

Senior Vice President, Public Partnerships and member of the Management Team since 1 November 2020.

Relevant work history:

Most recently, Managing Director at Finnair Cargo Oy and, before that, several core managerial positions in operations and finance at the Finnair group since 2005

Main past positions of trust:

Confederation of Finnish Industries (EK), member of Logistics Committee



PIA WESTMAN, SENIOR VICE PRESIDENT, WELLBEING, DIAGNOSTICS AND DIGITAL SERVICES

b. 1965, PhD, Finnish citizen

Senior Vice President for Well-being and Digital Services since 2017 and Senior Vice President for Well-being, Diagnostics and Digital Services since 2019. Member of the Management Group from 2016 until 31 December 2020.

Relevant work history:

Several leadership positions within Terveystalo including, inter alia, Director of Hospital and Healthcare Services, Business Director within the network and Unit Director. Several management group level positions at Eira Hospital Ltd and the Finnish Red Cross Blood Transfusion Service

Main positions of trust:

Merivaara Group, member of the Board of Directors since 2019

CHANGES IN THE GROUP MANAGEMENT TEAM

Also the following persons have been members in the group Management Team during 2020: Susanna Laine until January 2020, Julia Ormio until January 2020, Jens Jensen until May 2020, as well as Laura Rätty until November 2020.

Susanna Laine, Senior Vice President, Communications and Brand

b. 1967, M.Sc., Finnish citizen. Senior Vice President, Communications and Brand since 2015, Member of the Management Group from 2010 to January 2020. **Relevant work history:** Terveystalo Head of Communications, Marketing, Customer Experience and Private Customers, several communications positions at ISS Palvelut Oy (part of ISS Group), Infor Consulting Oy, Oy SRG Finland Ab (Töölön Matkatoimisto), and Oy AC-tiedotus Ab.

Julia Ormio, Senior Vice President, Legal

b. 1970, LL.B., LL.M., Finnish citizen. Senior Vice President, Legal and member of the Management Group from December 2018 until January 2020. **Relevant work history:** 2017–2018 SVP, Legal and Compliance, Sumitomo SHI FW Oy, 2012–2017

Vice President, Legal & Compliance, Amec Foster Wheeler Energy OY Group and Power Group Asia, 2008–2011 Senior Legal Counsel Outotec Oyj, 2006–2008, Senior Associate, Attorney-at-Law, Castrén & Snellman, Attorneys LTD, 2001–2006 Legal Counsel Elcoteq Network Corporation. **Main past positions of trust:** 2015–2019 Port of Helsinki Oy, member of the Board of Directors; 2011–2013 Revenio Group Plc, Member of the Board of Directors.

Jens Jensen, Senior Vice President, Corporate Health

b. 1973, M.Sc. (Econ.), Finnish citizen. Senior Vice President, Corporate Health since 2019, Member of the Management Group from 2016 until May 2020. **Relevant work history:** CFO of Terveystalo, Head of Sales and Service, Commercial Finland of If P&C Insurance Company Ltd, various managerial positions at If P&C Insurance Company Ltd. **Main past positions of trust:** Member of the Board of Directors of the Finnish Workers' Compensation Center.

Laura Rätty, Senior Vice President, Public Partnerships

b. 1977, Lic. Med., EMBA, Finnish citizen. Senior Vice President, Public Partnerships since 2016, Member of the Management Group from 2016 until November 2020.

Relevant work history: Senior Vice President for Public Partnerships in Terveystalo, Deputy Mayor for Social Affairs and Public Health of the City of Helsinki, Minister of Social Affairs and Health, member of the Finnish Government and Chairperson of the Party Council of the National Coalition Party of Finland, several positions in healthcare sector entities. **Main past positions of trust:** Chairperson of the Board of Directors of Oy Apotti Ab and Kevo, Member of the Board of Directors of Helsingin Kansallismedia Oy, Member of the Council of Representatives of Helsinki Cooperative Society HOK-Elanto.

THE FOLLOWING CHANGES IN THE GROUP MANAGEMENT TEAM HAVE BEEN PUBLISHED OR HAVE TAKEN PLACE AS PER THE DATE OF THIS REVIEW:

Marja-Leena Tuomola has been appointed Senior Vice President, Corporate Health at Terveystalo and member of the Management Group as of 1 January 2021. Petri Keksi has been appointed Senior Vice President, Growth Businesses and member of the Management Group as of 1 January 2021. Veera Siivonen has been appointed Senior Vice President, Consumer Business as of 1 January 2021. Siina Saksi has been appointed COO of Terveystalo as of 1 January 2021.

Petri Keksi, Senior Vice President, Growth Businesses

b. 1974, M.Sc. (Econ.), Finnish citizen. Senior Vice President, Growth Businesses and member of the Management Team as of 1 January 2021. **Relevant work history:** Several management positions at Terveystalo since 2009, most recently as Business Director for Oral Health, prior to whichh Director of M&A.

Marja-Leena Tuomola, Senior Vice President, Corporate Health

b. 1962, LL.M., eMBA, Finnish citizen. Senior Vice President, Corporate Health as of 1 January 2021. **Relevant work history:** President & COO Schibsted Finland (formerly Sanoma Digital Finland). Prior to that, several management positions in the Sanoma Group, including as SVP Business & Digital Operations Development. **Main past positions of trust:** Savings Bank Group, member of the Board of Directors and Risk Committee; Haaga-Helia University of Applied Sciences Ltd., Chairman of the Board of Directors.

Terveystalo remuneration policy for governing bodies

1. INTRODUCTION

This remuneration Policy of Terveystalo Plc is the Policy referred to in reporting requirements of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on November 1, 2019. This policy presents the governance and principles of remuneration for governing bodies at Terveystalo Group. This policy has been approved by the Board of Directors of Terveystalo Plc. It will be presented to the Annual General Meeting in the spring 2021.

Adjustments have been made to the remuneration policy reviewed by the Annual General Meeting in the spring 2020 regarding the CEO's long-term incentive opportunity, in line with general market practices.

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

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

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

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

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

2. DESCRIPTION OF THE DECISION-MAKING PROCESS

The Shareholders' Nomination Board reviews and prepares the remuneration

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

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

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

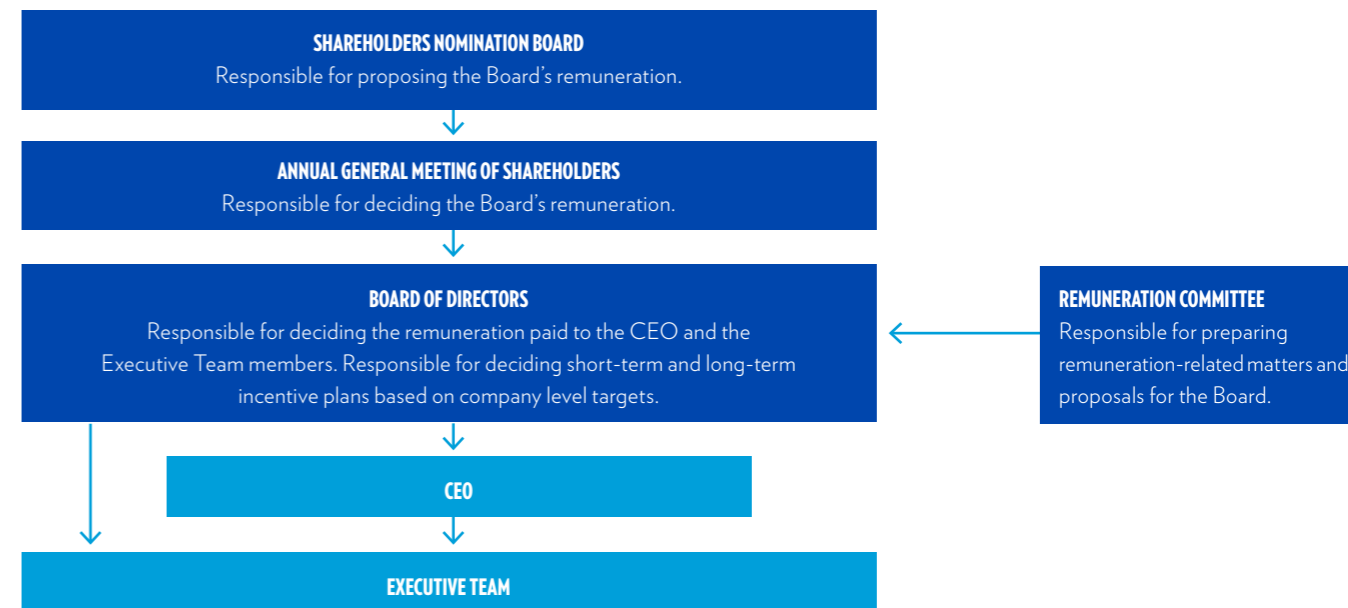
The governance principles in decision-making on remuneration in the Company follow principles aimed at ensuring the prevention of and for the management of conflicts of interest. The underlying principle is that the corporate organ which elects the respective corporate organ also decides on its remuneration.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

3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

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

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

DECISION-MAKING PROCEDURE



REMUNERATION OF THE BOARD OF DIRECTORS

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

4. DESCRIPTION OF THE REMUNERATION OF THE CEO

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

the relevant national and industry benchmarks. The CEO is encouraged to accumulate and maintain a personal shareholding in Terveystalo.

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

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

CEO FIXED REMUNERATION

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

CEO VARIABLE REMUNERATION

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

REMUNERATION ELEMENT	PURPOSE AND LINK TO STRATEGY	DESCRIPTION
Short-term incentives (STI)	The STI is aimed at driving short-term (annual) performance against specific Group targets and individual objectives based on key strategic priorities for the year.	Performance is measured over a one-year period and potential rewards are paid in the following year. The terms of the Short-Term Incentive plan is described on the company website. Performance criteria: <ul style="list-style-type: none"> • Performance criteria are set annually by the Board based on the key priorities for the financial year. Criteria may include both financial and non-financial criteria. Reaching maximum level requires exceptional performance. • Following the end of the performance period the Board of Directors confirms the achievement of the criteria and determines the amount of the payout. Incentive opportunity: <ul style="list-style-type: none"> • Incentive opportunity at maximum level of performance may not exceed 120% of annual base salary.
Long-term incentives (LTI)	LTI is aimed at driving long-term performance against specific group targets, as well as committing the CEO to the company and aligning the CEO's interests with the interests of the shareholders.	The terms and conditions for each Long-Term Incentive plan are decided by the Board of Directors. The terms of ongoing Long-Term Incentive plans are described on the company website. Performance criteria: <ul style="list-style-type: none"> • Performance criteria for each plan are set by the Board of Directors based on the key priorities for the performance period. Reaching the maximum level requires exceptional performance. • Following the end of the performance period the Board of Directors confirms the achievement of the criteria and determines the amount of the payout. • The LTI performance period shall, as a rule, be no fewer than three years. Performance criteria for each plan are set by the Board of Directors based on the key priorities for and within the performance period. Discretion and claw-back: <ul style="list-style-type: none"> • The Board of Directors is entitled, subject to a particularly weighty reason, to change or cancel the incentive payout or to postpone its payment, and, in exceptional cases, such as intentional misstatement of financials underlying the measures, to recover rewards paid prior to said misconduct. Incentive opportunity: <ul style="list-style-type: none"> • The Board of Directors decides on LTI allocation on individual level. • At the maximum level, the amount of incentives paid in the same year may not exceed 220% of the annual base salary.

PROPORTION OF REMUNERATION ELEMENTS

The remuneration of the CEO is defined to be competitive with a significant part of the remuneration being performance-based. Incentive opportunity at maximum level performance of STI is 120% of annual base salary and maximum level performance of LTI paid in the same year is 220% of annual base salary.

OTHER KEY TERMS APPLICABLE TO THE SERVICE CONTRACT

SHARE OWNERSHIP REQUIREMENT

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

TERMINATION OF THE SERVICE CONTRACT AND SEVERANCE PAY

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

SUPPLEMENTARY INFORMATION

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

TERMS FOR DEFERRAL AND POSSIBLE CLAWBACK OF REMUNERATION

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

PREVIOUSLY AGREED OR GRANTED AWARDS

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

5. TEMPORARY DEVIATION

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

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

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

Remuneration Report

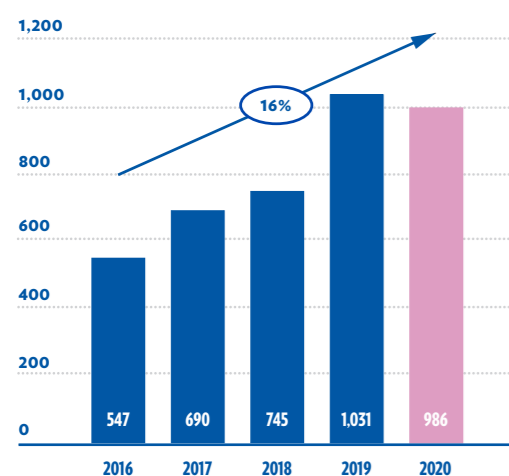
Terveystalo's remuneration principles are based on performance, fairness and competitiveness. Remuneration supports the achievement of Terveystalo's strategic goals and the long-term financial success of the Company. The remuneration policy and the decision-making process is described in more detail in the remuneration policy for governing bodies.

Terveystalo's revenue and profitability have improved steadily over the last five years, excluding the exceptional year 2020. The positive business development is also reflected in remuneration levels. In remuneration de-

velopment, the figures for 2016–2017 are not fully comparable due to a change in the ownership structure and listing in the stock exchange in 2017.

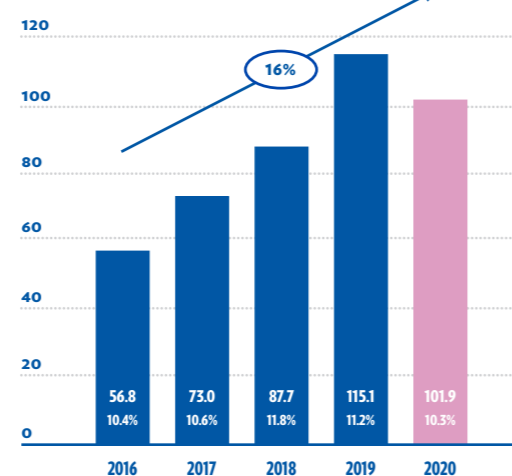
REVENUE, EUR MILL.

Target of at least 5% growth annually



ADJUSTED EBITA, EUR MILL. AND % OF REVENUE

Target 12-13% Adj. EBITA margin



REMUNERATION DEVELOPMENT 2016-2020:

TOTAL REMUNERATION, EUR (ROUNDED TO THE NEAREST THOUSAND)	2016 ²	2017 ²	2018	2019	2020
Chair of the Board	50,000	50,000	102,000	91,000	101,000
Vice Chair of the Board	25,000	25,000	54,000	62,000	67,000
Other members of the Board, on average	25,000	25,000	50,000	53,000	57,000
CEO	523,000	675,000	910,000	938,000	367,000
Salary development of average employees ¹	57,000	58,000	55,000	62,000	62,000

¹ Salary development of average employees has been calculated by dividing the personnel costs for each year (excluding other social security costs) by the average number of personnel.

² Not comparable due to a change in the ownership structure and listing in the stock exchange in 2017.

Changes in the remuneration of the Board after 2017 are due to a change in the ownership structure and listing in the stock exchange, and the Board remuneration was determined to correspond to the market level by the decision of the AGM 2018. The remuneration level was reviewed in 2020.

In accordance with the remuneration policy, remuneration of the CEO is strongly based on performance, and a significant share of the overall remuneration of the CEO consists of short-term and long-term incentives. The targets of the incentive schemes are directly linked to the Company performance, and the Company's positive financial development in 2017-2018 is reflected in the remuneration of the CEO. A CEO change took

place at the end of 2019, and in 2020, remuneration of the CEO exceptionally only consisted of the base salary. The CEO also declined a salary for one month in the spring 2020.

The average salary development of employees has shown a rising trend with the exception of year 2018, when the number of personnel increased, and the structure changed due to acquisitions. Approximately 65% of the personnel is covered by collective agreements, and the general increases determined in the collective agreements guide the salary development of this personnel group.

REMUNERATION OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2020

Terveystalo's Annual General Meeting, held on May 28, 2020, resolved in accordance with the proposal of the Shareholders' Nomination Board that the Chair of the Board of Directors be paid an annual remuneration of EUR 85,000, the Vice Chair an annual remuneration of EUR 50,500, the members an annual remuneration of EUR 40,250, and the Chair of the Audit Committee EUR 50,500. In addition, an attendance fee of EUR 625 will be paid for members of the Board of Directors and Committee members residing in Finland, EUR 1,300 for members residing elsewhere in Europe, and EUR 2,600 for members residing outside of Europe for each Board and

Committee meeting that they attend. For Board and Committee meetings that are held by telephone or other electronic means, the attendance fee is EUR 625. Travel costs are reimbursed based on the company's travel policy.

The annual remuneration of the Board is paid as a combination of company shares (40%) and cash (60%). The Company will reimburse the transaction costs and capital transfer tax related to trading. Attendance fees are paid in cash.

The following table presents the remuneration paid to the Board of Directors during the financial year 2020:

NAME	ANNUAL FEE, TOTAL, EUR ¹	ANNUAL FEE IN SHARES, EUR	ANNUAL FEE IN CASH, EUR	OTHER FINANCIAL BENEFITS, EUR ²	MEETING FEES OF THE BOARD OF DIRECTORS AND BOARD'S COMMITTEES, EUR	IN TOTAL, EUR
Kari Kauniskangas	85,000	33,995	51,005	544	15,250	100,794
Lasse Heinonen	50,500	20,195	30,305	323	14,025	64,848
Tomas von Rettig	50,500	20,195	30,305	323	15,900	66,723
Åse Aulie Michelet	40,250	16,098	24,152	258	20,125	60,633
Katri Viippola	40,250	16,098	24,152	258	14,625	55,133
Dag Andersson	40,250	16,098	24,152	258	18,900	59,408
Niko Morkkila (from May 28, 2020)	40,250	16,098	24,152	258	5,625	46,133
Members of the Board of Directors until May 28, 2020:						
Olli Holmström	-	-	-	-	8,400	8,400
Paul Hartwall	-	-	-	-	8,400	8,400

¹ Total annual compensation consists of stock award (40%) and cash compensation (60%).

² Other financial benefits include transfer tax fees for the annual fees paid in shares.

REMUNERATION OF THE CEO FOR THE FINANCIAL YEAR 2020

The following table presents the remuneration paid to the CEO during the financial year 2020:

	FIXED ANNUAL SALARY (INCLUDING TAXABLE BENEFITS), EUR	SHORT-TERM INCENTIVES, EUR	REMUNERATION BASED ON LONG-TERM INCENTIVE SCHEMES, EUR	IN TOTAL, EUR
Ville Iho, CEO	366,667	-	-	366,667

In 2020, the CEO's compensation only consisted of the fixed annual salary. Since taking over in 2019, the CEO is included in incentive schemes only from 2020 onward, and the first payout under a short-term program is scheduled for the spring of 2021. In addition, as a part of company's mitigation measures during the second quarter of 2020 due to the corona epidemic, the CEO declined a salary for one month.

In the performance period 2020, the short-term incentives were based on adjusted EBITA as well as the eNPS and NPS scores. Based on the

short-term incentive program, the CEO will receive a payment of EUR 240,000 in the spring 2021, which corresponds to 75% of the target earnings.

In the performance period 2020, the performance criteria for the share-based long-term incentive scheme were based on the Company's adjusted EBITA and the total shareholder return (TSR). The criteria were not met, and the CEO will not be remunerated for this performance period.

Information for shareholders

ANNUAL GENERAL MEETING

Annual General Meeting of Terveystalo Plc will be held on Thursday, March 25, 2021 in Helsinki. The notice to General Meeting of Shareholders, as well as the Board of Directors' proposals to the General Meeting are published in a stock exchange release and on Terveystalo's website.

THE RIGHT TO ATTEND

Each shareholder, who on the record date of the General Meeting, 15 March 2021, is registered in the Company's shareholders' register held by Euroclear Finland Oy, has the right to participate in the Annual General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the Company's shareholders' register. Shareholders cannot participate in the meeting by any other means than voting in advance in the manner instructed below as well as by submitting counterproposals and asking questions in advance.

REGISTRATION AND ADVANCE VOTING

Registration for the meeting and advance voting will begin on 24 February 2021 following the deadline for submitting counterproposals. A shareholder with a Finnish book-entry account, who wishes to participate in the Annual General Meeting by voting in advance, must register for the Meeting and vote in advance no later than by 18 March 2021 at 4:00 p.m. (EET) by which time the registration and votes need to be received.

In connection with the registration, a shareholder is required to provide the requested information, such as his/her name, personal identification number, address and telephone number as well as the name and personal identification number of a possible proxy representative. The personal data given to Terveystalo Plc and Euroclear Finland Ltd will be used only in connection with the General Meeting and with the processing of related registrations necessary.

Shareholders with a Finnish book-entry account may register and vote in advance on certain matters on the agenda of the Annual General Meeting from 9.00 a.m. (EET) on 24 February 2021 until 4.00 p.m. (EET) on 18 March 2021 by the following manners:

- a) through the Company's website at <https://www.terveystalo.com/en/investors/Corporate-governance/General-Meeting-of-Shareholders/AGM-2021/>

The Finnish personal identity code or business ID and book-entry account number of the shareholder is needed for the electronic voting in advance. When shareholders who are natural persons log into the service of Euroclear Finland Ltd through the Company's website, they are directed to the strong electronic authentication. For shareholders that are legal persons, no strong electronic authentication is required. Strong electronic authentication can be conducted with online banking codes or a mobile certificate.

- b) by regular mail or email

A shareholder may send the advance voting form available on the Company's website or corresponding information to Euroclear Finland Oy by regular mail to Euroclear Finland Oy, Yhtiökokous/Terveystalo Oyj, P.O. Box 1110, FI-00101 Helsinki or by email at yhtiokokous@euroclear.eu. If the shareholder participates in the meeting by sending the votes in advance by regular mail or by email to Euroclear Finland Ltd, the delivery of the votes before ending of the registration period and the advance voting shall constitute registration for the Annual General Meeting, if the above-mentioned information required for the registration is delivered at the same time and the documents are received at the latest by 18 March 2021 at 4:00 p.m. (EET).

Instructions relating to the advance voting may also be found on the Company's website <https://www.terveystalo.com/en/investors/Corporate-governance/General-Meeting-of-Shareholders/AGM-2021/>.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

On 31 December 2020, the parent company's distributable funds totaled EUR 543.1 million, of which EUR 26.0 million was profit for the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.13 per share (totaling approximately EUR 16.5 million with the current number of shares) be paid based on the balance sheet adopted for the financial year ended 31 December 2020. The dividend would be paid to a shareholder registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the dividend record date of 29 March 2021. The dividend would be paid on 7 April 2021.

The Board of Directors further proposes that the Board of Directors be authorized to resolve in its discretion on the payment of dividend as follows: The amount dividend to be paid based on the authorization shall not exceed EUR 0.13 per share. The authorization is valid until the opening of the next Annual General Meeting.

BASIC SHARE INFORMATION

Listing: Nasdaq Helsinki Oy

Trading ticker: TTALO

ISIN code: FI4000252127

Sector: Health care

Number of shares on December 31, 2020: 128,036,531

FINANCIAL REVIEWS IN 2021

In 2021, Terveystalo Plc will publish financial reports as follows:

Interim report for January–March 2021 on Thursday, April 29, 2021

Half-Year Report for January–June 2021 on Friday, July 16, 2021

Interim report for January–September 2021 on Thursday, October 28, 2021

Terveystalo's financial reports are prepared in Finnish and English. Subscribe to receive Terveystalo's information releases by email at <https://www.terveystalo.com/en/investors/News-room/>.

SILENT PERIOD

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

CHANGES OF ADDRESS

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

EVALUATION OF TERVEYSTALO AS AN INVESTMENT

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

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VICE PRESIDENT, COMMUNICATIONS

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kati.kaksonen@terveystalo.com



Board of Directors' report and Financial Statements

This section includes the Board of Directors' Report for 2020, including Statement of non-financial information, the Financial Statements for 2020 including Notes to the Financial Statements and the Auditor's Report.



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Terveystalo board of directors' report

OPERATING ENVIRONMENT

The coronavirus pandemic had a material impact on the Finnish healthcare market in the financial year. Privately provided healthcare services focused more on remote appointments, and there was strong demand for coronavirus testing. The distribution of COVID-19 vaccines began in the final part of the year. Vaccination of the working-age population is estimated to begin in April 2021 at the earliest, depending on the availability of vaccines.

The duration and extent of the impacts of the coronavirus on the demand for private healthcare services depend largely on the development of the pandemic and its effects on consumer behaviour and employment. The contraction of non-urgent care in the private and public healthcare sectors while the restrictions were in place has resulted in a significant treatment gap in other illnesses. The clearing of the queues for non-urgent care in the public sector will require more extensive use of private healthcare services in the aftercare of the pandemic. According to the Finnish Institute for Health and Welfare (THL), 17,728 (12.9 percent) of those queuing for non-urgent specialized care had been in the queue for more than six months. For the past ten years, the average figure on the survey date has been 2,000 people.

In October, the Finnish government informed about amendments to its proposal on Finnish health and social services reform in response to the comments received. According to the proposal, Finland will be divided into 21 well-being services counties that will be responsible for publicly funded social and healthcare services. With respect to outsourced services, the multiple provider model will remain, and service vouchers can be used as before. The Finnish Parliament will discuss the proposal for the social and healthcare services reform during the first half of 2021. Whether the reform will be implemented is still uncertain, but if it is realized, it will enter into force in 2023. According to the company's assessment, the proposal has no material effect on Terveystalo's business.

With the most extensive network of clinics and hospitals as well as its broad range of services, the company believes that it is an attractive partner for different customer groups in the management of the pandemic as well as the post-pandemic clearing of queues and closing of the treatment gap. Terveystalo's diverse customer base and service selection will also mitigate the impacts on its business from any significant changes in demand for individual services. As a leading occupational healthcare service provider, Terveystalo has an important role in supporting the business sector in the return to normal and in the resumption of operations after the pandemic is over.

THE IMPACTS OF COVID-19 AND THE MEASURES TAKEN BY TERVEYSTALO

To minimize the impacts of the pandemic, Terveystalo adjusted its operations to the exceptional circumstances to safeguard the cash flow and profitability of the business by means such as freezing service purchasing and re-evaluating investment needs, freezing replacement recruitment, and temporarily laying off employees. The need for adjustment as well as adjustment measures decreased clearly in the second half of the year as demand returned closer to normal. The focus of service production was particularly shifted toward coronavirus testing and digital services, and demand for these multiplied from the beginning of the year.

Because of the uncertainty caused by the pandemic, Terveystalo has assessed the impacts of the coronavirus on the reported figures and forecasts as described below. In the current situation, these forecasts strongly rely on assessments made by the company management.

Because of the uncertainty in the economic operating environment, the credit loss risk of trade receivables and the impairment risk of assets were assessed in light of the changed market outlook and latest forecasts in connection with the financial reporting on the fourth quarter. The risk of credit losses related to trade receivables was not found to have increased significantly. The risk of asset impairment was not found to have increased. Goodwill impairment testing was carried out in accordance with the normal process in the final quarter of 2020.

The company's liquidity and financing situation has remained strong. During the financial year, the company fulfilled the covenant requirement included in the financing agreement that depicts relative indebtedness.

The company estimates that, in addition to the direct impacts of the crisis, changes in the employment rate and consumer confidence may be reflected in the underlying demand even after the acute phase has passed. Nevertheless, the company estimates that its diverse customer base and service selection will mitigate the impacts on its business from any changes in demand for individual services or in individual customer relationships.

KEY FIGURES

Terveystalo Group, EUR million	2020	2019	Change, %
Revenue	986.4	1,030.7	-4.3
Adjusted EBITDA, * ¹⁾	162.8	176.3	-7.7
Adjusted EBITDA margin, % * ¹⁾	16.5	17.1	-
EBITDA ¹⁾	158.3	171.2	-7.5
EBITDA margin, % ¹⁾	16.1	16.6	-
Adjusted EBITA, * ¹⁾	101.9	115.1	-11.5
Adjusted EBITA margin, % * ¹⁾	10.3	11.2	-
EBITA ¹⁾	97.4	110.0	-11.4
EBITA margin, % ¹⁾	9.9	10.7	-
Adjusted EBIT * ¹⁾	71.6	86.5	-17.2
Adjusted EBIT margin, % * ¹⁾	7.3	8.4	-
EBIT	67.2	81.4	-17.5
EBIT margin, %	6.8	7.9	-
Return on equity (ROE), % ¹⁾	8.2	10.3	-
Equity ratio, % ¹⁾	42.1	39.9	-
Earnings per share (EUR)	0.36	0.43	-15.5
Net debt	490.9	548.2	-10.5
Gearing, % ¹⁾	85.9	101.3	-
Net debt/adjusted EBITDA ¹⁾	3.0	3.1	-
Total assets	1,361.0	1,359.3	0.1
Average personnel in person-years	4,900	4,943	-0.9
Personnel (end of period)	8,253	8,685	-5.0
Private practitioners (end of period)	5,057	5,068	-0.2
Adjusted EBITDA, excluding IFRS 16* ¹⁾	118.0	131.4	-10.2
Net debt, excluding IFRS 16	325.9	366.4	-11.1
Adjusted net debt/adjusted EBITDA, excluding IFRS 16* ¹⁾	2.8	2.8	-
Quality index ²⁾	94.2	96.4	-2.3
Net Promoter Score (NPS), appointments	82.8	72.5	14.2
Employee Net Promoter Score (eNPS) ²⁾	18.0	9.0	100.0
Mixed waste intensity ²⁾	6.0	4.9	23.7

The calculation and reconciliations for the key figures are presented in the financial statements.

*¹⁾ 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. In addition to the IFRS figures, Terveystalo presents additional, alternative performance indicators which the company monitors internally and which provide the company management, investors, stock market analysts, and other stakeholders with important additional information concerning the company's financial performance, financial position, and cash flows. These performance indicators should not be reviewed separate from the IFRS figures and they should not be considered to replace the IFRS figures.

²⁾ The quality index consists of seven effectiveness indicators that describe the clinical and experienced quality, access to care, and the proportion of preventive care.

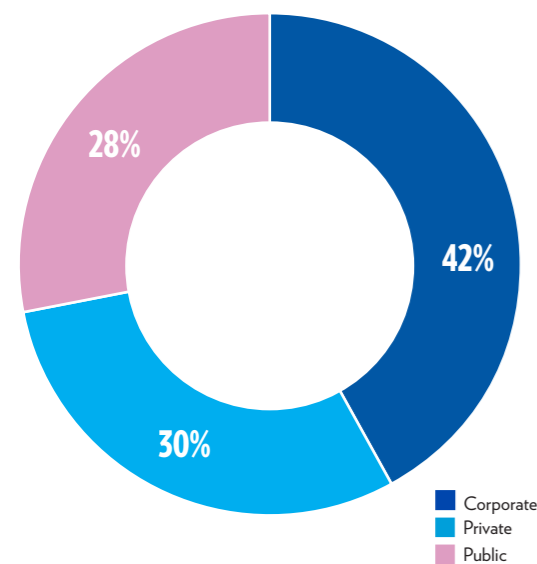
eNPS is measured every six months; the reported figure is the result of the latest measurement.
Mixed waste intensity = Amount of mixed waste (metric tons) relative to total revenue (EUR 100 million)

OUTLOOK

- In the short term, the market environment is still uncertain because of the changes in consumer behavior resulting from the COVID-19 pandemic, and predicting demand is challenging in the short term. Demand for coronavirus testing is expected to remain high throughout the first half of 2021, and demand for healthcare services in general is expected to grow clearly year-on-year compared with the weak second-quarter reference period, providing that there will be no need to implement strict pandemic restriction measures as was the case in the first half of 2020.
- Demand from corporate customers for preventive and statutory occupational health services is expected to remain stable. The recovery of demand for acute and non-urgent medical care is uncertain, owing to a reduction in general morbidity and the measures to restrict the pandemic. The proportion of remote services will increase considerably. Significant changes in the employment rate may be reflected in the underlying demand.
- Overall demand from private customers is expected to remain normal, providing that, in particular, major restrictions to free movement can be avoided. However, there may be considerable differences between specialties in the short term because of variation in general morbidity and pandemic-related area-specific restrictive measures. Demand for remote services will increase considerably. Significant changes in consumer confidence may be reflected in the underlying demand.
- Stable demand from the public sector is expected to continue in occupational health, service sales, and staffing services. Revenue from outsourcing business will decrease, following the planned expiry of outsourcing contracts.

These views are based on the expected development of demand for Terveystalo's services within the next six months, compared with the past six months.

2020 REVENUE BY PAYER GROUP, %

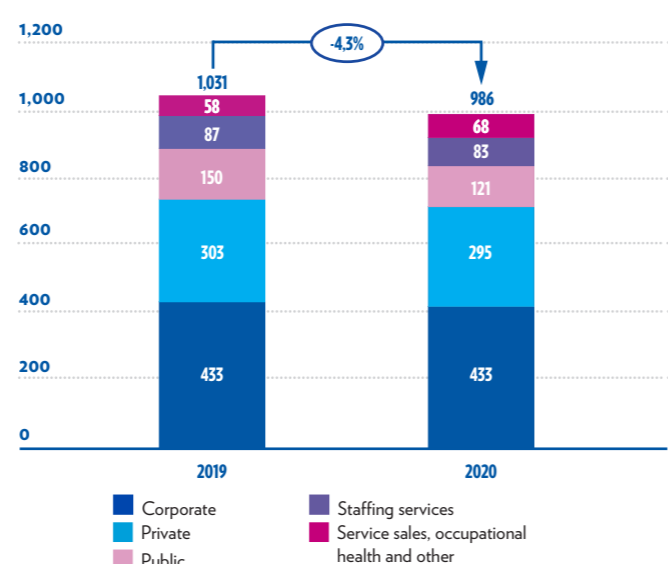


GROUP REVENUE

Revenue for 2020 decreased by 4.3 percent year-on-year, amounting to EUR 986.4 (1,030.7) million. In the first half of the year, revenue decreased considerably, resulting from the restrictions imposed in March to reduce the spread of the coronavirus pandemic as well as changes in customer behaviour. In particular, physician's appointments associated with various infections and long-term illnesses, such as cardiovascular diseases, decreased significantly year-on-year. The planned expiry of outsourcing agreements with public sector customers reduced our revenue. On the other hand, demand for digital services multiplied and remained strong throughout the year. Digital appointments amounted to nearly 700,000. Combined with telephone appointments, there were nearly 1.8 million remote appointments in 2020. Remote appointments through digital channels or over the phone accounted for approximately 26 percent of all appointments in 2020. Despite the pandemic, Terveystalo's competitiveness was reflected in the strong performance in insurance company sales and the high demand for well-being services. The strong demand for coronavirus-related services partly compensated for the decrease in underlying demand in the second half of the year. Terveystalo performed over 200,000 coronavirus tests during the year. There were 253 business days in 2020, which is two days more compared with the reference period (251).

EUR million	2020	2019	Change, %
Corporate customers	418.8	432.5	-3.2
Private customers	295.4	303.1	-2.5
Public sector customers	272.2	295.1	-7.7
Outsourcing	121.4	149.9	-19.1
Staffing services	83.1	86.9	-4.4
Service sales, occupational health and others	67.7	58.2	16.5
Total	986.4	1030.7	-4.3

2020 REVENUE BY PAYER GROUP, M€



CORPORATE CUSTOMERS

Corporate customers constitute Terveystalo's largest customer group. Terveystalo's corporate customers consist of the company's occupational health customers, excluding municipal occupational healthcare customers, which are included in the public sector customer group. 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 services in Finland in terms of revenue and the number of end users. Terveystalo provides occupational health services for over 24,000 companies. In 2020, the company provided occupational health services for a total of approximately 700,000 customers.

Revenue for 2020 from corporate customers decreased by 3.2 percent to EUR 418.8 (432.5) million. With respect to medical appointment services not related to the coronavirus, demand remained clearly below the reference period level throughout the year and the proportion of remote appointments increased. The measures aimed at restricting people's mobility had a significant impact on the development of the sales of preventive* occupational health services, as many activities — such as workplace surveys, health examinations, counselling, and guidance — were either suspended or considerably delayed. In 2020, Terveystalo started providing some of its preventive services as remote appointments. Sales of well-being services** increased by approximately 2 percent year-on-year. Over 150,000 coronavirus tests were performed on corporate customers in 2020. The use of digital services more than tripled to approximately 562,000 appointments (approximately 147,000), representing over 13 percent of all Corporate Health clinic visits. The number of occupational health end customers was on a par with the reference period.

*The statutory task of occupational healthcare 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 counselling; 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 healthcare activities.
 **Well-being services include, for example, physiotherapy, mental well-being services (psychologists and psychotherapists), nutritional therapy, work ability coaching, and massage services at Relahierojat (Terveystalo's subsidiary).

PRIVATE CUSTOMERS

Private customers are Terveystalo's second-largest customer group. Private customers include private individuals and families. The company's strong brand, easy access to services without long waiting times, extensive service portfolio for private customers, families, and senior citizens, and personalized digital services give Terveystalo a competitive edge over other private operators and public 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.

Revenue for 2020 from private customers decreased by 2.5 percent year-on-year, amounting to EUR 295.4 (303.1) million.

Demand for appointments with GPs and specialists fell clearly during the year, owing to a strong reduction in general morbidity and the measures to restrict the pandemic. The number of digital appointments nearly quintupled to approximately 63,300 visits (approximately 13,400), representing about 4 percent of all appointments. Coronavirus testing increased the sales of laboratory services considerably. Demand for surgical and well-being services also increased year-on-year. Nearly 36,000 coronavirus tests were

performed on private customers in 2020, and sales of private healthcare services to occupational health customers increased year-on-year.

PUBLIC SECTOR CUSTOMERS

Terveystalo's public sector customer group consists of Finnish public sector organizations, such as municipalities, municipal federations, and hospital districts as well as municipal occupational health 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 from budgets of municipalities, municipal federations, and hospital districts. The services offered to public sector customers include full and partial outsourcing, healthcare staffing services, specialized care services, other healthcare services as well as occupational health services for municipalities, municipal federations, and hospital districts.

Revenue for 2020 from public sector customers decreased by 7.7 percent year-on-year, amounting to EUR 272.2 (295.1) million.

Revenue from the outsourcing business fell by 19.1 percent to EUR 121.4 (149.9) million as a result of the expiry of outsourcing contracts at the end of 2019. Service production began in April on the Hattula outsourcing agreement.

Revenue from staffing services decreased by 4.4 percent, amounting to EUR 83.1 (86.9) million. This resulted from the expiry of on-call agreements as well as the challenges related to the availability of staff and the restrictions applied to public sector services.

Revenue from service sales as well as services provided for municipal occupational health customers and other public sector customers increased by 16.5 percent year-on-year to EUR 67.7 million (58.2). This resulted mainly from the strong demand for coronavirus-related services as well as our occupational health business that increased through acquisitions and new agreements. Digital appointments increased by more than sixfold to 74,300. The sales of well-being services also grew by 30 percent year-on-year.

FINANCIAL PERFORMANCE

Adjusted EBITDA for 2020 decreased by 7.7 percent year-on-year to EUR 162.8 million (176.3). Profitability was reduced by lower sales volumes, particularly during the second quarter, and changes in the service sales mix. Employee benefit expenses decreased by 1.3 percent as a result of the temporary layoffs carried out during the quarter, pension contribution (TyEL) discount and the postponed recruitments. Other operating expenses decreased by 1.8 percent to EUR 73.0 (74.4) million, mainly owing to cost adjustments. Investment in the development of digital services and infrastructure increased IT expenses by 19.7 percent year-on-year.

Adjusted earnings before interest, taxes, and amortization (EBITA) fell by 11.5 percent to EUR 101.9 million (115.1), representing 10.3 (11.2) percent of revenue.

Adjusted operating profit was EUR 71.6 (86.5) million, and profit before tax was EUR 56.6 (66.8) million.

As a result of the refinancing arrangement carried out in the latter part of 2019, full-year net financial expenses decreased by 30.2 percent to EUR 10.0 million (14.4). Income tax decreased by 15.4 percent as a result of lower taxable profit. Profit for the period was EUR 45.8 (54.1) million, and earnings per share were EUR 0.36 (0.43).

Operating cash flow decreased as a result of the contraction of business operations, amounting to EUR 143.7 (173.6) million in the financial year. In addition, operating cash flow in the financial year was affected by an increase in taxes paid year-on-year.

Cash flow from investing activities was EUR -36.0 (-46.7) million. The change from the comparison period was mainly attributable to a reduction in M&A-related investments.

Cash flow from financing activities amounted to EUR -71.2 (-123.1) million. The change in the cash flow from financing activities was mainly due to a short-term loan from a financial institution withdrawn during the reporting period. The change was also attributable to the higher equity repayment and higher interest rate level in the reference period.

THE GROUP'S FINANCIAL POSITION

Terveystalo's liquidity position is good. Cash and cash equivalents at the end of the reporting period amounted to EUR 77.1 million (EUR 40.6 million in December 2019). The company agreed on additional financing of EUR 40 million in June. Total assets of the Group amounted to EUR 1,361.0 million (EUR 1,359.3 million in December 2019).

Equity attributable to owners of the parent company totaled EUR 571.4 (541.2) million. The growth was due to the increase in retained earnings. Dividend was paid in July 2020 in accordance with the AGM's decision.

Gearing at the end of the financial year was 85.9 (101.3) percent, and net interest-bearing debt amounted to EUR 490.9 (548.2) million.

In the final quarter of 2019, Terveystalo signed a financing agreement of EUR 410 million. During the financial year, the company fulfilled the covenant requirement included in the financing agreement that depicts relative indebtedness and achieved the sustainability goals for 2020 that were tied to the financing agreement. Of the credit included in the financing agreement, EUR 40 million remained unused at the end of the financial year.

Return on equity for the financial year was 8.2 (10.3) percent. Equity ratio was 42.1 (39.9) percent.

SEASONAL VARIATION AND THE IMPACT OF THE NUMBER OF BUSINESS DAYS

Terveystalo's revenue from corporate and private customers has typically been lower during the vacation seasons, particularly in July and August. The number of business days has an effect on the revenue and earnings development, particularly when comparing quarterly performance. Revenue from public sector customers is distributed evenly with the exception of staffing services. Because of the seasonal nature of business, the required net working capital varies during the year. Variation is caused by the timing of pension and VAT payments, vacation pay obligations and service fees related to occupational healthcare, etc.

INVESTMENTS AND ACQUISITIONS

Net investments* during the financial year, including M&A, amounted to EUR 41.2 (58.2) million. The Group's net cash capital expenditure, excluding M&A, was EUR 32.7 (33.2) million and the corresponding non-cash capital expenditure EUR 5.3 (11.2) million. The investments consisted mainly of investments in IT system projects (including ERP and EMR), digital application and service development, medical equipment, and the network. The relative share of intangible investments in gross investments increased, whereas the share of tangible investments fell respectively.

In the first quarter of 2020, Terveystalo carried out one acquisition to supplement its business, acquiring the business of Varkauden Fysiokeskus Oy. No acquisitions were made in the second quarter. During the third quarter of 2020, Terveystalo acquired the occupational health activities of Keski-Satakunnan Työterveydenhuolto and the business of Keski-Lapin Hammashuolto Oy. In the fourth quarter, Terveystalo acquired all the shares of Medlnari Oy, an occupational health service provider, and Helsinki Sleep Clinic Vitalmed Oy.

*Net investments do not include the increases of right-of-use assets related to leases for business premises recognized on the balance sheet as a result of the adoption of IFRS 16.

STATEMENT OF NON-FINANCIAL INFORMATION

Terveystalo is the largest private health service company in Finland in terms of revenue and network. The company offers a broad range of primary and specialist medical care services as well as well-being services for corporate and private customers and the public sector. Terveystalo's nationwide network covers over 300 clinics across Finland. The clinic network is supplemented by 24/7 digital services.

Despite the corona crisis, Terveystalo promoted corporate sustainability in many areas in 2020. The company will report on its sustainability in the Sustainability Report to be published in week 7. This section is a summary of the key results documented in the report.

Terveystalo's sustainability and corporate responsibility efforts are guided by the company Code of Conduct, values, and strategic goals as well as the sustainability themes that are essential to Terveystalo stakeholders. The results of Terveystalo's sustainability efforts are monitored regularly. Terveystalo is committed to promoting the principles of the UN Global Compact initiative and the goals of sustainable development. The company respects all internationally recognized human rights.

The table on the next page shows a summary of the key aspects, targets, and achievements of Terveystalo's sustainability efforts in 2020.

GOAL	MEASURABLE TARGET	INDICATOR	2020	SDG
GOOD HEALTH AND WELL-BEING				
Quality index: high clinical and experienced quality, access to care, and preventive care	Quality index		94.2 (96.4)	3
	Use of the WHO Surgical Safety Checklist in over 99% of surgical operations	Use of the WHO Surgical Safety Checklist in surgical operations	97.8% (97.2%)	
	Prescriptions for drugs affecting the central nervous system in relation to visits to a physician below 3.5%	Prescriptions for drugs affecting the central nervous system in relation to visits to a physician	4.6% (-)	
	Duration of sickness absence issued on the day of operation less than 28 days, repair of the rotator cuff and the anterior cruciate ligament	Median sickness absence days after operation	36 (42)	
	Percentage of preventive work of occupational health appointments over 60%	Percentage of preventive work of occupational health appointments	67.8% (67.5%)	
	Days until next available appointment (T3) below 1.00	Days until next available appointment	1.17 (0.98)	
	Appointment NPS over 74	Appointment NPS	82.8 (72.5)	
eNPS at least 14 in 2020	eNPS	18 (9)		
Patient safety		Objections vs. visits to a physician	0.01% (0.01%)	3
		Patient claim reports vs. visits to a physician	0.01% (0.01%)	
		Complaints vs. visits to a physician	0.00% (0.00%)	
		Incident reports vs. visits to a physician	0.14% (0.15%)	
ETHICAL BUSINESS				
Employees who have completed Compliance training	100% of our employees have completed Compliance training	Percentage of employees who have completed the training relative to all employees	52.3%	16
Suppliers who have approved the Supplier Code of Conduct	100% of our suppliers have accepted the Supplier Code of Conduct	Percentage of suppliers who have approved the Supplier Code of Conduct relative to all suppliers	Approximately 80% of suppliers who are responsible for 80% (60%) of our total acquisitions have approved the Supplier Code of Conduct	16
RESPONSIBLE WORK				
Occupational safety	Accident occurrence rate below the industry average of 39	Accident rate	25 (25)	8
Personnel's wellbeing		Sickness absences	3.6 (3.7)	8
Employer recommended by the personnel	Improving the employee Net Promoter Score (eNPS) to 31 (good level) by 2025	eNPS	18 (9)	8
SUSTAINABLE ECONOMIC GROWTH				
Tax footprint	We openly disclose our tax footprint annually	Taxes paid	EUR 40 (29) million	8
Revenue growth	Minimum annual growth 5%	Revenue growth, %	-4.3%	
The people we employ	We create jobs in Finland	Employee benefit expenses	310.2 (314.3)	8
RESPONSIBLE CONSUMPTION AND CLIMATE ACTION				
Reducing the carbon footprint	Decreasing the carbon footprint by 40% by 2030	Direct (scope 1) and indirect (scope 2) greenhouse gas emissions, tCO2	996 tCO2e (2,142)	13
Material efficiency and waste recycling	Annual reduction in mixed waste intensity	Mixed waste intensity (mixed waste [metric tons] relative to total revenue [100 million])	6.0 (4.9)	12

GOOD HEALTH AND WELL-BEING

Quality is an inseparable part of Terveystalo's corporate responsibility. The entire Terveystalo staff is responsible for ensuring that our customers receive appropriate, effective, and safe high-quality care. The cornerstones of Terveystalo's quality assurance system are patient safety and the national legislation governing the industry. Quality comprises clinical, operational and experienced quality. Our quality assurance system is a management system that provides a framework for managing quality and effectiveness at all levels of the organization.

The strategic priority areas, joint processes, and measurability guide toward consistent high quality. Continuous improvement of operations is an essential part of our quality efforts. In 2020, our quality efforts were affected by COVID-19. Therefore, one of the key objectives of our quality work is the management of the COVID-19 situation and recovery. The quality work also aims to ensure the availability of our services, safeguard and improve patient safety, provide an excellent and constantly improving customer experience, implement data protection and information security, comply with recommendations, and develop the effectiveness of treatment. The quality steering group monitors the achievement of the quality objectives quarterly using quality indicators.

PATIENT SAFETY IS THE FOUNDATION FOR HIGH-QUALITY HEALTHCARE

Patient safety is a continuously monitored and developed key element of our quality efforts. Compared with the number of visits, Terveystalo's patient injury rates are below the national average for the industry. In 2020, the ratio of objections vs. visits to a physician was 0.01% (0.01), ratio of patient claim reports vs. visits to a physician 0.01% (0.01), ratio of complaints vs. visits to a physician 0.0% (0.0), and ratio of incident reports vs. visits to a physician 0.14% (0.15).

Patient safety is managed by monitoring the number of procedure and clinic-specific post-surgery infections, hazardous events, official requests for clarifications, and the decisions of the Patient Insurance Centre, among other measures. The safety and effectiveness of the pharmacotherapy provided are ensured by medication plans, operating guidelines, and a basic range of drugs.

THE QUALITY INDEX MEASURES CLINICAL AND EXPERIENCED QUALITY

Terveystalo continuously develops its services by measuring the quality and effectiveness of the care provided and the customer service experience. Clinical, experienced, and process results are measured in accordance with international best practices. In 2020, a new quality index consisting of four dimensions was introduced: high clinical quality, accessibility of care, preventive treatment, and experienced quality, from the perspective of professionals and customers alike.

The quality index comprises seven key indicators: use of the WHO Surgical Safety Checklist, number of prescriptions for drugs affecting the central nervous system vs. visits to a physician, duration of sickness absence issued on the day of operation for surgical repair of the rotator cuff and the anterior cruciate ligament, percentage of preventive work of occupational health appointments, T3 indicating the accessibility of care (the third available appointment in the Terveystalo network), NPS for appointments, and eNPS.

Terveystalo performs surgical operations in a network of 17 hospitals. The WHO Surgical Safety Checklist is used systematically before the start of a procedure. The checklist is a standard list of questions to check safety issues relevant for the operation in the operating room. In 2020, the WHO Surgical Safety Checklist was used in 97.8% of the operations performed (97.2% in 2019).

When used properly, drugs affecting the central nervous system are effective and necessary. However, because of their adverse effects, their use requires careful discretion by a physician. Terveystalo is running a project aimed at promoting the safe use of these products in accordance with clinical guidelines when treating patients. To harmonize prescription practices, Terveystalo has prepared detailed guidelines for prescribing drugs affecting the central nervous system. They are based on legislation, Current Care Guidelines, Smart to Avoid Recommendations, guidelines issued by the National Supervisory Authority for Welfare and Health, and operating models proven in clinical work. In 2020, our clinics wrote 4.6 prescriptions for drugs affecting the central nervous system per one hundred visits to a physician (N/A).

The objective of surgical operations is to promptly provide high-quality care pursuant to care criteria to quickly restore the patient's functional capacity and ability to work. Our treatment chain for surgery patients is developed systematically. The objective is to enable faster recovery and return to work. Correctly prepared surgery implemented without delay as well as a plan for early rehabilitation and return to work play a key role in this. The average length of sickness absence issued on the day of operation for surgical repair of the rotator cuff and the anterior cruciate ligament was 36 days in 2020 (42 days in 2019).

Work not carried out is expensive for Finnish companies. Therefore, it pays to invest in disability management through preventive measures. Effective disability management requires that organizations know what kinds of risks to work ability they are managing. With targeted health examinations, Terveystalo surveys the organization's health and disability risks and obtain information to support the management efforts. An electronic scientifically validated health survey is always attached to occupational health examinations, completed as self-assessment by the employee. It helps to identify health risks and any risk of disability. With the survey, measures can be targeted at anyone with significant risks. In 2020, preventive work accounted for 67.8% of all occupational health appointments (67.5% in 2019).

Terveystalo aims to stand out by providing an excellent experience in all customer encounters. Operations are developed by listening to customers and utilizing new technology. NPS (Net Promoter Score) is the most important indicator of customer satisfaction. Feedback is collected by means of SMS and browser-based surveys. In addition, new NPS measurements are continuously launched at new customer encounter points. In 2020, Terveystalo achieved the highest NPS result ever: appointment NPS rose to 83 (73 in 2019), and NPS for hospital services also remained high, being 94 (89).

Despite the exceptionally challenging year, Terveystalo's employee Net Promoter Score (eNPS) increased clearly compared with the reference period and was 18 (9 in 2019).

EXCELLENT ACCESSIBILITY OF PUBLIC PRIMARY HEALTHCARE

In primary health care, Terveystalo partners with several municipalities and joint authorities. Terveystalo provides health centre appointment services in 19 health centres and is involved in a pilot project in Espoo, related to the use of service vouchers in health centres. Fast and timely access to care is one of the biggest challenges of Finnish primary health care. Terveystalo has systematically developed operating models for health centres to ensure easy access to care. Accessibility of care was excellent nationwide throughout the year in health centres outsourced to Terveystalo. In Terveystalo health centres, the average T3 time indicating the availability of non-urgent appointments (the third available appointment) was 5.6 days. The median time was 4 days. On the Espoo pilot project referred to above, the average T3 time and median were 5 days from May to November 2020. Nationwide, 51% of

patients have waited more than 8 days to see a health center physician, and 14% have waited more than 30 days (Finnish Institute for Health and Welfare/ Avohilmo register for outpatient care).

Accessibility of oral health care has also remained at a good level in Terveystalo's 14 outsources dental clinics, despite the COVID-19 pandemic. In 2020, the average T3 time for non-urgent dentist appointments was 30 days and the median time was 26 days. This is also reflected in the NPS from the customers: in the fall, the NPS indicating customer satisfaction was 83.

ETHICAL BUSINESS

Values and ethics are emphasized in Terveystalo's work through the requirements of the sector. Terveystalo's business is guided by legislation governing the sector and private health care services as well as the requirements set by authorities. The work of healthcare professionals is also guided by the ethical standards of professional groups. Terveystalo's Code of Conduct provides umbrella guidelines that must be respected in our work at Terveystalo. The Code of Conduct translates our values into concrete principles that form a foundation for our daily work and decision-making.

TRAINING IN CODE OF CONDUCT AND COMPLIANCE

Risks related to non-compliance with the Code of Conduct are managed through communications and by arranging mandatory training for all personnel. Non-compliance risks may be related to possible conflicts of interests or the giving and receiving of business gifts, for instance. Actual or suspected non-compliance with the Code of Conduct must be reported to the supervisor, the supervisor's supervisor, Terveystalo's Legal & Compliance department, or via the Terveystalo whistleblowing channel.

In 2020, we have trained employees on the content of the Code of Conduct more efficiently: in 2020, we provided 4 training sessions for the management teams of the different businesses, support functions, and other selected groups, and 5,950 people working in Terveystalo successfully completed the new mandatory online training. Of these, 4,318 are employed staff (52% of all employed staff). The goal is that 100% of employees complete the Code of Conduct training.

THE SUPPLIER CODE OF CONDUCT ENSURES RESPONSIBLE ACTION OF SUPPLIERS

Terveystalo's partners are also expected to adhere to the Code of Conduct. Terveystalo's Supplier Code of Conduct entered into effect in autumn 2018 and is widely applied in Terveystalo Group's standard agreements. Contractual clauses pertaining to the Supplier Code of Conduct must be included in all agreements under which the companies of Terveystalo Group acquire products and services from external suppliers.

At the end of 2020, 80% (60) of suppliers representing 80% of Terveystalo's total procurement volume had approved the Supplier Code of Conduct. We also expanded the use of a self-assessment form for suppliers that surveys matters such as compliance with the Supplier Code of Conduct.

In 2020, we received a total of 10 reports through the whistleblowing channel. Out of these, the reports already investigated did not reveal any noncompliance with or infringement of law or the Code of Conduct. The findings of the reports and investigations have been considered in the development of Terveystalo's processes.

DATA PROTECTION AND INFORMATION SECURITY

The digitalization of healthcare presents significant opportunities for improving the availability and effectiveness of care as well as the early identification of risks. Terveystalo has made significant investments in the development of digital services and tools. As digital services increase in importance, modifying

the industry, the requirements concerning data protection and information security increase accordingly.

Terveystalo stores patient information in an information security certified patient information system. Terveystalo's patient information system is a so-called category A system, and it has undergone information security certification in accordance with the regulations related to providing Kanta services. In addition, our data protection and information security is regularly audited internally and by a third party according to the ISO 9001:2015 certification.

Terveystalo applies the appropriate physical, technical, and administrative protection measures to protect data from misuse. These measures include, among others, control and filtering of network traffic, use of encryption techniques and safe data centres, appropriate access control, controlled granting of access rights and supervision of their use, giving instructions to staff participating in personal data processing, and risk management related to the planning, implementation, and maintenance of our services. Terveystalo chooses its subcontractors carefully and uses agreements and other arrangements to ensure that they process data in compliance with the law and good data protection practices.

RESPONSIBLE WORK

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

Terveystalo is a significant employer in Finland. In 2020, Terveystalo had 8,253 employees (2019: 8,685) and 5,057 private practitioners (2019: 5,068).

All of our employed staff in Finland are covered by statutory pension security and parental leave benefits. Permanent and fixed-term employees are covered by statutory insurance with respect to workplace accidents and occupational diseases. In addition to observing the statutory requirements, Terveystalo provides a comprehensive range of primary healthcare, specialized healthcare, and well-being services to employees, such as direct access to physiotherapy and digital services to support mental well-being. Low-threshold services to support mental well-being provide employees with the opportunity to confidentially discuss anything they might have on their mind. Brief psychotherapy is also included in Terveystalo's occupational health services. Terveystalo aims to recognize challenges related to work ability and occupational health at an early stage and seek solutions to these challenges through effective cooperation with occupational health services.

Terveystalo Occupational Healthcare provides occupational health services for the personnel throughout Finland. Terveystalo Occupational Healthcare holds the ISO 9001:2015 Quality System Certificate awarded by Labquality Oy.

In 2020, Terveystalo invested heavily in the maintenance of our personnel's work ability and medical care in the exceptional circumstances. Terveystalo professionals stayed healthy throughout the year despite working at the very core of the COVID-19 pandemic. In 2020, the sickness absence rate was 3.6 percent of hours worked (2019: 3.65%).

There were no fatal accidents or accidents leading to serious injuries at Terveystalo in 2020. In 2020, the accident rate was 25 (2019: 25), which is clearly below the average in the healthcare industry (39).

In 2020, Terveystalo paid particular attention to ensuring the safety of its staff. COVID-19 guidelines for various roles in Terveystalo were actively updated, and 98% of staff reported that they had acquainted themselves with the guidelines in their work. Active internal communications also played a major role. For instance, webinars on topical issues related to COVID-19 to employees were arranged, as often as once a week. A COVID-19-related occupational safety survey aimed to find out how occupational safety is implemented in daily work during these exceptional times and how it could still be improved. The survey supplemented other active efforts related to occupational safety. Coping at work and the strain caused by work were a concern to Terveystalo professionals during the COVID-19 pandemic. However, the majority of respondents said that they could cope well or relatively well.

In the personnel survey, the employee Net Promoter Score (eNPS) is used as a key indicator of well-being at work and coping with the requirements of work. The eNPS figure (includes private practitioners) indicates the proportion of employees and private practitioners who would recommend Terveystalo as a workplace to others. Despite the exceptional year, the index improved considerably, being 18 (9) in the latest survey.

COMPETENCE BUILDING

The systematic and business-driven development of the personnel is especially important for Terveystalo's future success. Streamlined processes and appropriate, responsible supervisor work ensure our personnel's well-being, which in turn benefits our customers through better care and a positive customer experience.

Terveystalo has particularly focused on the development of managerial work and training as well as supporting on-the-job self-study by increasing online learning, for example. In addition, Terveystalo engages in research and education cooperation with several universities and promotes youth employment by means such as trainee programs. In 2020, we provided a total of 63,864 (58,793) hours of training, which means 7.5 hours per employee.

SUSTAINABLE ECONOMIC GROWTH

Responsible business is also financially profitable and sustainable. Terveystalo creates value for customers, society, and shareholders by continuously developing the clinical, operational, and experienced quality of its work, enabling faster access to treatment, reducing sickness absences, and employing directly and indirectly more than 13,000 people. We are a significant employer, taxpayer and provider of health services in Finland.

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

In 2020, Terveystalo's revenue and other operating income totaled EUR 989.1 million (2019: EUR 1,032.8 million). The goods, materials and services purchased from suppliers amounted to EUR 447.6 million (2019: EUR 472.9 million). Salaries and remuneration and the related social security contributions amounted to EUR 310.2 million (2019: EUR 314.3 million). Net financial expenses to creditors amounted to EUR 10.0 million (2019: EUR 14.4

million). Dividends paid to our shareholders in 2020 based on the results of the previous fiscal year amounted to EUR 16.5 million (2019: return of capital EUR 25.5 million). We invested a total of EUR 32.7 million to business development (2019: EUR 33.2 million).

In 2020, Terveystalo's tax footprint totalled EUR 152.3 million (2019: EUR 149.9 million). In addition, a total of EUR 283.2 million (2019: EUR 298.8 million) was paid to private practitioners, who pay their individual taxes independently.

RESPONSIBLE CONSUMPTION AND CLIMATE ACTION

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

In 2020, Terveystalo added green electricity to its electricity portfolio and updated its procurement and vehicle policy to better include environmental aspects. According to the revised vehicle policy, all company cars must be electric or hybrid cars in the future. In addition, the plastic recycling project was extended to three hospital units.

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

The carbon footprint is an environmental perspective of Terveystalo's business operations that is considered important by investors in particular. Terveystalo's carbon footprint mainly consists of emissions arising from the production of electrical energy consumed by properties, emissions generated by transport and travel as well as waste generated at hospitals and clinics.

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

- Scope 1: greenhouse gas emissions arising from fuel consumption related to the heating and electricity production for properties controlled by Terveystalo as well as transport and travel operations controlled by Terveystalo.

As Terveystalo does not, for the most part, own or control the properties at which it operates, the greenhouse gas emissions mostly consist of the emissions from the company's fleet of cars and the trucks used for imaging operations. The emissions arising from Terveystalo's own driving and driving under Terveystalo's direct control were calculated based on fuel consumption. In 2020, Scope 1 CO₂e emissions totalled 287.2 metric tons (357.7).

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

In 2020, electricity purchases for Terveystalo properties totalled 15,944 (16,219) MWh. Since January 2020, the company's electricity portfolio (electricity purchased for properties) is zero-CO₂ green electricity. Zero-CO₂

electricity purchased for 2020 totaled 9,934 MWh, representing approximately 62 percent of the company's electricity consumption. The remainder, 6,010 MWh, corresponds to 709.2 metric tons (1,784.1) of CO₂e emissions. Due to the use of green electricity and reduced total fuel consumption, Terveystalo's carbon footprint of Scope 1 and 2 emissions was 996.4 (2,141.8) tCO₂e in total, a decrease of 53 per cent year-on-year.

Due to the nature of the company's operations, the CO₂ emissions intensity is low. In 2020, Terveystalo's emissions intensity (Scope 1 and 2) per revenue was 1 gCO₂e/EUR (2 gCO₂e/EUR) and 0.12 tCO₂e (0.25 tCO₂e) per number of employees.

Terveystalo's goal is to minimize mixed waste in all its operations and recover as much waste as possible. Terveystalo is committed to reducing the plastic waste generated by its operations in accordance with the EU's plastic strategy by improving recycling and reviewing the packaging options offered by suppliers when possible. Medical waste is also closely monitored and prevented through enhanced inventory management.

This exceptional year challenged our goal to reduce the waste generated by our operations because the use of protective equipment needed for COVID-19 testing and to protect our staff and customers multiplied by almost 10 in 2020. Our clinics used as many as 300,000 surgical mouth guards or face shields a week. Thanks to an improved recycling rate for hazardous waste and plastic recycling, the volume of our mixed waste increased only by 18 percent to 59 (50) metric tons, despite the sharp increase in the use of protective equipment. Mixed waste intensity, or the amount

of mixed waste relative to revenue, increased by 23.7 percent year-on-year. This was due to the reduction in revenue and increase in mixed waste year-on-year.

According to the company's assessment, the nature of Terveystalo's operations does not involve significant risks with respect to the environmental perspective

PERSONNEL

The number of Terveystalo's employed staff on December 31, 2020 was 8,253 (8,685). The decrease was mainly due to the termination of nonactive employment contracts in staffing services. In person-years, the average number of staff was 4,900 (4,943). The number of private practitioners was similar to the reference period, 5,057 (5,068).

SHARES, SHAREHOLDERS, AND BOARD AUTHORIZATIONS

At the end of December 2020, Terveystalo's market value was EUR 1,285 million (1,431) and the closing price was EUR 10.04 (11.18). In 2020, the highest price of Terveystalo's share on Nasdaq Helsinki Ltd was EUR 12.66 (11.18), the lowest price EUR 7.40 (7.90) and the average price EUR 9.67 (9.94). A total of 26.6 (27.8) million shares were traded in 2020. At the end of the reporting period, the number of Terveystalo shares registered in the Trade Register was 128,036,531. The following tables list the largest shareholders, distribution of ownership and owner groups.

THE LARGEST REGISTERED SHAREHOLDERS ON DECEMBER 31, 2020

Name	Number of shares	% of shares	Votes	% of votes
Varma Mutual Pension 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
Pohjola Insurance Ltd	8,530,332	6.7	8,530,332	6.7
OP Life Assurance Company Ltd	7,036,706	5.5	7,036,706	5.5
Elo Mutual Pension Insurance Company	5,232,951	4.1	5,232,951	4.1
Ilmarinen Mutual Pension Insurance Company	3,963,500	3.1	3,963,500	3.1
Mandatum Life Insurance Company	3,566,934	2.8	3,566,934	2.8
Investment fund OP-Suomi	1,896,255	1.5	1,896,255	1.5
Åbo Akademi University Foundation	1,816,242	1.4	1,816,242	1.4
Ten largest, in total	89,779,746	70.1	89,779,746	70.1

The list is based on the register of shareholdings maintained by Euroclear, and it does not include nominee-registered shares. According to its own notification and its custodian's notification, **Lannebo Fonder** owns a total of 4,594,963 shares, which corresponds to 3.6% of all shares.

DISTRIBUTION OF OWNERSHIP, DECEMBER 31, 2020

Number of shares	Number of shareholders	% of shareholders	Number of securities	% of securities	Number of votes	% of votes
1-100	9,362	44.0	465,015	0.4	465,015	0.4
101-500	8,691	40.9	2,154,513	1.7	2,154,513	1.7
501-1,000	1,698	8.0	1,310,040	1.0	1,310,040	1.0
1,001-5,000	1,184	5.6	2,394,657	1.9	2,394,657	1.9
5,001-10,000	139	0.7	1,025,469	0.8	1,025,469	0.8
10,001-50,000	107	0.5	2,213,035	1.7	2,213,035	1.7
50,001-100,000	29	0.1	2,120,389	1.7	2,120,389	1.7
100,001-500,000	24	0.1	4,933,055	3.9	4,933,055	3.9
500,001-	25	0.1	111,420,358	87.0	111,420,358	87.0
Total	21,259	100.0	128,036,531	100.0	128,036,531	100.0
of which nominee-registered	11		10,862,671	8.5	10,862,671	8.5
Non-transferred, total	0		0	0	0	0
In general account			0	0	0	0
In special accounts, total			0	0	0	0
Total issued			128,036,531	100	128,036,531	100

SHAREHOLDER GROUPS, DECEMBER 31, 2020

Shareholders by sector	Number of shares	% of shares
Households	8,106,373	6.9
Public entities	32,757,498	28.0
Financial and insurance institutions	30,487,993	26.0
Companies	21,628,172	18.5
Non-profit institutions	2,989,911	2.6
Foreign owners	21,203,913	18.1
Total	117,173,860	100.0
Of which nominee-registered	10,862,671	8.5

BOARD AND MANAGEMENT HOLDINGS

The holdings of the Board of Directors and management are presented in the financial statements and in the corporate governance statement.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In 2020, Terveystalo did not receive any notifications of major shareholdings.

SHARE-BASED INCENTIVE SCHEMES AND THE BOARD'S AUTHORIZATIONS

The company's currently valid long-term share-based incentive scheme consists of three performance periods, the calendar years 2018, 2019, and 2020. The Board of Directors decides on the performance criteria and the required performance levels for each criterion at the beginning of each performance period.

During the performance period 2020, the scheme offered the key employees the possibility to earn rewards based on the Company achieving the required operational targets and Total Shareholder Return (TSR) levels. These targets were not met and no rewards will be paid for this earning period.

Terveystalo Plc's Board of Directors has decided on a new long-term share-based incentive program for key personnel. The plan replaces the previous long-term incentive program. The long-term incentive plan consists of a Performance Share Plan for Terveystalo's management and other key personnel, a Bridge plan for the President and CEO, and of a Restricted Share Plan for specific situations such as key recruitments or for recognizing key talent. The Performance Share Plan is based on a rolling three-year performance period structure, with a new performance period starting at the beginning of each year if so decided by the Board. The Board decides on the participants, performance measures and targets as well as earning opportunities on an annual basis.

Evli Awards Management Oy (EAM) is responsible for the acquisition and management of the shares in accordance with the section of the Limited Liability Companies Act concerning incentives and the financing of the acquisition of company shares. Financed by Terveystalo, EAM TTALO Holding Oy will acquire shares in accordance with the agreement to be used as part of Terveystalo's share-based incentive system, in accordance

with the terms of the scheme. During the financial year, EAM TTALO Holding Oy held 730,000 Terveystalo shares.

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

The Board has also been authorized to resolve on the issuance of shares and special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorization covers a maximum of 12,803,653 own shares in total, which corresponds to approximately 10 percent of the company's currently registered shares. The authorization can be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing share-based incentive plans or the payment of the annual compensation payable to the members of the Board of Directors, or for other purposes as determined by the Board of Directors.

DIVIDEND POLICY AND DISTRIBUTION OF PROFITS FOR 2020 PROPOSED BY THE BOARD

The objective of Terveystalo's Dividend Policy is to distribute a minimum of 40 percent of earnings per share in dividends. The current financial performance, development potential, financial position, and capital requirements are taken into account. In 2020, earnings per share were EUR 0.36 (0.43).

The parent company's distributable funds totaled EUR 543.1 million, of which EUR 26.0 million is profit for the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend EUR 0.13 (0.13) per share be distributed for 2020, totaling EUR 16.5 (16.5) million. Furthermore, the Board of Directors proposes that the Board of Directors be authorized to decide at its discretion on a further dividend payment, so that the maximum amount of dividend payable under the authorization is EUR 0.13 per share. This means that the maximum dividend per share would be EUR 0.26 in total. The authorization will remain in force until the beginning of the next Annual General Meeting. Unless the Board of Directors decides otherwise for a justified reason, dividend under this authorization will be paid once during its period of validity. 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.

DECISIONS OF THE ANNUAL GENERAL MEETING 2020 AND THE FIRST BOARD MEETING

Terveystalo Plc's Annual General Meeting was held in Helsinki on May 28, 2020. The Annual General Meeting adopted the financial statements for the year 2019 and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved the proposals of the Shareholders' Nomination Board and the Board of Directors without any changes.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to pay a dividend of EUR 0.13 per share on the basis of the balance sheet confirmed for the financial year 2019 (at the current number of shares, this totals approximately EUR 16.6 million) In addition, in accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to authorize the Board of Directors to decide on the date of record and date of payment at its discretion, so that dividend

would be paid no later than July 15, 2020. On June 30, 2020, Terveystalo's Board of Directors decided that the EUR 0.13 dividend per share resolved by the Annual General Meeting be paid to shareholders who are included in the company shareholders' register, maintained by Euroclear Finland Ltd, on the record date of dividend payment, July 2, 2020. Dividend was paid on July 9, 2020.

The number of the members of the Board of Directors was confirmed as seven (7). Dag Andersson, Lasse Heinonen, Kari Kauniskangas, Åse Aulie Michelet, Katri Viippola, and Tomas von Rettig were re-elected as members of the Board, and Niko Morkila was elected as a new member of the Board.

Authorized Public Accountants KPMG Oy Ab was re-elected as the company's auditor, with APA Henrik Holmbom as the auditor in charge.

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

The Annual General Meeting also authorized the Board of Directors to resolve on the issuance of shares and special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorization covers a maximum of 12,803,653 shares in total, which corresponds to approximately 10 percent of the company's currently registered shares.

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

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

All of the authorizations will remain effective until the end of the Annual General Meeting 2021 and in any event no longer than June 30, 2021.

The new Board of Directors elected Kari Kauniskangas as its Chairman and Tomas von Rettig as its Vice-Chairman. The Board of Directors also elected members to the Board committees. Lasse Heinonen was elected as Chairman of the Audit Committee and Tomas von Rettig and Niko Morkila as members of the Audit Committee. Kari Kauniskangas was elected as Chairman of the Remuneration Committee and Dag Andersson, Åse Michelet, and Katri Viippola as members of the Remuneration Committee.

CORPORATE GOVERNANCE

Terveystalo Plc's Corporate Governance Statement, Remuneration Policy, and Remuneration Report for 2020 have been published as a separate document from the Board of Directors' Report and as part of the Annual Report on pages 26-43 and are also available on the company's website.

CHANGES IN MANAGEMENT

- Minttu Sinisalo b. 1980, M.Sc. (Econ.) started as Terveystalo's Senior Vice President for Human Resources on January 1, 2020.
- Susanna Laine, Senior Vice President, Communications and Brand, vacated her position on January 8, 2020. Veera Siivonen, b.1980, M.Sc. Tech, was appointed Terveystalo's Senior Vice President, Marketing and Communications as of May 1, 2020.
- Elina Saviharju, b. 1981, LL. B, LL.M. (Harvard) was appointed Terveystalo's Senior Vice President, Legal, as of May 11, 2020, after Julia Ormio resigned.
- Mikko Tainio b. 1979, M.Sc. (Econ.), was appointed Senior Vice President, Public Services as of November 1, 2020, after his predecessor Laura Rätty resigned.
- Tom Gustafsson served as interim Senior Vice President, Corporate Health, after Jens Jensen resigned in May 2020. Marja-Leena Tuomola, b. 1962, LL.M., eMBA, was appointed Terveystalo's Senior Vice President, Corporate Health as of January 1, 2021.

The above members of Terveystalo Management Group report to President and CEO Ville Iho.

EVENTS AFTER THE REPORTING PERIOD

Terveystalo is reshaping its operating model to better respond to its customers' needs and the ongoing transformation of the healthcare industry. As of January 1, 2021, Terveystalo's organization consists of five business areas: Corporate Health, led by Marja-Leena Tuomola; Consumer Business, led by Veera Siivonen; Public Partnerships, led by Mikko Tainio; Growth Businesses, led by Petri Keksi, and Medical Clinic Network, led by Siina Saksi.

The business areas are supported by six departments: Clinical Quality and Management (Petri Bono, CMO), Finance (Ilkka Laurila, CFO), Digitalization and IT (Juha Juosila, Chief Digital Officer), HR (Minttu Sinisalo, SVP HR), Law and Compliance (Elina Saviharju, SVP Legal), and Communications, Investor Relations, and Corporate Responsibility (Kati Kaksonen, VP Communications).

THE MOST SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTY FACTORS

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

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

- The global pandemic and the related restrictive measures may have a significant impact on consumer behaviour, demand for healthcare services, and the company's expected financial development. The Emergency Powers Act and other regulations pertaining to emergency circumstances give the public sector the power to intervene in service production and even take private sector resources into public use if necessary.
- The restrictions complicate supply chain operations globally, which reduces the availability of the personal protective equipment necessary in service provision, among other things.

- Changes in the competitive landscape, new competitors entering the markets and increasing price competition may have a negative impact on the company's profitability and growth potential.
- The development and implementation of information system projects and services, service products, and operating models involves risks. The company is gradually replacing its operating systems and support systems as well as creating new digital customer solutions, which increases the overall risk related to information systems. Risk management is an essential aspect of the systems integration and deployment processes.
- The company's business operations rely on its capacity to identify, recruit, and retain competent and professional healthcare 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 integration of acquisition targets is not necessarily realized as planned.
- The company's business is very dependent on functioning information systems, data communication, and external service providers. Interruptions can result from hardware failure, software failure, or cyber threats. Long-lasting malfunction of information systems or payment transfers can lead to significant loss of sales and decline in customer satisfaction.
- Endangered information security or privacy can lead to losses and claims for damages and endanger reputation.
- Corporate responsibility aspects are increasingly important for customers, such as ensuring the responsibility of the product supply chain, fair and equal treatment of employees, avoidance of corruption, and protection of the environment. Possible failures associated with corporate responsibility would mean negative publicity for Terveystalo and could cause operational and financial damage. Challenges related to Terveystalo's corporate responsibility work include communicating the corporate responsibility principles to the key stakeholders and ensuring the responsibility of the product and service supply chain.
- The company is a party to, and may become a party to, legal action or administrative procedures initiated by the authorities, patients, or third parties. According to the company's opinion, its currently pending legal obligations and court cases are not significant in nature.

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

GENERAL MEETING OF SHAREHOLDERS 2021

Annual General Meeting of Terveystalo Plc will be held on Thursday, March 25, 2021 in Helsinki.

Terveystalo Plc
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF INCOME

EUR mill.	Note	1.1.-31.12.2020	1.1.-31.12.2019
Revenue	4	986.4	1,030.7
Other operating income	5	2.7	2.1
Materials and services	6	-447.6	-472.9
Employee benefit expenses	7	-310.2	-314.3
Depreciation, amortization and impairment losses	8	-91.2	-89.8
Other operating expenses	9	-73.0	-74.4
Operating profit		67.2	81.4
Financial income	10	0.2	0.3
Financial expenses	10	-10.3	-14.7
Net finance expenses		-10.0	-14.4
Share of results in associated companies		-0.6	-0.2
Profit before taxes		56.6	66.8
Income tax expense	11	-10.8	-12.7
Profit for the period		45.8	54.1
Profit attributable to			
Owners of the parent company		45.8	54.2
Non-controlling interests		-0.0	-0.1
Earnings per share for profit attributable to the shareholders of the parent company, in euro			
Basic earnings per share	12	0.36	0.43
Diluted earnings per share	12	0.36	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Profit for the period	45,8	54,1
Other comprehensive adjustments, net of taxes	-	-
Total comprehensive income	45,8	54,1
Total comprehensive income attributable to		
Owners of the parent company	45,8	54,2
Non-controlling interest	-0,0	-0,1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	67.6	69.5
Right-of-use assets	13	172.4	193.2
Goodwill	14, 15	781.8	779.2
Other intangible assets	14	152.2	161.9
Investment properties	16	0.5	0.5
Investments in associates	17	2.2	2.3
Loan receivables	21	0.3	0.3
Deferred tax assets	11	4.4	3.7
Total non-current assets		1,181.3	1,210.7
Current assets			
Inventories		6.8	5.6
Trade and other receivables	21	95.1	101.6
Cash and cash equivalents	22	77.1	40.6
Total current assets		179.0	147.8
Non-current assets held for sale	23	0.8	0.8
TOTAL ASSETS		1,361.0	1,359.3
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		0.1	0.1
Invested non-restricted equity reserve		492.8	492.8
Treasury shares		-6.7	-6.7
Retained earnings		85.3	55.1
Equity attributable to equity holders of the Company total		571.4	541.2
Non-controlling interest		-	0.0
TOTAL EQUITY		571.4	541.2
Non-current liabilities			
Non-current financial liabilities	20, 25	302.3	344.1
Non-current lease liabilities *	20, 25	141.1	159.9
Deferred tax liabilities	11	26.0	30.3
Provisions	27	7.7	7.5
Other liabilities		9.4	9.7
Total non-current liabilities		486.6	551.5
Current liabilities			
Provisions	27	2.4	1.6
Trade and other payables	26	162.7	165.4
Current tax liabilities		13.5	14.8
Current financial liabilities	20, 25	87.2	46.7
Current lease liabilities *	20, 25	37.3	38.1
Total current liabilities		303.1	266.6
TOTAL LIABILITIES		789.6	818.0
TOTAL EQUITY AND LIABILITIES		1,361.0	1,359.3

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

*) The presentation of statement of financial position has been changed and the comparison period has been restated respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR mill.	Note	1.1.-31.12.2020	1.1.-31.12.2019
Cash flows from operating activities			
Profit before income taxes		56.6	66.8
Adjustments for			
Non-cash transactions			
Depreciation, amortization and impairment losses	8	91.2	89.8
Change in provisions		1.0	-1.2
Other non-cash transactions		-0.8	-2.4
Gains and Losses on sale of property, plant, equipment and other changes		0.0	0.0
Net finance expenses	10	10.0	14.4
Changes in working capital			
Trade and other receivables		5.3	-7.9
Inventories		-1.2	0.3
Trade and other payables		-1.4	17.7
Interests received		0.2	0.3
Income taxes paid		-17.2	-4.1
Net cash from operating activities		143.7	173.6
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-2.0	-12.3
Acquisition of property, plant and equipment		-13.0	-15.9
Acquisition of intangible assets		-20.1	-17.7
Investments to associated companies		-0.5	-0.3
Proceeds from sale of financial assets		0.0	0.3
Acquisition of business operations, net of cash acquired		-0.6	-1.0
Long-term loans granted		-0.2	-0.3
Proceeds from granted long-term loans		-	0.2
Proceeds from sale of property, plant and equipment		0.4	0.1
Dividends received		0.0	0.1
Net cash from investing activities		-36.0	-46.7
Cash flows from financing activities			
Proceeds from non-current borrowings	25	-	370.0
Repayment of non-current borrowings	25	-41.5	-401.4
Proceeds from current borrowings	25	40.0	-
Repayment of current borrowings	25	-	-10.0
Payment of lease liabilities	25	-37.7	-37.1
Payment of hire purchase liabilities	25	-5.5	-4.9
Interests and other financial expenses paid		-10.0	-14.2
Dividends paid and equity repayment		-16.5	-25.5
Net cash from financing activities		-71.2	-123.1
Net change in cash and cash equivalents			
Cash and cash equivalents at 1 January		40.6	36.9
Cash and cash equivalents at 31 December		77.1	40.6

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Invested non-restricted equity reserve	Treasury shares	Retained earnings	Total			
Equity 1 Jan 2020	0.1	492.8	-6.7	55.1	541.2	0.0	541.2	
Comprehensive income								
Profit for the period	-	-	-	45.8	45.8	0.0	45.8	
Transactions with owners								
Share-based payments	-	-	-	0.9	0.9	-	0.9	
Dividends	-	-	-	-16.5	-16.5	-	-16.5	
Equity 31 Dec 2020	0.1	492.8	-6.7	85.3	571.4	-	571.4	

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

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

1. CORPORATE INFORMATION

Terveystalo Plc is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The parent company, Terveystalo Plc, is listed on the Nasdaq Helsinki. Terveystalo Group ("the Group") consists of the parent company and 17 subsidiaries. More information on subsidiaries is presented in note 30. A copy of the consolidated financial statements is available at the Group's website www.terveystalo.com, from Terveystalo Oyj / Corporate Communications, Jaakonkatu 3, 00100 Helsinki, Finland, or via e-mail at investors@terveystalo.com.

Terveystalo is a leading private healthcare service provider in Finland. The company offers general practice and specialist medical care, diagnostic services, outpatient surgery, dental services and other adjacent services to corporate, private and public sector customers. Terveystalo had approximately 300 clinics in financial year 2020.

In its meeting on 10 February 2021 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 2020. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

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

2.2 APPLICATION OF NEW AND AMENDED IFRSs NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR 2020

Terveystalo Group has applied as from 1 January 2020 the following new and amended standards that have come into effect:

AMENDMENTS TO REFERENCES TO CONCEPTUAL FRAMEWORK IN IFRS STANDARDS

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 amendments to the Conceptual Framework did not have a significant impact on Terveystalo's consolidated financial statements.

AMENDMENTS TO IFRS 3 - DEFINITION OF A BUSINESS

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. The new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

AMENDMENTS TO IAS 1 AND IAS 8 - DEFINITION OF MATERIAL

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 new amendments did not have a significant impact on Terveystalo's consolidated financial statements.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7 - INTEREST RATE BENCHMARK REFORM

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The new amendments did not have an impact on Terveystalo's consolidated financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

* = not yet endorsed for use by the European Union as of 31 December 2020.

AMENDMENT TO IFRS 16 - COVID-19-RELATED RENT CONCESSIONS

(effective for financial years beginning on or after 1 June 2020)

The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 - INTEREST RATE BENCHMARK REFORM - PHASE 2*

(effective for financial years beginning on or after 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

AMENDMENTS TO IAS 16 - PROCEEDS BEFORE INTENDED*

(effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The amendments are not expected to have an impact on Terveystalo's consolidated financial statements.

AMENDMENTS TO IAS 37 - ONEROUS CONTRACTS*

(effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018-2020*

(effective for financial years beginning on or after 1 January 2022)

- IFRS 9: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16: The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

AMENDMENTS TO IAS 1 - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT*

(effective for financial years beginning on or after 1 January 2023)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The impacts of the amendments on Terveystalo's consolidated financial statements are not expected to be significant.

IFRS 17 INSURANCE CONTRACTS*

(effective for financial years beginning on or after 1 January 2023)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard. The impact of the standard on Terveystalo's consolidated financial statements is 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 realized outcomes differ from the estimates and assumptions used in the financial statements. In addition, the application of the accounting policies requires judgement, especially when the current IFRS standards have alternative accounting, valuation and presentation methods.

The Group monitors the realization of the estimates and assumptions and changes in the underlying factors on a regular basis together with the operating units by using several internal and external information sources. Changes in estimates or assumptions are recognized in the period when the

estimate or assumption is revised, and in the future periods if the change affects the subsequent periods.

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

Intangible assets in connection with business combinations

IFRS 3 requires the acquirer to recognize intangible assets separately from goodwill, if certain criteria are met. Recognizing intangible assets separately at fair value requires management to estimate the expected future cash flows. Management has used available market information when possible in determining the fair values. If no market information of the asset has been available, the measurement of the intangible asset is based on the historical yield of the asset and the planned use in operations. 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.

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 deferred contingent considerations

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

Lease contracts

Terveystalo's lease contracts include both termination and extension options. Group uses the options in managing lease contracts to ensure flexible use of premises in Group's businesses. Management uses judgment to determine the use of termination and extension options and assesses the lease termination dates and lease terms. Based on management's judgment, the termination options which relate to perpetual lease contracts for premises that are significant will not be used and such lease contracts are recognized as long-term lease contracts.

Impairment testing

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

Provisions

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

2.4 PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

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

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

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

All acquisition costs, except costs related to issue of debt or equity securities, are recognized as an expense as incurred. Transactions treated separately from the acquisition are recognized through the income statement and are not included in the consideration transferred. 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 the statement of income. 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 or received and the book value of the portion of the net assets acquired or disposed is 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 cost. 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 the statement of income.

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 the statement of income as part of the gain or loss.

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 year
Improvements to office premises	2–10 years
Right-of-use assets	1–16 years

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

Right-of-use assets are depreciated over the shorter of the useful life or lease term. If the use of call option is certain, right-of-use asset is depreciated over the useful life.

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 are replaced, the Group capitalizes the replacement costs as a separate item.

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

2.7 INVESTMENT PROPERTIES

Investment property refers to properties held by the Group in order to earn rental income or for capital appreciation or both. Apartments, which are not used in business operations, are mainly accounted for as investment properties. 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 amortized but tested for impairment annually. For impairment testing, goodwill is allocated to cash generating units or groups of cash generating units. Goodwill is measured at cost less accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

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

OTHER INTANGIBLE ASSETS

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

Intangible assets acquired in a business combination are recognized 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 amortized on a straight-line basis over the known or estimated useful lives.

The Group has no intangible assets other than goodwill with indefinite useful lives.

Amortization periods used for intangible assets are as follows:

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

RESEARCH AND DEVELOPMENT

Research expenditure are recognized as an expense as incurred in the statement of income. Development expenditure are capitalized as intangible assets when certain capitalization criteria are met. Development expenditure that do not qualify for the capitalization are recognized as an expense. The estimated useful lives of capitalized development expenditure 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 the statement of income. 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 amortization, 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.

Group recognizes an expected credit loss for trade receivables and contract assets based on simplified approach. Expected credit 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.

2.10 LEASES

GROUP AS A LESSEE

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

A lease term is determined as the non-cancellable period of a lease. The lease term includes periods covered by an option to extend or terminate the lease, if the Group is reasonably certain to exercise the extension option or not to exercise the termination option. Perpetual lease contracts related to significant premises are accounted for as long-term lease contracts as, according to management judgment, the termination options for such contracts will not be used. The lease term for such contracts is determined based on the Group's strategy and network plan.

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

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

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

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

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The Group uses incremental borrowing rate as the discount rate. A lease liability includes fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee, and the exercise price under a purchase option that Terveystalo is reasonably certain to exercise.

Subsequently a lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change

in the Terveystalo's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

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 the statement of income, financial assets at fair value through other comprehensive income or financial assets at amortized 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 the statement of income comprise mainly of loan receivables and are initially measured at fair value. Fair value is determined based on their current quotation in active markets. Realized or unrealized gains and losses arising from changes in fair values are recognized in the statement of income in the period in which they are incurred.

Terveystalo has not had financial assets at fair value through other comprehensive income during the periods 2019 or 2020.

Financial assets at amortized cost consist of trade receivables and other receivables. They are measured at amortized 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 expire, or the financial asset is transferred to another party and the Group substantially transfers all the risks and rewards of ownership to another party.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

Financial liabilities are measured at fair value through the statement of income or loss or at amortized cost.

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

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

Financial liabilities are included in non-current and current liabilities and they can be either interest-bearing or non-interest-bearing. Financial liabilities are classified as current liabilities, unless the Group has an uncon-

ditional 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.

Financial liability is derecognized when the Group either settles the liability or has been legally discharged from the obligation related to the liability either through a legal process or by the borrower.

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 realizable value. The cost of inventories is determined by using FIFO (first in, first out) method. Net realizable value is the cost of inventory 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.

2.14 PROVISIONS AND CONTINGENT LIABILITIES

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

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

A contingent liability is a possible obligation arising as a result of past events, and whose existence will be confirmed only when an uncertain future event takes place, not wholly within control of the entity. Also, a present

obligation which probably does not require a cash settlement or on which the value cannot be reliably estimated is considered as a contingent liability. Contingent liabilities are disclosed in the notes.

2.15 REVENUE RECOGNITION

Terveystalo Group's revenue consist mainly of occupational healthcare services, general practice and clinic hospital operations, dental services as well as diagnostic services. Terveystalo Group also provides diverse primary healthcare and special healthcare services for public sector. Group's customer contracts include primarily one performance obligation, which is typically a single appointment, and the transaction prices are mainly fixed. In some cases, the transaction price includes a variable consideration such as a discount or penalty. Possible variable considerations are assessed at each reporting date and are allocated to one or more performance obligations. The terms of payment and payment periods in customer contracts vary, but payment time is nonetheless clearly below one year. Consequently, customer contracts do not include a significant financing component. Revenue is recognized to the extent that Terveystalo Group expects to be entitled to in exchange for the goods and services taking into account the terms and conditions of the customer contracts and business practices.

Revenue from individual appointments is recognized at a point in time as the service has been completed. For long-term contracts for predetermined services or a bundle of services, revenue is recognized as Terveystalo fulfils the performance obligation by performing the promised service. Long-term contracts are assessed to include a single performance obligation where the services provided by the Group are integrated into a single bundle of services. The customer simultaneously receives and consumes the benefits from the service and, consequently, the criteria for recognizing revenue over time is met. For long-term contracts, Terveystalo measures the progress towards complete satisfaction of the performance obligation by applying the input method, in which the revenue is recognized based on time elapsed. The Group views that the used method best describes the transfer of control for the services provided. Estimated costs and revenues will be re-assessed regularly during performing the services. Revisions in profit estimates as well as projected potential losses on contracts are charged through the statement of income in the period in which they become known. Terveystalo Group has not incurred any substantial costs for obtaining customer contracts.

Regarding private practitioners, Terveystalo acts as the principal and recognizes revenue on a gross basis. Fees related to purchasing these services are recognized in materials and services expenses.

2.16 SEGMENT INFORMATION

Terveystalo Group's business is divided into three regions which are the Group's operating segments: Capital region, Central Units and Regional Units. In addition to the regional structure, the Group functions include finance and administration, HR and legal, IT, communication, marketing and investor relations, business development and digitalization, as well as medical quality and service management. Terveystalo reports the Group as one reportable segment 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, amortization 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 Group's share-based incentive plan has a dilution effect related on the earnings per share.

2.20 INCOME TAXES

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

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

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

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

3. BUSINESS COMBINATIONS

During the year 2020, the Group acquired three businesses and has made two corporate acquisitions.

On 31 March 2020 Suomen Terveystalo Oy acquired the business from Varkauden fysiokeskus. 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 future sales to be incurred.

On the 1 August 2020 Suomen Terveystalo Oy acquired the occupational health business activities of Keski-Satakunnan Työterveydenhuolto.

On the 30 August 2020 Suomen Terveystalo Oy acquired the business of Keski-Lapin Hammashuolto. 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 30 thousand. The contingent consideration is tied to the future sales to be incurred.

On 31 October 2020 Terveystalo Healthcare Oy acquired 100 percent of the shares of the medical center MedInari Oy.

On 31 December 2020 Terveystalo Healthcare Oy acquired 100 percent of the shares of the sleep clinic Vitalmed Oy. The acquisition includes a contingent consideration that was treated as a part of the consideration transferred and recognized as a liability at the date of the acquisition with a fair value of EUR 0.4 million. The contingent consideration is tied to the future sales to be incurred.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed at the acquisition date. The statement of financial position of acquired companies has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect. The following table is partially preliminary, and the information has been consolidated, because the acquisitions are not material individually.

Consideration transferred

EUR mill.	
Cash	2.4
Contingent consideration	0.5
Total consideration transferred	2.9

Identifiable assets acquired and liabilities assumed

EUR mill.	
Cash and cash equivalents	0.1
Intangible assets	0.5
Trade and other receivables	0.1
Trade and other payables	-0.2
Deferred tax liabilities	-0.1
Total identifiable net assets acquired	0.5

Goodwill	2.5
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As a result of these business combinations, a preliminary goodwill amounting to EUR 2.5 million was recognized. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. EUR 0.5 of the goodwill recognized is tax deductible as it was recognized from business acquisitions.

In these business combinations, 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 fair value of the acquired trade and other receivables amounted to EUR 0.1 million, for which the risk of impairment has been deemed as non-significant.

The Group has incurred acquisition related expenses of EUR 78.8 thousand related to transfer tax, consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

The contributed recognized revenue from this acquisition during 2020 was EUR 0.5 million. The impact of the business combinations during the year to the result for the period has not been material.

If the acquisition had occurred on 1 January 2020, management estimates that the Group's consolidated revenue in 2020 would have been EUR 989.0 million and the consolidated result for the period would have been EUR 45.8 million.

YEAR 2019

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

On 31 January 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Länsi-Vantaan Hammaslääkärit Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.5 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 29 March 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Kajaanin OMT-Fysioterapia Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.1 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 28 June 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Etelä-Karjalan Työkunto Oy. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards.

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

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

On 30 September 2019 Terveystalo Healthcare Oy acquired 100 percent of the shares of Hardent Oy. A goodwill of 1.7 EUR million was

recognized. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.4 million. The contingent consideration is tied to the sales during the next 36 months period, starting from the acquisition date.

On 30 September 2019 Suomen Terveystalo Oy acquired the business from Forssan seudun hyvinvointikuntayhtymä.

On 28 October 2019 Terveystalo acquired 100 percent of the shares of Evalua International Ltd. The acquired subsidiary has been consolidated to Group's financial statements from the acquisition month onwards. The acquisition includes a contingent consideration that was treated as part of the consideration transferred and recognized as a liability at the date of acquisition with a fair value EUR 0.4 million.

On 31 of December 2019 Terveystalo acquired the occupational health business from Municipality of Säkyä.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired, and liabilities assumed at the date of acquisition. The statement of financial position of acquired companies has been prepared in accordance with IFRS and Terveystalo Group's accounting principles in all material respect. In the following table the information has been consolidated, because the acquisitions are not material individually.

Consideration transferred

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

Identifiable assets acquired and liabilities assumed

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

Goodwill	10.2
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The tangible assets acquired in the business combination described above were measured at fair value. In these business combinations, the Group has acquired customer relationships and other intangible assets. The fair value of customer contracts and related customer relationships included in other intangible assets has been determined on the basis of the estimated duration of customer relationships and the discounted net cash flows from existing customer contracts.

As a result of these business combinations, a goodwill amounting to EUR 10.2 million was recognized. The goodwill is attributable to skills of the workforce and synergies expected to be achieved. The recognized goodwill is tax deductible as far as it is related to business acquisitions.

The fair value of the acquired trade and other receivables amounted to EUR 1.2 million, for which the risk of impairment has been deemed non-significant.

The Group has incurred acquisition related expenses of EUR 1.6 million related to transfer tax caused by the transaction, and related to consulting, valuation or equivalent services. The expenses have been included in other operating expenses.

The contributed recognized revenue from these acquisitions in 2019 was EUR 6.7 million and the result was EUR 0.3 million.

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

4. DISAGGREGATION OF REVENUE

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

Corporate customers constitute Terveystalo's largest customer group. Terveystalo's corporate customers consist of the company's occupational health care customers, excluding municipal occupational healthcare customers. The company provides statutory occupational health services and other occupational health and well-being services for corporate customers of all sizes. Terveystalo is the largest provider of occupational health care services in Finland in terms of revenue and the number of end-users. Terveystalo provides occupational healthcare services for over 24,000 companies.

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

Terveystalo's public customer group is made up of Finnish public sector organizations, such as municipalities, municipal federations, and hospital districts, as well as municipal occupational healthcare customers. Terveystalo's broad nationwide platform, digital offering, good reputation, and established brand, as well as its thorough expertise and experience in 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.

Disaggregation of revenue

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Corporate	418.8	432.5
Private	295.4	303.1
Public	272.2	295.1
Outsourcing	121.4	149.9
Staffing services	83.1	86.9
Service sales, occupational health and others	67.7	58.2
Total	986.4	1 030.7

Timing of satisfying performance obligations

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
At a point in time	861.8	877.1
Over time	124.5	153.6
Total	986.4	1 030.7

Balances in the statement of financial position

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Trade receivables	85.8	90.1
Contract assets	5.6	8.8
Contract liabilities	2.2	1.5

5. OTHER OPERATING INCOME

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Rental income	1.1	1.2
Gains on sale of property, plant and equipment	0.2	0.3
Gains on disposal of subsidiaries	-	-0.5
Other items	1.5	1.1
Total	2.7	2.1

6. MATERIALS AND SERVICES

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Purchases of materials	-35.5	-32.0
Change in inventories	1.3	-0.3
External services	-413.4	-440.6
Total	-447.6	-472.9

7. EMPLOYEE BENEFIT EXPENSES

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Wages and salaries	-261.6	-261.2
Share-based payments	-0.9	-0.7
Pension expenses - defined contribution plans	-38.6	-44.1
Other social security costs	-9.0	-8.4
Total	-310.2	-314.3
Number of personnel at the end of the reporting period	8,253	8,685

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Depreciation and amortization by asset type		
Intangible assets		
Trademarks	-4.1	-4.1
Customer relationships	-17.8	-17.4
Other intangible assets	-8.2	-6.6
Total	-30.2	-28.1
Property, plant and equipment		
Buildings	-2.1	-2.3
Machinery and equipment	-14.4	-15.1
Improvement to premises	-5.1	-4.8
Other tangible assets	-0.8	-0.8
Total	-22.4	-22.9
Right-of-use assets	-38.5	-38.3
Investment property	-0.0	-0.0
Depreciation and amortization total	-91.1	-89.4
Impairment losses by asset groups		
Other intangible assets	-0.0	-0.3
Machinery and equipment	-0.0	-
Other property, plant and equipment	-0.0	-0.0
Improvement to premises	-	-0.0
Impairment total	-0.1	-0.4
Total depreciation, amortization and impairment losses	-91.2	-89.8

9. OTHER OPERATING EXPENSES

Specification of other operating expenses

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
External services	-2.4	-2.5
Operating and maintenance expenses for premises and equipment	-17.5	-16.5
ICT expenses	-27.1	-22.8
Non-statutory personnel expenses	-4.0	-4.8
Leases and charges	-3.5	-3.7
Travel expenses	-3.6	-4.9
Marketing and communication	-4.6	-7.2
Acquisition related expenses	-0.1	-0.4
Other costs	-10.3	-11.5
Total	-73.0	-74.4

Auditor's fees

In thousands of euro	1.1.-31.12.2020	1.1.-31.12.2019
Audit and auditor's statements based on laws and regulations		
Audit, KPMG	-145.5	-147.2
Auditor's statements based on laws and regulations, KPMG	-3.2	-38.4
Total	-148.7	-185.6
Non audit services		
Assurance services, KPMG	-0.9	-5.5
Tax services, KPMG	-1.0	-4.4
Other services, KPMG	-17.0	-16.0
Total	-18.9	-25.9
Auditor's fees total	-167.6	-211.5

Auditor's fees have been presented excluding valued added tax.

10. FINANCIAL INCOME AND EXPENSES

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
Interest income on loans and other receivables	0.2	0.3
Dividend income	0.0	0.0
Total financial income	0.2	0.3
Interest expense on loans from financial institutions	-5.9	-7.9
Interest expenses on lease liabilities	-4.2	-4.5
Change in fair value of interest rate derivatives, no hedge accounting	0.3	-0.5
Other financial expenses	-0.5	-1.7
Total financial expenses	-10.3	-14.7
Net finance expenses	-10.0	-14.4

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.-31.12.2020	1.1.-31.12.2019
Current tax for the reporting year	-15.8	-15.6
Income taxes for previous periods	-0.0	0.0
Change in deferred taxes	5.1	2.8
Total income taxes	-10.8	-12.7

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.-31.12.2020	1.1.-31.12.2019
Profit or loss before taxes	56.6	66.8
Tax using the parent company's tax rate	-11.3	-13.4
Tax rates in foreign jurisdictions	-0.0	0.0
Tax exempt income	0.2	0.1
Non-deductible expenses	-0.1	-0.1
Share of profit in associated companies	-0.1	0.0
Recognition of previously unrecognized tax losses	0.2	0.3
Tax losses for which no deferred taxes are recognized	-0.0	-0.2
Taxes from previous periods	-0.0	0.0
Other	0.4	0.6
Total income taxes in the statement of income	-10.8	-12.7

11.2 DEFERRED TAX ASSETS AND LIABILITIES

DURING THE YEAR 2020

Deferred tax assets:

EUR mill.	1 Jan 2020	Recognized in the statement of income	Recognized in equity	Business combinations	31 Dec 2020
Provisions	1.2	0.2	-	-	1.4
Leases	1.0	0.2	-	-	1.2
Interest rate derivatives	0.3	-0.1	-	-	0.2
Other temporary differences	1.3	0.3	-	-	1.6
Total	3.7	0.7	-	-	4.4

Deferred tax liabilities:

EUR mill.	1 Jan 2020	Recognized in the statement of income	Recognized in equity	Business combinations	31 Dec 2020
Reversal of goodwill amortization	2.6	0.2	-	-	2.8
Business combinations	27.1	-4.8	-	0.1	22.4
Depreciation difference	0.2	0.4	-	-	0.6
Loan withdrawal expense	0.2	-0.1	-	-	0.2
Other temporary differences	0.2	0.0	-	-	0.1
Total	30.3	-4.3	-	0.1	26.0

The Group has no material deductible temporary differences, unused tax losses or unused tax credits for which no deferred tax asset has been recognized.

DURING THE YEAR 2019

Deferred tax assets:

EUR mill.	1 Jan 2019	Recognized in the statement of income	Recognized in equity	Business combinations	31 Dec 2019
Provisions	1.6	-0.3	-	-0.1	1.2
Tax losses carried forward	2.3	-2.3	-	-	-
Leases	0.5	0.5	-	-	1.0
Interest rate derivatives	0.2	0.1	-	-	0.3
Other temporary differences	1.2	0.1	-	-	1.3
Total	5.8	-1.9	0.0	-0.1	3.7

Deferred tax liabilities:

EUR mill.	1 Jan 2019	Recognized in the statement of income	Recognized in equity	Business combinations	31 Dec 2019
Reversal of goodwill amortization	2.3	0.2	-	-	2.6
Business combinations	31.1	-4.9	-	0.9	27.1
Depreciation difference	0.2	0.0	-	-	0.2
Loan withdrawal expense	0.3	0.0	-	-	0.2
Other temporary differences	0.2	0.0	-	-	0.2
Total	34.1	-4.7	0.0	0.9	30.3

Deferred tax assets are recognized from tax losses carried forward to the extent that is probable that future taxable profits will be available against which the losses can be used. Unused tax losses amount to EUR 11.4 million in the beginning of financial year 2019.

12. EARNINGS PER SHARE

	1.1.-31.12.2020	1.1.-31.12.2019
Result attributable to the equity holders of the company, EUR mill.	45.8	54.2
Weighted average number of shares, in thousands	127,307	127,307
Diluted average number of shares, in thousands	127,860	127,907
Basic earnings per share for result attributable to the equity holders of the company, EUR	0.36	0.43
Diluted earnings per share for result attributable to the equity holders of the company, EUR	0.36	0.42

13. PROPERTY, PLANT AND EQUIPMENT

2020 EUR mill.	Land and water, buildings and constructions	Machinery and equipment	Improvement to premises	Other tangible assets and advances paid	Total
Acquisition cost 1 Jan 2020	2.1	115.6	44.1	1.9	163.8
Business combination	-	0.0	-	-	0.0
Additions	-	12.4	5.1	0.0	17.5
Disposals	-	-0.5	-0.0	-	-0.5
Transfers between items	-	-0.1	0.3	-0.1	-
Acquisition cost 31 Dec 2020	2.1	127.4	49.5	1.8	180.8
Accumulated depreciation and impairment losses 1 Jan 2020	-1.1	-74.3	-19.0	-	-94.4
Depreciation for the reporting period	-0.0	-13.8	-5.1	-	-18.9
Accumulated depreciation and impairment losses 31 Dec 2020	-1.1	-88.1	-24.1	-	-113.3
Carrying amount 1 Jan 2020	1.0	41.3	25.1	1.9	69.5
Carrying amount 31 Dec 2020	1.0	39.3	25.5	1.8	67.6

2019 EUR mill.	Land and water, buildings and constructions	Machinery and equipment	Improvement to premises	Other tangible assets and advances paid	Total
Acquisition cost 1 Jan 2019	2.1	98.1	38.0	0.7	138.9
Business combination	-	0.3	-	-	0.3
Additions	-	18.5	6.1	1.2	25.9
Disposals	-	-1.3	-	-	-1.3
Acquisition cost 31 Dec 2019	2.1	115.6	44.1	1.9	163.8
Accumulated depreciation and impairment losses 1 Jan 2019	-0.8	-60.2	-13.9	-	-74.9
Depreciation for the reporting period	-0.2	-14.1	-4.8	-	-19.1
Impairment losses	-	-	-0.3	-	-0.3
Accumulated depreciation and impairment losses 31 Dec 2019	-1.1	-74.3	-19.0	-	-94.4
Carrying amount 1 Jan 2019	1.3	37.9	24.1	0.7	64.0
Carrying amount 31 Dec 2019	1.0	41.3	25.1	1.9	69.5

13.1 RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES

2020 EUR mill.	Premises	Other right-of-use assets	Total
Acquisition cost 1 Jan 2020	214.7	37.9	252.6
Transactions	20.2	1.0	21.2
Acquisition cost 31 Dec 2020	234.9	38.9	273.8
Accumulated depreciation and impairment losses 1 Jan 2020	-38.3	-21.1	-59.4
Depreciation for the reporting period	-38.5	-3.5	-42.0
Accumulated depreciation and impairment losses 31 Dec 2020	-76.8	-24.6	-101.4
Carrying amount 1 Jan 2020	176.4	16.8	193.2
Carrying amount 31 Dec 2020	158.1	14.3	172.4

2019 EUR mill.	Premises	Other right-of-use assets	Total
Acquisition cost 1 Jan 2019 (IAS 17)	-	36.9	36.9
IFRS 16 implementation	199.8	-	199.8
Transactions	14.9	1.1	16.0
Acquisition cost 31 Dec 2019	214.7	37.9	252.6
Accumulated depreciation and impairment losses 1 Jan 2019	-	-17.2	-17.2
Depreciation for the reporting period	-38.3	-4.0	-42.3
Accumulated depreciation and impairment losses 31 Dec 2019	-38.3	-21.2	-59.4
Carrying amount 1 Jan 2019	-	19.7	19.7
Carrying amount 31 Dec 2019	176.4	16.8	193.2

2020 EUR mill.	Lease liabilities
Carrying amount 1 Jan 2020	198.1
Transactions	18.1
Payment of lease liabilities	-37.7
Carrying amount 31 Dec 2020	178.5

In 31 December 2020 lease liabilities EUR 161.7 million is due to the implementation of IFRS 16 and EUR 16.8 million is lease liability of previous standards.

2019 EUR mill.	Lease liabilities
Opening balance 1 Jan 2019	222.5
Transactions	12.7
Payment of lease liabilities	-37.1
Carrying amount 31 Dec 2019	198.1

In 31 December 2019 lease liabilities EUR 178.7 million is due to the implementation of IFRS 16 and EUR 19.4 million is lease liability of previous standards.

14. INTANGIBLE ASSETS

2020 EUR mill.	Goodwill	Customer relationships	Trademarks	Other intangible assets and advances paid	Total
Acquisition cost 1 Jan 2020	847.2	153.7	82.9	61.0	1,144.9
Business combination	2.5	0.5	-	-	3.0
Additions	-	-	-	19.9	19.9
Disposals	-	-	-	-0.0	-0.0
Acquisition cost 31 Dec 2020	849.8	154.0	82.9	80.9	1,167.8
Accumulated amortizations and impairment losses 1 Jan 2020	-68.0	-79.5	-25.1	-31.1	-203.7
Amortization for the reporting period	-	-17.8	-4.1	-8.2	-30.2
Accumulated amortizations and impairment losses 31 Dec 2020	-68.0	-97.3	-29.2	-39.3	-233.9
	779.2	74.2	57.8	29.9	941.2
Carrying amount 1 Jan 2020	779.2	74.2	57.8	29.9	941.2
Carrying amount 31 Dec 2020	781.8	56.9	53.6	41.6	933.9

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

14.1 DEVELOPMENT EXPENDITURE

Other intangible assets include development expenditure as follows:

EUR mill.	
Acquisition cost 1 Jan 2020	4.2
Additions	2.2
Acquisition cost 31 Dec 2020	6.4
Accumulated amortizations and impairment losses 1 Jan 2020	-1.9
Amortization	-1.0
Accumulated amortizations and impairment losses 31 Dec 2020	-2.9
Carrying amount 1 Jan 2020	2.3
Carrying amount 31 Dec 2020	3.5

EUR mill.	
Acquisition cost 1 Jan 2019	2.6
Additions	1.6
Disposals	-0.1
Acquisition cost 31 Dec 2019	4.2
Accumulated amortizations and impairment losses 1 Jan 2019	-1.3
Amortization	-0.6
Accumulated amortizations and impairment losses 31 Dec 2019	-1.9
Carrying amount 1 Jan 2019	2.6
Carrying amount 31 Dec 2019	2.3

15. IMPAIRMENT TESTING OF CASH-GENERATING UNITS INCLUDING GOODWILL

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

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

EUR mill.	31 Dec 2020 Goodwill	%	EUR mill.	31 Dec 2019 Goodwill	%
Regional units	369.7	47.3%	Regional units	368.2	47.3%
Capital region	230.2	29.4%	Capital region	229.2	29.3%
Central units	181.8	23.3%	Central units	181.8	23.3%
Total	781.8	100.0%	Total	779.2	100.0%

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 terminal period revenue growth rate, profitability (EBIT %) and the discount rate. The projections are based on the budgets and estimates for the years 2021–2025 including the long-term growth which have been approved by the management.

The assumptions used in impairment calculations are:	2020	2019
The length of impairment testing period	5 years	5 years
Terminal period revenue growth rate	2.0%	2.0%
Profitability (EBIT %) during the terminal period	9.8%	9.8%
Discount rate (Pre-tax WACC)	7.1%	7.5%
Discount rate (Post-tax WACC)	6.1%	6.6%

Revenue growth during the terminal period is based on flat growth factor which corresponds to long-term target inflation of the European Central Bank. Profitability during the terminal period is based on the assumed organic growth under normal market situation, general development in health care services market and long-term estimates by the Group's management.

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, industry-specific cost of debt, and industry specific equity / debt ratios. Uncertainty in the future cash flows arising from Covid-19 pandemic has been taken into account in the discount rate used in the 2020 testing.

Based on the impairment testing, there is no need for recognition of impairment losses. All cash generating units' value in use exceeded 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 table below shows the required change in a single assumption that the recoverable amount would fall below the carrying amount.

Change	2020	2019
Terminal period revenue growth rate		
Regional Units	Decrease over 4.4 percentage points	Decrease over 4.8 percentage points
Capital Regions	Decrease over 10.4 percentage points	Decrease over 13.1 percentage points
Central Unit	Decrease over 23.9 percentage points	Decrease over 18.8 percentage points
Profitability (EBIT %) during the terminal period		
Regional Units	Decrease over 4.8 percentage points	Decrease over 5.7 percentage points
Capital Regions	Decrease over 8.1 percentage points	Decrease over 9.7 percentage points
Central Unit	Decrease over 9.8 percentage points	Decrease over 9.5 percentage points
Discount rate (Pre-tax WACC)		
Regional Units	Increase over 3.4 percentage points	Increase over 4.3 percentage points
Capital Regions	Increase over 6.9 percentage points	Increase over 9.5 percentage points
Central Unit	Increase over 11.7 percentage points	Increase over 12.3 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.	2020	2019
Carrying amount at the beginning of the period	0.6	0.6
Depreciation	-0.0	-0.0
Carrying amount at the end of the period	0.5	0.6

Income and expenses related to investment properties

EUR mill.	1.1.-31.12.2020	1.1.-31.12.2019
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 Jyväskylä Väinönkatu 30	1,348	0.4–0.5	556–679

The value of Kiinteistö Oy Jyväskylä 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. The Group has no individually material associates.

Associated companies	Domicile	Ownership	Voting rights
Etsimo Healthcare Oy	Finland	21.5%	21.5%
Olo-apteekki Oy	Finland	20.0%	20.0%
Terveyden Tuottajat Oy	Finland	0.0%	48.8%

Summarized financial information on associated companies

EUR mill.	2020	2019
Carrying amount	2.2	2.3
Group's share of total comprehensive income	-0.6	-0.2

18. SHARE-BASED PAYMENTS

On 29 November 2017 the Board of Terveystalo decided on a new share-based incentive plan targeted to the key employees of the Group. The purpose of the plan is to align the interests of the key employees with those of the company's shareholders and thus to increase the value of Terveystalo share in the long term and to offer the key employees with competitive compensation based on earning company shares for excellent performance.

The plan has been implemented in vesting periods which consists of a one-year performance period and a two-year waiting period. The performance periods are calendar years 2018, 2019 and 2020. The targets for the performance periods are based on operative earnings and total shareholder return (TSR).

The potential rewards earned are paid in approximately two years after the end of the performance period as shares and in cash intended for taxes arising from the reward to the participant. As a main rule, no reward shall be paid if the participant's employment terminates before the reward payment. The share-based incentive plan is fully accounted for as an equity settled share-based payment.

The targets set for the performance periods 2018 and 2020 were not met and no share rewards will be paid. The reward earned on the basis of the performance period 2019 accounts for a total of 553,114 gross shares which will be paid to 75 participants in spring 2022 as a combination of shares and cash-for-taxes.

The fair value of share-based incentives has been determined at grant date and the fair value is expensed until the share awards have been vested. Market condition, in this case Total Share Holder Return of the Performance Share Plans was taken into account when determining the fair value at grant date and it will not be changed during the plan, except to the extent the service and non-market conditions are not met.

Key characteristics and terms of Terveystalo share-based plans granted and effective during 2020 are listed in the table below.

Program	2020	2019
Grant date	30 April 2020	27 March 2019
Maximum number of share awards	660,836	943,000
Outstanding at 1 Jan	-	712,000
Granted share awards during the period	660,836	-
Forfeited share awards during the period	660,836	158,886
Exercised share awards during the period	-	-
Outstanding at 31 Dec	-	553,114
Fair value of the share award at grant date	4.48	9.04
End of the performance period	31 Dec 2020	31 Dec 2019
End of the vesting period	30 April 2023	30 April 2022
Vesting conditions	Total Shareholder Return (TSR) and profitability	Total Shareholder Return (TSR) and profitability
Exercised	In shares and cash	In shares and cash

In 2020, EUR 0.9 million from share-based payments was recognized in employee benefit expenses and retained earnings (2019: EUR 0.7 million).

SHARE-BASED INCENTIVE PROGRAM 2021-2023

Terveystalo Plc's Board of Directors has on 3 December 2020 decided on a new long-term share-based incentive program for key personnel. The plan replaces the previous long-term incentive program. The long-term incentive plan consists of a Performance Share Plan for Terveystalo's management and other key personnel, a Bridge plan for the President and CEO, and of a Restricted Share Plan for specific situations such as key recruitments or for recognizing key talent.

The Performance Share Plan is based on a rolling 3-year performance period structure, with a new performance period starting at the beginning of each year if so decided by the Board. The Board decides on the participants, performance measures and targets as well as earning opportunities on an annual basis. The purpose of the program is to align the objectives of shareholders and key personnel to increase the company's value in the long term, and to commit key personnel to implementing Terveystalo's new strategy by offering them a competitive, share-based incentive program. The terms of the program are expected to be specified and the program is expected to start during the first half of 2021.

19. FINANCIAL ASSETS AND LIABILITIES - CARRYING AMOUNT, FAIR VALUES AND FAIR VALUE HIERARCHY

EUR mill. 31 Dec 2020	Financial assets and liabilities at fair value	Financial assets and liabilities at amortized cost	Carrying amount	Fair value	Fair value hierarchy
Financial assets					
Non-current					
Loan receivables	0.3	-	0.3	0.3	Level 2
Current					
Cash and cash equivalents	-	77.1	77.1	77.1	
Total	0.3	77.1	77.4	77.4	
Financial liabilities					
Non-current					
Loans from financial institutions	-	290.5	290.5	290.5	
Hire purchase liabilities	-	11.8	11.8	11.8	
Deferred contingent considerations	1.0	-	1.0	1.0	Level 3
Current					
Loans from financial institutions	-	81.4	81.4	81.4	
Hire purchase liabilities	-	5.8	5.8	5.8	
Deferred contingent considerations	0.9	-	0.9	0.9	Level 3
Interest rate derivatives	1.1	-	1.1	1.1	Level 2
Total	3.1	389.5	392.6	392.6	

EUR mill. 31 Dec 2019	Financial assets and liabilities at fair value	Financial assets and liabilities at amortized cost	Carrying amount	Fair value	Fair value hierarchy
Financial assets					
Non-current					
Loan receivables	0.3	-	0.3	0.3	Level 2
Current					
Cash and cash equivalents	-	40.6	40.6	40.6	
Total	0.3	40.6	40.9	40.9	
Financial liabilities					
Non-current					
Loans from financial institutions	-	331.6	331.6	331.6	
Hire purchase liabilities	-	12.5	12.5	12.5	
Deferred contingent considerations	1.2	-	1.2	1.2	Level 3
Current					
Loans from financial institutions	-	41.5	41.5	41.5	
Hire purchase liabilities	-	5.2	5.2	5.2	
Deferred contingent considerations	1.2	-	1.2	1.2	Level 3
Interest rate derivatives	1.4	-	1.4	1.4	Level 2
Total	3.8	390.8	394.6	394.6	

Financial liabilities classified at fair value hierarchy level 3 consist of deferred contingent considerations from business combinations. The measurement of deferred contingent considerations is based on the amounts specified in purchase agreements and the management estimate on whether the deferred consideration will be realized. The effect on earnings arising from the changes of fair values of the deferred contingent considerations has been EUR 0.5 million (2019: EUR 0.1 million).

20. FINANCIAL RISKS

20.1 FINANCIAL RISK MANAGEMENT

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

20.2 INTEREST RATE RISK

The Company's interest rate risk arises from its loans from financial institutions issued at floating rate. In 2020, the Group's average interest rate for loans from financial institutions has been 1.1 percent (2019: 1.5 percent). If the interests would have been one percentage point higher it would have caused an increase of EUR 3.8 million in interest expenses during the year 2020. (2019: EUR 2.5 million).

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

- Interest rate swap agreements based on which the Group pays fixed 0.19, 0.21, 0.50 and 0.51 percent interest rate and receives variable interest on EUR 50.0, 25.0 and 30.0 million loan capital.
- Floor agreements, in which the interest rate floor has been set to 0.00 percent on EUR 50.0, 25.0 and 30.0 million loan capital.

20.3 CREDIT RISK

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

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

The Group has assessed the potential impact of COVID-19 to credit risk of trade receivables. Based on the assessment, the Group's view is that the credit risk has not significantly increased. The Group's maximum credit risk is equal to the carrying amount of financial assets at the reporting date. The maturity distribution of the Group's trade receivables is disclosed in note 21 *Trade and other receivables*.

20.4 LIQUIDITY RISK

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

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

The Group has an overdraft facility in use, of which EUR 48.0 million remained unused at the reporting date (2019: EUR 48.0 million).

The table below presents a contractual maturity analysis of financial liabilities. The cash flow figures are undiscounted and they include both interest payments and repayments of principals. Interest payments which are based on variable rates have been presented using variable rates as of the end of the reporting date.

Maturity analysis of liquidity risk

31 Dec 2020 EUR mill.	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
Loans from financial institutions	371.9	383.5	84.9	44.3	254.3	-
Lease liabilities	178.5	193.1	42.1	37.5	79.3	34.2
Hire purchase liabilities	17.6	18.2	6.0	5.2	6.9	-
Trade payables	40.1	40.1	40.1	-	-	-
Interest rate derivatives	1.1	1.2	0.5	0.5	0.1	-
Total	609.3	636.1	173.6	87.5	340.6	34.2

31 Dec 2019 EUR mill.	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
Loans from financial institutions	373.1	388.4	45.1	44.7	298.6	-
Lease liabilities	198.1	215.0	42.3	37.9	82.0	52.8
Hire purchase liabilities	17.7	18.0	5.5	4.8	7.8	-
Trade payables	38.5	38.5	38.5	-	-	-
Interest rate derivatives	1.4	1.7	0.5	0.5	0.6	-
Total	628.8	661.7	131.9	88.0	389.0	52.8

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 other things with the following: change in net debt, ratio of net debt to operating margin, and the cash flow forecast.

The Group's net debt to equity ratio (gearing) was 85.9 percent at the reporting date (2019: 101.3 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 568.0 million at the reporting date (2019: EUR 588.8 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.	31 Dec 2020	31 Dec 2019
Non-current		
Loan receivables	0.3	0.3
Total non-current receivables	0.3	0.3
Current		
Trade receivables	85.8	90.1
Other receivables	1.4	2.7
Accrued income and deferred expenses	7.9	8.8
Total	95.1	101.6

Specification of accrued income and deferred expenses

EUR mill.	31 Dec 2020	31 Dec 2019
Personnel related deferred expenses	0.1	0.1
Current tax receivables	3.3	3.7
Other accrued income and deferred expenses	4.5	5.0
Total	7.9	8.8

During the reporting period the Group has recognized final credit losses and expected credit losses on trade receivables through the statement of income totaling EUR 1.2 million (2019: 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 credit losses

31 Dec 2020 EUR mill.	Trade receivables total	Expected credit loss	Recognized expected credit loss	Carrying amount
Not past due	78.6	0.1%	-0.1	78.5
Past due				
Less than 30 days	4.5	0.5%	-0.0	4.5
31-90 days	1.1	2.0%	-0.0	1.1
91-180 days	0.5	10.0%	-0.1	0.5
Over 180 days	2.2	45.8%	-1.0	1.2
Total	87.0		-1.2	85.8

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

Ageing of trade receivables and recognized credit losses

31 Dec 2019 EUR mill.	Trade receivables total	Expected credit loss	Recognized expected credit loss	Carrying amount
Not past due	79.0	0.1%	-0.1	79.3
Past due				
Less than 30 days	6.7	0.5%	-0.0	6.7
31-90 days	2.8	2.0%	-0.1	2.8
91-180 days	0.7	10.0%	-0.1	0.6
Over 180 days	1.8	53.8%	-0.6	0.8
Total	91.0		-0.9	90.1

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

22. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents at 31 December 2020, amounting to EUR 77.1 million (2019: EUR 40.6 million) consist of cash in hand and bank as well as, cash payments on the bank settlement account at the reporting date.

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

23. NON-CURRENT ASSETS HELD FOR SALE

EUR mill.	31 Dec 2020	31 Dec 2019
Unquoted equity investments	0.8	0.8

Non-current assets held for sale at 31 December 2020, amounting to EUR 0.8 million (2019: EUR 0.8 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 2019	127,307	730	128,037	0.1	518.2	-6.7	511.6
Equity repayment	-	-	-	-	-25.5	-	-25.5
31 Dec 2019	127,307	730	128,037	0.1	492.8	-6.7	486.1
1 Jan 2020	127,307	730	128,037	0.1	492.8	-6.7	486.1
31 Dec 2020	127,307	730	128,037	0.1	492.8	-6.7	486.1

SHARES AND SHARE CAPITAL

On 31 December 2020, 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 31 December 2020, the distributable funds of the parent company totalled EUR 543.1 million including the profit of the financial period 2020 of EUR 26.0 million. The Board of Directors proposes to the Annual General Meeting in 2021 for profit distribution as follows:

- A dividend of EUR 0.13 (0.13) per share be distributed for 2020, totalling EUR 16.5 (16.5) million and the rest of the profit is recognized in equity.
- In addition, the Board of Directors be authorized to resolve in its discretion on the payment of additional dividend. The amount dividend to be paid based on the authorization shall not exceed EUR 0.13 per share and EUR 16.5 million in aggregate. The dividend 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

EUR mill.	1 Jan 2020	Cash flows	Non-cash changes		31 Dec 2020
			Changes	Reclassifications	
Non-current					
Loans from financial institutions	331.6	-	0.3	-41.4	290.5
Hire purchase liabilities	12.5	-	4.2	-4.9	11.8
Lease liabilities	159.9	-	18.9	-37.8	141.1
Total	504.0	-	23.5	-84.1	443.5
Current					
Loans from financial institutions	41.5	-1.5	0.0	41.4	81.4
Hire purchase liabilities	5.2	-5.5	1.1	4.9	5.8
Lease liabilities	38.1	-37.8	-0.8	37.8	37.3
Total	84.8	-44.8	0.3	84.1	124.5

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, which are computed based on the IFRS standards effective as at the date of the loan agreement. The Group has met all covenant terms and conditions during the reporting period.

26. TRADE AND OTHER PAYABLES

Carrying amounts of trade and other payables

EUR mill.	31 Dec 2020	31 Dec 2019
Trade payables	40.1	38.5
Other payables	64.8	66.2
Advances received	2.2	1.5
Interest rate derivatives	1.1	1.4
Accrued expenses	54.5	57.7
Total	162.7	165.4

Specification of other payables

EUR mill.	31 Dec 2020	31 Dec 2019
Doctor's fee liabilities	38.4	41.1
VAT liabilities	19.5	17.0
Other	6.8	8.1
Total	64.8	66.2

Specification of accrued expenses

EUR mill.	31 Dec 2020	31 Dec 2019
Personnel related accrued expenses	52.2	55.1
Interest liabilities	0.3	0.4
Other	1.9	2.2
Total	54.5	57.7

27. PROVISIONS

Carrying amounts of provisions

EUR mill.	31 Dec 2020	31 Dec 2019
Non-current provisions	7.7	7.5
Current provisions	2.4	1.6
Total	10.1	9.1

EUR mill.	31 Dec 2020	31 Dec 2019
Onerous contracts	5.8	5.0
Other provisions	4.3	4.1
Total	10.1	9.1

Changes in provisions during the financial year 2020

EUR mill.	Onerous contracts	Other provisions	Total
1 Jan 2020	5.0	4.1	9.1
Increase in provisions	3.0	0.4	3.5
Used provisions	-2.2	-0.3	-2.5
31 Dec 2020	5.8	4.3	10.1

Changes in provisions during the financial year 2019

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

ONEROUS CONTRACTS AND OTHER PROVISIONS

The most significant provisions in the statement of financial position relate to onerous contracts and to some asset retirement obligations related to leased premises.

28. COLLATERAL AND CONTINGENT LIABILITIES

EUR mill.	31 Dec 2020	31 Dec 2019
Business mortgages	-	0.6
Total	-	0.6
Securities for own debts		
Deposits	0.2	0.2
Guarantees	0.7	0.9
Total	0.9	1.0

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 or joint control. Related party transactions which are not eliminated in the preparation of Terveystalo's consolidated financial statements are presented as related party transactions.

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

Related party transactions

2020	Sales	Purchases	Receivables	Payables
Associated companies	0.5	17.4	0.5	1.5
Other related parties	-	-	-	-
Total:	0.5	17.4	0.5	1.5

2019	Sales	Purchases	Receivables	Payables
Associated companies	0.0	19.3	0.3	0.0
Other related parties	0.1	-	0.0	-
Total:	0.1	19.3	0.3	0.0

Compensation for the key management

Remuneration for CEOs, in thousands of euro	2020	2019
Ville Iho		
Fixed pay	366.7	27.3
Short-term incentives	240.0	-
Other benefits	-	-
Share-based payments	-	-
Pensions (statutory)	89.6	4.7
Yrjö Närhinen		
Fixed pay	-	464.0
Other short-term employee benefits	-	24.0
Short-term incentives	-	-
Other benefits	-	65.3
Share-based payments	-	-
Pension (statutory)	-	95.7
Total	696.3	681.0

Remuneration for CEOs is presented on accrual basis.

Remuneration to members of the Executive team (excluding CEO), in thousands of euro	2020	2019
Fixed pay	1,499.9	1,724.1
Short term employee benefits	43.5	82.0
Short-term incentives	424.1	693.9
Share-based payments	209.1	179.8
Termination benefits	656.2	-
Pensions (statutory)	387.5	432.3
Pensions (voluntary)	-	8.5
Total	3,220.4	3,120.7

Remuneration to members of the Executive team is presented on accrual basis.

BONUS SCHEME

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

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

Remuneration to Board of Directors, in thousands of euro	2020				2019			
	Annual fee settled in cash	Annual fee settled in shares	Meeting fees	Other financial benefits*	Annual fee settled in cash	Annual fee settled in shares	Meeting fees	Other financial benefits*
Kari Kauniskangas (Chairman of the board)	51.0	34.0	16.0	0.5	48.0	32.0	14.4	0.5
Tomas von Rettig	30.3	20.2	18.0	0.3	29.4	19.6	12.6	0.3
Lasse Heinonen	30.3	20.2	14.8	0.3	29.4	19.6	12.0	0.3
Åse Aulie Michelet	24.2	16.1	19.1	0.3	23.4	15.6	22.8	0.2
Niko Morkkila**	24.2	16.1	9.4	0.3	-	-	-	-
Katri Viippola	24.2	16.1	15.4	0.3	23.4	15.6	16.2	0.2
Dag Andersson	24.2	16.1	17.3	0.3	23.4	15.6	16.2	0.2
Members of the Board of Directors until 28 May 2020								
Olli Holmström	-	-	5.4	-	23.4	15.6	12.6	0.2
Paul Hartwall	-	-	5.4	-	23.4	15.6	10.8	0.2
Members of the Board until 4 April 2019								
Fredrik Cappelen	-	-	-	-	-	-	4.8	-
Eeva Ahdekivi	-	-	-	-	-	-	1.8	-
Yhteensä	208.4	138.8	120.8	2.3	223.8	149.2	124.2	2.1

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

** Member of the Board of Directors from 2020

Management holdings

Name	Position	2020
Kari Kauniskangas	Chairman of the Board of Directors	7,990
Dag Andersson	Member of the Board of Directors	3,467
Lasse Heinonen	Member of the Board of Directors	13,161
Åse Aulie Michelet	Member of the Board of Directors	27,530
Niko Morkkila	Member of the Board of Directors	1,772
Katri Viippola	Member of the Board of Directors	4,906
Tomas von Rettig	Member of the Board of Directors	6,161
Ville Iho	Chief Executive Officer	-
Petri Bono	Chief Medical Officer	-
Juha Juosila	Chief Digital Officer	87,435
Ilkka Laurila	Chief Financial Officer	304,900
Siina Saksi	SVP, Private Customers and Clinics	50,559
Elina Saviharju	SVP, Legal	-
Veera Siivonen	SVP, Marketing and Communications	348
Minttu Sinisalo	SVP, HR	-
Pia Westman	SVP, Wellbeing, Diagnostics and Digital Services	23,594

30. GROUP COMPANIES

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

Subsidiaries as at 31 Dec 2020

Company name	Domicile	Group's share	Group's voting rights
EAM TTALO Holding Oy*	Finland	0.0%	0.0%
Evalua International Ltd. Oy	Finland	100.0%	100.0%
Evalua Nederland B.V.	Netherlands	100.0%	100.0%
VitalMed Oy	Finland	100.0%	100.0%
Hierojakoulu Relaxi Oy	Finland	100.0%	100.0%
Medlnari Oy	Finland	100.0%	100.0%
Rela Estonia OÜ	Estonia	100.0%	100.0%
Rela-Group Oy	Finland	100.0%	100.0%
Rela-hierojat Oy	Finland	100.0%	100.0%
Suomen Terveystalo Oy	Finland	100.0%	100.0%
Terveystalo Estonia OÜ	Estonia	100.0%	100.0%
Terveystalo Healthcare Holding Oy	Finland	100.0%	100.0%
Terveystalo Healthcare Oy	Finland	100.0%	100.0%
Terveystalo Julkiset palvelut Oy	Finland	100.0%	100.0%
Terveystalo Kuntaturva Oy	Finland	100.0%	100.0%
Terveystalo Tactus Oy	Finland	100.0%	100.0%
TT Ålands Tandläkarna Ab	Finland	100.0%	100.0%

* Evli Asset Management holds the ownership and voting rights of EAM TTALO Holding Oy by 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. Based on this control arising from contractual terms, the holding company is consolidated into the Group's IFRS financial statements as a structured entity.

30.1 CHANGES IN THE GROUP STRUCTURE

FINANCIAL YEAR 2020

The following mergers took place during the financial year 2020:

- 31.1.2020 Etelä-Karjalan Työkunto Oy merged with Suomen Terveystalo Oy.
- 29.2.2020 Hardent Oy merged with Suomen Terveystalo Oy.
- 31.3.2020 TyöSyke Oy merged with Suomen Terveystalo Oy.
- 30.9.2020 Examinatio Magnetica Fennica Oy merged with Suomen Terveystalo Oy.
- 31.12.2020 Fertility Clinic Holding Oy merged with Suomen Terveystalo Oy.

FINANCIAL YEAR 2019

The following mergers took place during the financial year 2019:

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

31. GROUP'S KEY FINANCIAL RATIOS

Terveystalo Group, EUR mill.	2020	2019	2018
Revenue	986.4	1,030.7	744.7
Adjusted EBITDA, * ¹⁾²⁾	162.8	176.3	108.9
Adjusted EBITDA, % * ¹⁾²⁾	16.5	17.1	14.6
EBITDA ¹⁾²⁾	158.3	171.2	116.6
EBITDA, % ¹⁾²⁾	16.1	16.6	15.7
Adjusted EBITA * ¹⁾²⁾	101.9	115.1	87.7
Adjusted EBITA, % * ¹⁾²⁾	10.3	11.2	11.8
EBITA ¹⁾²⁾	97.4	110.0	95.5
EBITA, % ¹⁾²⁾	9.9	10.7	12.8
Adjusted operating profit (EBIT) * ¹⁾²⁾	71.6	86.5	67.7
Adjusted operating profit (EBIT), % * ¹⁾²⁾	7.3	8.4	9.1
Operating profit (EBIT) ²⁾	67.2	81.4	75.4
Operating profit (EBIT), % ²⁾	6.8	7.9	10.1
Return on equity (ROE), % ¹⁾²⁾³⁾	8.2	10.3	14.2
Equity ratio, % ¹⁾²⁾	42.1	39.9	44.1
Earnings per share (€) ²⁾³⁾	0.36	0.43	0.54
Net debt ²⁾	490.9	548.2	413.3
Gearing, % ¹⁾²⁾	85.9	101.3	80.8
Net debt/Adjusted EBITDA ¹⁾²⁾⁴⁾	3.0	3.1	3.8
Total assets ²⁾	1,361.0	1,359.3	1,162.3
Average personnel FTE	4,900	4,943	3,498
Personnel (end of period)	8,253	8,685	6,018
Private practitioners (end of period)	5,057	5,068	4,877
Adjusted EBITDA, excluding IFRS 16 * ¹⁾	118.0	131.4	108.9
Net debt, excluding IFRS 16	325.9	366.4	413.3
Net debt/Adjusted EBITDA, excluding IFRS 16 * ¹⁾⁴⁾	2.8	2.8	3.8

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

¹⁾ Alternative performance measure. Terveystalo presents alternative performance measures as additional information to financial measures defined in IFRS. Those are performance measures that the company monitors internally, and they provide management, investors, securities analysts and other parties with significant additional information related to the company's results of operations, financial position and cash flows. These should not be considered in isolation or as substitute to the measures under IFRS.

²⁾ 2018 not comparable due to the effect of IFRS 16 implementation.

³⁾ The net profit of the January–December reference period 2018 was improved by a non-recurring deferred tax asset of EUR 13.0 million related to tax loss carry-forward.

⁴⁾ 2018 does not include Attendo Health Services' result.

32. CALCULATION OF FINANCIAL RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

FINANCIAL RATIOS

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

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.

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

* 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, %	2020	2019	2018
Profit/loss for the period	45.8	54.1	68.7
Equity (including non-controlling interest) (average)	556.3	526.5	484.5
Return on equity, %	8.2	10.3	14.2

Equity ratio, %	2020	2019	2018
Equity (including non-controlling interest)	571.4	541.2	511.8
Total assets	1,361.0	1,359.3	1,162.3
Advances received	2.2	1.5	1.8
Equity ratio, %	42.1	39.9	44.1

Gearing, %	2020	2019	2018
Interest-bearing liabilities	568.0	588.8	450.1
Interest-bearing receivables and cash and cash equivalents	77.1	40.6	36.9
Equity	571.4	541.2	511.8
Gearing, %	85.9	101.3	80.8

Net debt /Adjusted EBITDA	2020	2019	2018
Interest-bearing liabilities	568.0	588.8	450.1
Interest-bearing receivables and cash and cash equivalents	77.1	40.6	36.9
Adjusted EBITDA	162.8	176.3	108.9
Net debt / Adjusted EBITDA	3.0	3.1	3.8

Adjusted EBITDA, EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Depreciation, amortization and impairment losses	91.2	89.8	41.1
Adjustments*	4.5	5.1	-7.7
Adjusted EBITDA	162.8	176.3	108.9

Adjusted EBITDA, %	2020	2019	2018
Adjusted EBITDA	162.8	176.3	108.9
Revenue	986.4	1,030.7	744.7
Adjusted EBITDA, %	16.5	17.1	14.6

Adjusted EBITA, EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Amortization and impairment losses	30.3	28.6	20.0
Adjustments*	4.5	5.1	-7.7
Adjusted EBITA	101.9	115.1	87.7

Adjusted EBITA, %	2020	2019	2018
Adjusted EBITA	101.9	115.1	87.7
Revenue	986.4	1,030.7	744.7
Adjusted EBITA, %	10.3	11.2	11.8

Adjusted operating profit (EBIT), EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Adjustments*	4.5	5.1	-7.7
Adjusted EBITA	71.6	86.5	67.7

Adjusted operating profit (EBIT), %	2020	2019	2018
Adjusted EBITA	71.6	86.5	67.7
Revenue	986.4	1,030.7	744.7
Adjusted EBIT, %	7.3	8.4	9.1

EBITDA, EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Depreciation, amortization and impairment losses	91.2	89.8	41.1
EBITDA	158.3	171.2	116.6

EBITDA, %	2020	2019	2018
EBITDA	158.3	171.2	116.6
Revenue	986.4	1,030.7	744.7
EBITDA, %	16.1	16.6	15.7

EBITA, EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Amortization and impairment losses	30.3	28.6	20.0
EBITA	97.4	110.0	95.5

EBITA, %	2020	2019	2018
EBITA	97.4	110.0	95.5
Revenue	986.4	1 030.7	744.7
EBITA, %	9.9	10.7	12.8

Operating profit (EBIT), EUR mill.	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
EBIT	67.2	81.4	75.4

Operating profit, (EBIT), %	2020	2019	2018
EBIT	67.2	81.4	75.4
Revenue	986.4	1,030.7	744.7
EBIT, %	6.8	7.9	10.1

Adjustments based on subject area*, EUR mill.	2020	2019	2018
Acquisition related expenses ¹⁾	0.5	3.3	6.6
Restructuring related expenses ²⁾	1.6	0.7	1.4
Gain on sale of asset	-0.1	0.3	-15.8
Strategic projects, new operations and other items affecting to comparability	2.5	0.8	0.1
Adjustments	4.5	5.1	-7.7

Adjustments based on account group*, EUR mill.	2020	2019	2018
Other operating income	-0.5	-0.3	-16.8
Materials and services costs	1.8	-	0.4
Personnel expenses	1.3	0.4	0.0
Other operating expenses	1.9	5.0	8.7
Adjustments	4.5	5.1	-7.7

Adjusted EBITDA, excluding IFRS 16	2020	2019	2018
Profit (loss) for the period	45.8	54.1	68.7
Income tax expense	10.8	12.7	-0.5
Share of profits in associated companies	0.6	0.2	-1.9
Net finance expenses	10.0	14.4	9.2
Depreciation, amortization and impairment losses	91.2	89.8	41.1
Adjustments*	4.5	5.1	-7.7
IFRS 16 lease expense adjustment	-44.8	-45.0	-
Adjusted EBITDA, excluding IFRS 16	118.0	131.4	108.9

Net debt/Adjusted EBITDA, excluding IFRS 16	2020	2019	2018
Interest-bearing liabilities	403.0	407.0	450.1
Interest-bearing receivables and cash and cash equivalents	77.1	40.6	36.9
Adjusted EBITDA	118.0	131.4	108.9
Net debt/Adjusted EBITDA, excluding IFRS 16	2.8	2.8	3.8

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

¹⁾ Including transaction costs and expenses from integration of acquired businesses.

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

34. SUBSEQUENT EVENTS

Terveystalo is reshaping its operating model to better respond to its customers' needs and the ongoing transformation of the healthcare industry. As of January 1, 2021, Terveystalo's organization consists of five business areas: Corporate Health, led by Marja-Leena Tuomola; Consumer Business, led by Veera Siivonen; Public Partnerships, led by Mikko Tainio; Growth Businesses, led by Petri Keksi, and Medical Clinic Network, led by Siina Saksi.

PARENT COMPANY'S FINANCIAL STATEMENT, FAS

PARENT COMPANY'S INCOME STATEMENT

EUR	Note	1.1.-31.12.2020	1.1.-31.12.2019
Revenue	1.1	924,670	742,672
Other operating income		-	146,000
Materials and supplies		-296	-955
Employee benefit expenses			
Wages and salaries		-2,027,165	-1,819,857
Social security expenses			
Pension expenses		-226,232	-237,965
Other social security expenses		-47,089	-11,449
Depreciation, amortization and impairment losses	1.2	-3,469	-15,131
Other operating expenses	1.4	-1,635,698	-1,429,164
Operating profit or loss		-3,015,279	-2,625,850
Financial income and expenses	1.5		
Other interest and financial income			
From others		236	392
Other interest and financial expenses			
To group companies		-39,503	-48,553
To others		-1,233	-2,596
Profit or loss before appropriations and taxes		-3,055,779	-2,676,606
Appropriations	1.6		
Increase/decrease in depreciation in excess of plan		10,621	4,297
Group contributions		35,500,000	54,000,000
Taxes		-6,496,468	-10,224,640
Profit or loss for the period		25,958,375	41,103,051

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.1		
Machinery and equipment		-	44,379
Investments	2.2		
Holdings in group companies		516,818,244	506,685,344
Total non-current assets		516,818,244	506,745,532
Current assets			
Receivables from group companies	2.3	49,558,965	71,811,351
Prepayments and accrued income	2.4	162,841	204,252
Cash and cash equivalents		-	690
Total current assets		49,721,807	72,016,293
TOTAL ASSETS		566,540,051	578,746,016
EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	2.5		
Share capital		80,000	80,000
Invested non-restricted equity reserve		493,503,962	493,503,962
Retained earnings		23,652,357	-900,845
Profit or loss for the period		25,958,375	41,103,051
Total equity		543,194,694	533,786,168
Appropriations			
Depreciation in excess of plan		-	10,621
Total appropriations		-	10,621
Liabilities	2.6		
Current liabilities			
Loans from financial institutions		-	37,365
Trade payables		140,007	176,642
Liabilities to group companies		16,822,320	34,054,995
Other liabilities		179,157	144,331
Accruals and deferred income		6,203,873	10,535,893
Total liabilities		23,345,357	44,949,227
TOTAL EQUITY AND LIABILITIES		566,540,051	578,746,016

PARENT COMPANY'S STATEMENT OF CASH FLOWS

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Cash flows from operating activities		
Profit/loss for the period	25,958,375	41,103,051
Adjustments		
Depreciations according to plan	3,469	15,131
Non-cash transactions	-35,550,124	-54,004,297
Financial income and expenses	40,737	51,149
Gains and losses on sale of property, plant, equipment	893	830
Other adjustments	-3,633,322	10,380,880
Change in working capital		
Change in trade and other receivables	9,997,111	-331,073
Change in trade and other payables	298,840	-727,065
Taxes	-11,130,628	-
Net cash from operating activities	-14,014,650	-3,511,394
Cash flows from investing activities		
Purchase of tangible and intangible items	-	-152
Proceeds from sale of tangible and intangible items	40,016	-
Net cash from investing activities	40,016	-152
Cash flows from financial activities		
Change in group account	-23,437,608	17,093,486
Payment of hire purchase liabilities	-37,365	-19,440
Received group contribution	54,000,000	12,000,000
Dividends paid and equity repayments	-16,549,849	-25,607,306
Interest paid	-1,233	-51,149
Net cash from financial activities	13,973,945	3,415,592
Net change in cash and cash equivalents	-690	-95,954
Cash and cash equivalents at 1 January	690	96,644
Cash and cash equivalents at 31 December	-	690

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 carrying amount 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 is reversed.

PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

The carrying amount 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	1.1.-31.12.2020	1.1.-31.12.2019
Finland	924,670	742,672
Total	924,670	742,672

1.2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Depreciation	-3,469	-15,131
Total	-3,469	-15,131

1.3 PERSONNEL

	1.1.-31.12.2020	1.1.-31.12.2019
Average number of personnel during financial year	6	6

1.4 OTHER OPERATING EXPENSES

EUR	1.1.-31.12.2020	1.1.-31.12.2019
External services	-633,564	-410,585
ICT expenses	-29,014	-21,799
Non-statutory personnel expenses	-51,934	-294,403
Leases	-14,560	-51,318
Travel expenses	-17,762	-43,950
Marketing and communication	-423,979	-105,119
Other costs	-464,886	-501,989
Total	-1,635,698	-1,429,164

Auditor's fees

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Audit and auditor's statements based on laws and regulations		
Audit, KPMG	-56,240	-63,195
Auditor's statements based on laws and regulations, KPMG	-	-13,500
Total	-56,240	-76,695
Non audit services		
Assurance services, KPMG	-	-6,448
Tax services, KPMG	-	-41,352
Total	-	-47,800
Auditor's fees total	-56,240	-124,495

1.5 FINANCIAL INCOME AND EXPENSES

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Other interest and financial income		
From others	236	392
Total	236	392
Other interest and financial expenses		
To group companies	-39,503	-48,553
To others	-1,233	-2,596
Total	-40,737	-51,149

1.6 APPROPRIATIONS

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Increase/decrease in depreciation in excess of plan	10,621	4,297
Group contributions received	35,500,000	54,000,000
Appropriations total	35,510,621	54,004,297

NOTES TO THE STATEMENT OF THE FINANCIAL POSITION

2.1 PROPERTY, PLANT AND EQUIPMENT

Machinery and equipment

EUR	2020	2019
Acquisition cost 1 Jan	79,152	79,830
Additions	-	152
Disposals	-40,627	-830
Acquisition cost 31 Dec	38,525	79,152
Accumulated depreciation and impairment losses 1 Jan		
Depreciation for the period	-3,752	-15,131
Accumulated depreciation and impairment losses 31 Dec	-38,525	-34,773
Carrying amount 1 Jan	44,379	60,188
Carrying amount 31 Dec	-	44,379

2.2 INVESTMENTS

Holdings in group companies

EUR	2020	2019
Acquisition cost 1 Jan	506,685,344	506,685,344
Addition	10,132,900	-
Acquisition cost 31 Dec	516,818,244	506,685,344
Carrying amount 1 Jan		
Carrying amount 31 Dec	516,818,244	506,685,344

Parent company ownerships:

Holdings in group companies	2020	2019
Terveystalo Healthcare Holding Oy	100%	100%

2.3 RECEIVABLES FROM GROUP COMPANIES

EUR	31 Dec 2020	31 Dec 2019
Loan receivables	-	10,132,900
Trade receivables	1,146,591	969,860
Group account receivables	6,203,314	-
Prepayments and accrued income	42,209,060	60,708,591
Total	49,558,965	71,811,351

2.4 CHANGES IN EQUITY**RESTRICTED EQUITY****Share capital**

EUR	2020	2019
At the beginning of the period	80,000	80,000
At the end of the period	80,000	80,000
Total restricted equity	80,000	80,000

UNRESTRICTED EQUITY**Invested non-restricted equity reserve**

EUR	2020	2019
At the beginning of the period	493,503,962	519,111,269
Equity repayment	-	-25,607,306
At the end of the period	493,503,962	493,503,962

Retained earnings

EUR	2020	2019
Retained earnings at the beginning of the period	40,202,206	-900,845
Dividends paid	-16,549,849	-
Retained earnings at the end of the period	23,652,357	-900,845
Profit or loss for the period	25,958,375	41,103,051
Total unrestricted equity	543,114,694	533,706,168
Total equity	543,194,694	533,786,168

Distributable equity

EUR	31 Dec 2020	31 Dec 2019
Invested non-restricted equity reserve	493,503,962	493,503,962
Retained earnings	23,652,357	-900,845
Profit or loss for the period	25,958,375	41,103,051
Total	543,114,694	533,706,168

SHARES AND SHARE CAPITAL

On 31 December 2020 the amount of shares is 128,036,531 of which 730,000 is held by EAM TTALO Holding Oy, company which is under the control of Terveystalo PLC. The company has single share class. The shares have no nominal value. All shares issued have been paid in full. Each share has one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets.

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

INVESTED NON-RESTRICTED EQUITY RESERVE

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

2.5 LIABILITIES**2.5.1 CURRENT LIABILITIES**

EUR	31 Dec 2020	31 Dec 2019
Loans from financial institutions	-	37,365
Trade payables	140,007	176,642
Other liabilities to group companies	16,822,320	34,054,995
Other liabilities	179,157	144,331
Accruals	6,203,873	10,535,893
Total	23,345,357	44,949,227

2.5.2 LIABILITIES TO GROUP COMPANIES

EUR	31 Dec 2020	31 Dec 2019
Trade payables	157,021	2,285
Group account payables	16,662,176	33,896,471
Accruals and deferred income	3,123	156,240
Total	16,822,320	34,054,996

2.5.3 ACCRUALS AND DEFERRED EXPENSES

EUR	31 Dec 2020	31 Dec 2019
Personnel related accrued expenses	613,405	311,253
Tax liabilities	5,590,468	10,224,640
Total	6,203,873	10,535,893

OTHER NOTES**3. COLLATERAL AND OTHER CONTINGENT LIABILITIES**

EUR	31 Dec 2020	31 Dec 2019
Suretyship	372,800,000	374,200,000
Guarantees	393,134	400,734

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTOR'S REPORT

Helsinki, 10 February 2021

Kari Kauniskangas
Chairman of the Board of DirectorsDag Andersson
Member of the Board of DirectorsLasse Heinonen
Member of the Board of DirectorsÅse Aulie Michelet
Member of the Board of DirectorsNiko Mokkila
Member of the Board of DirectorsKatri Viippola
Member of the Board of DirectorsTomas von Rettig
Member of the Board of DirectorsVille Iho
President and CEO**AUDITORS NOTE**

A report on the audit has been issued today.

Helsinki, 10 February 2021

KPMG Oy Ab
Audit firmHenrik Holmbom
Authorised Public Accountant

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF TERVEYSTALO PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Terveystalo Plc (business identity code 2575979-3) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of EU 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)	
<ul style="list-style-type: none"> At the year-end 2020 the goodwill amounted to 781.8 M€ and accounted for 57% of the consolidated total assets and for 137% of the consolidated equity. Goodwill is tested for impairment at least annually. An impairment is recognised when the recoverable amount is less than the carrying value of the asset. Terveystalo determines recoverable amounts for impairment tests based on value in use. Preparation of cash flow projections underlying impairment tests requires management judgments for profitability, long-term growth rate and discount rate. The acquisition-related recognized assets for trade mark and customer relationships at the year-end 2020 were in total 110.5 M€. These assets have finite useful lives and the related amortization periods shall be reviewed annually. Given the high level of management judgment related to the forecasts used and the significant carrying amounts involved, valuation of goodwill and intangible assets is considered a key audit matter. 	<ul style="list-style-type: none"> We assessed the key assumptions used in the impairment tests, such as profitability, discount rate and long-term growth rate. To analyse the forecasts we applied professional judgement in testing the key assumptions and assessing the resulting effects on the sensitivity analysis. We involved KPMG valuation specialists when assessing the appropriateness of the assumptions used and the technical accuracy of the calculations. This included a comparison to external financial and industry forecasts. In respect of the acquisition-related intangible assets we evaluated the recoverability of these assets by assessing the related calculations and the underlying assumptions. In addition, we considered the appropriateness of the disclosures in respect of goodwill, impairment testing and intangible assets.
REVENUE RECOGNITION (ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTE 4)	
<ul style="list-style-type: none"> The consolidated revenue amounted to 986.4 M€ million and consist of numerous types of individual service transactions and service combinations 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. 	<ul style="list-style-type: none"> 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 9 years. Terveystalo Plc became a public interest entity on 13 October 2017.

OTHER INFORMATION

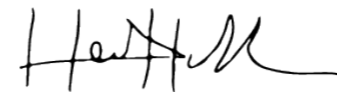
The Board of Directors and the Managing Director (CEO) are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We 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, 10 February 2021
KPMG OY AB



Henrik Holmbom
Authorised Public Accountant, KHT

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