Annual Report 2017

MEHILÄINEN

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Key Figures in 2017

Revenue (EUR million)

755.5

Revenue growth

28 %

Physician visits over

2 million

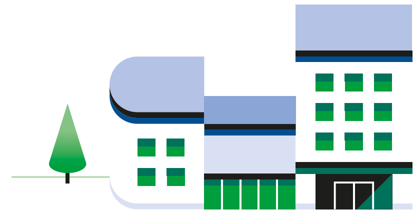
Number of personnel and private practitioners over

14 000

Number of Beds in Care Services in 2017: over 4 800.

Units in Finland over

360



108 Years of History

THE STORY OF MEHILÄINEN began in 1909, when four doctors established Sairaala O.Y. Mehiläinen in Helsinki. The name was inspired by a mythical creature with the power of healing in the Finnish national epic Kalevala. In the 1930s the hospital was relocated from its original premises on Huvilakatu to Töölö, a location still in use today.

In the beginning of the millennium, Mehiläinen started its expansion to become a nationwide provider of healthcare services. The company grew through several acquisitions and by diversifying its services to include dental healthcare, care services, child welfare services and mental health rehabilitation services as well as outsourced public healthcare services. The growth has helped Mehiläinen to become a leader in quality and a forerunner for development in healthcare and social care services.

Throughout history, the number one objective of Mehiläinen, is to provide the best care and service to everyone.

Mehiläinen Values

- Skills and Knowledge
- Caring and Responsibility
- Partnership and Entrepreneurship
- Growth and Development

Janne-Olli Järvenpää

CEO'S SUMMARY OF 2017

Investing in the Wellbeing of Individuals and Society

Mehiläinen always puts the individual at the center of its services, whether it is families visiting our outpatient clinics, the customers at our residential care homes, or services provided for our municipal clients. We make an effort to meet our customers as individuals and in a holistic manner, constantly developing quality and customer experience. Easy access to care, effectiveness of treatment, and proficient customer service benefit the society as a whole, resulting in better wellbeing and the efficient use of our common funds.

Mehiläinen's investments to Finland during 2017 reached over EUR 180 million, including investments in research and development, capital expenditures, net cash flow used for acquisitions, and increases in the long-term lease contracts resulting from both the establishment of new units and the renovations made in the existing ones. We launched several new units and made smaller acquisitions during the year, expanding our service network with close to 60 new units. We initiated the building process of nearly 1 000 new beds in our residential care homes and expect to hire more than 1 000 new employees by the end of 2018.

During 2017 we invested especially in developing our digital healthcare services and in measuring the effectiveness of the care and treatment we provide. We took advantage of artificial intelligence in making our customer service more effective, introduced digital tools to evaluate the need for care, and launched a project for using artificial intelligence for recognising working capacity risks. The use and userbase of our OmaMehiläinen application multiplied from the previous year. New features, such as the Digital Pharmacy and the possibility to view your MRI and X-ray images on your own phone, were added to the application.

Customers Relied on Us and Profitable Growth Continued

Mehiläinen's revenue continued to grow significantly for the third consecutive year. The revenue of the Mehiläinen Group grew EUR 165.5 million (28.0%) over the previous year, reaching EUR 755.5 million. The growth almost tripled Mehiläinen's profit, which reached EUR 37.4 million. We expect the revenue and EBITA (operating profit before impairment losses and amortisation of intangible assets arisen from acquisitions) to improve during the year 2018.

We make an effort to meet our customers as individuals and in a holistic manner, constantly developing quality and customer experience.

Mehiläinen occupational healthcare services had over 350 000 customers at the end of the year, making 2017 the third consecutive year with more than double figure growth in the number of customers. Net increase in the number of Mehiläinen's business customers exceeded 1 700 and the number of employee customers grew by over 40 000 persons. The majority of the growth was organic, with share coming from acquisitions. Key differentiating factors were the new and innovative service and pricing models that fit the customers' needs as well as being the forerunner in digital services.

Mehiläinen gained several municipalities as customers and deepened cooperation with the existing customers. We became the market leader with a share of over 30% of all customers in the health and social services reform freedom of choice pilots initiated in 2017. Altogether around 150 000 Finns were signed up with Mehiläinen's public service Oma Lääkärisi health centres by the end of 2017. We also won several significant tenders for outsourced public healthcare services.

In 2018 Mehiläinen expects to grow as a provider of publicly funded specialised healthcare services through partnerships and contracts on outsourced services. At the end of 2017 we published a partnership with the Hospital District of Helsinki and Uusimaa (HUS), which included Mehiläinen becoming a minority owner in HUS's subsidiaries, Orton Oy and HYKSin kliiniset palvelut Oy. Other significant projects in 2018 include the Tesoma Wellbeing centre in City of Tampere, which will be carried out based on an alliance model, as well as the Mehiläinen Länsi-Pohja Oy partnership with the municipalities of Meri-Lappi.

Mehiläinen's social care services also continued their strong growth and development in 2017. We increased the capacity of our residential care homes with almost 900 beds, by building new homes and making acquisitions. We made investments in the quality of our meal services and into making the care homes cosier. The development of the utilisation rate in our existing units was positive, and the new units' utilisation rates met our expectations. Our home and family care services grew significantly during 2017 as well.

Despite the challenging economic times both our outpatient clinics and dental care clinics had positive development in the numbers of private customers. Mehiläinen's share of customers paying for themselves grew from the previous year, according to Kela, the Social Insurance Institution of Finland. Another significant factor was the deeper cooperation and partnership with LähiTapiola, which is expected to increase the number of our insurance-based customers also in 2018. Together with LähiTapiola, we are planning to develop new innovative insurance and healthcare services for our mutual customers.

I want to thank all our customers, partners and Mehiläinen's committed professionals for the successful year!

Janne-Olli Järvenpää

OVER 180 EUR million

In 2017, Mehiläinen invested over 180 million euros in Finland.

MEHILÄINEN SERVICES

Mehiläinen provides extensive social care and healthcare services to private, insurance, corporate and municipal customers. We serve our customers in over 360 premises all over Finland.

Private Healthcare Services

- Physician Services
- Diagnostics
- Operations
- Dental Care
- Occupational Healthcare Services

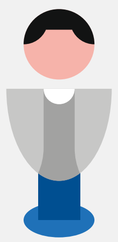
Public Healthcare Services

- Health Centres with Customers' Freedom of Choice
- Outsourced Services
- Public Dental Care
- Emergency Care Services and Staffing
- Home Care Services

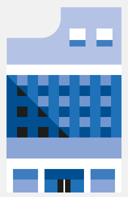
Public Social Care Services

- Residential Care Services for the Elderly
- Residential Care Services for the Disabled
- Mental Health Rehabilitation
- Child Welfare Services
- Non-Institutional Services within Child Welfare Services

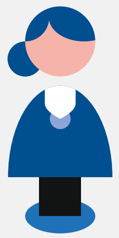
CUSTOMER BASE GREW AGAIN IN 2017



Private customers over
800 000
with annual growth of over 180 000.



Employers over
11 500
with annual growth of over 1 700.



Occupational healthcare services cover over
350 000
employees with annual growth of over 40 000.

Public sector over
85 %
of the municipalities or joint municipalities as customers.

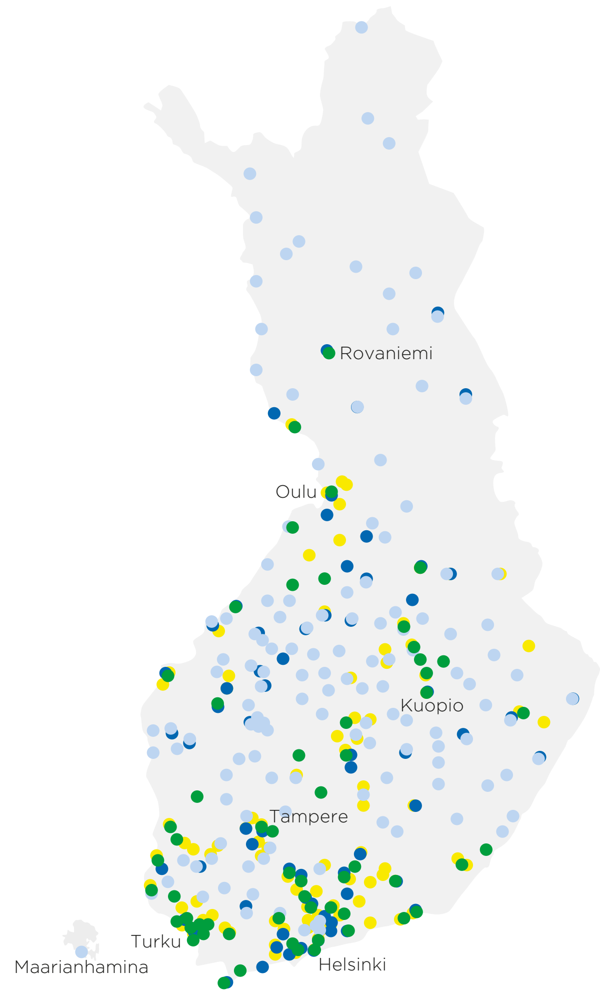
MEHILÄINEN GROSS SALES MIX 2017

70%
Healthcare Services

30%
Social Care Services

WE PROVIDE SERVICES FOR ENTIRE FINLAND

- Private Healthcare Services
- Network of Partners in Occupational Healthcare Services
- Public Healthcare Services
- Public Social Care Services



QUALITY MEANS ACTION AT MEHILÄINEN

At Mehiläinen, quality is achieved with expertise and systematic work. Continuous development of quality and committing to standards ensure that our customers' expectations and needs are met.

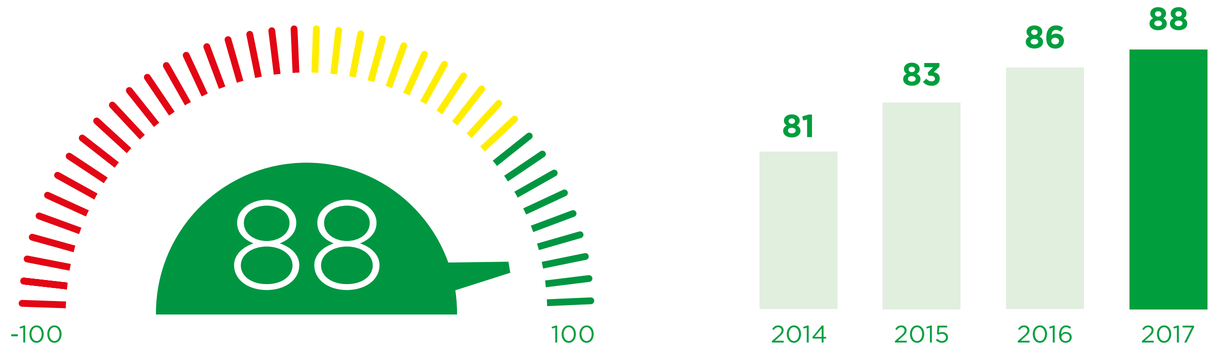
THE QUALITY OF MEHILÄINEN'S SERVICES is monitored on a regular basis. At Mehiläinen, quality means effective care, superior customer experience, quick access to care as well as patient and customer safety. Hoiva Mehiläinen -quality programme focuses on customer's individualised, good life.

All employees at Mehiläinen are committed to our quality standards, and the quality of our services is measured through customer feedback and other methods. Committing to high standards means, for example, motivating professionals to systematic logging, which means logging patient information in a uniform way to create daily measurable data.

Effectiveness is measured through data and analytics, and followed indicators are i.e. Current Care Guidelines, symptom meters and customers experience of effectiveness. The employees' competence is mapped in the development discussions, and investments are made to development of know-how through different education programs as well as by learning at work.

Technology leaps such as taking advantage of artificial intelligence have an important role in measuring the quality of, for example, occupational healthcare services. Mehiläinen has had an open mind to developing ways to predict and identify working capacity risks.

NET PROMOTER SCORE ROSE TO AN ALL-TIME HIGH AT 88



Mehiläinen uses the well-known and widely used NPS (Net Promoter Score) to measure the customer experience in healthcare services. The NPS provides information on customer loyalty and can be anything between -100 and 100. NPS-index is regarded excellent when it reaches 50.

In 2017 the overall NPS of Mehiläinen outpatient clinics, hospitals and Felicitas Mehiläinen infertility clinics rose to 88, hospitals to 94 and Hammas Mehiläinen dental clinics to 89. We received over 145 000 answers to NPS measurement.

Knowledge and Empathy

"MOTIVATING THE PATIENT IS a key factor in making healthcare services more effective," says **Kaisla Joutsenniemi**, Chief Physician at Mehiläinen. "At the moment we are developing our quality measurement to be able to not only provide our customers with excellent care, but also to increase the effectiveness of care by supporting the customers' own goals," she adds.

Several modern tools are used to measure the quality at Mehiläinen. A good example is the LaatuKenno, a transparent quality tool that reports facts concerning patient safety, effectivity of processes and customer experience. Systematic follow-up makes it possible to react to deviations immediately. "In order to measure quality, information has to be collected continuously. I think Mehiläinen is a forerunner in taking advantage of data on care," Joutsenniemi says.

Employees at Mehiläinen are given the tools they need to maintain their expertise. "We want to support our physicians and other experts to further develop themselves. We arrange, for example, virtual meetings for specialists to ask for their colleagues' opinions and for sharing information."

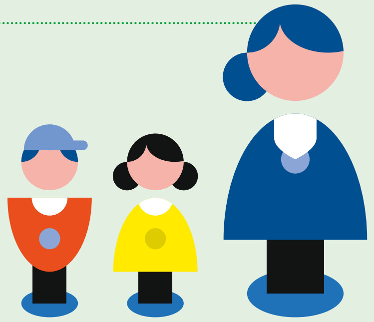

Kaisla Joutsenniemi

Our Customer Promise

1. Ease of Interaction

2. Holistic Service Offering

3. Personalised Service



Together with the Customers

MEHILÄINEN DEVELOPS ITS SERVICES and customer experience in close cooperation with its customers and partners.

The customer is at the core of all our work. In addition to continuously measuring our customer experience with the NPS-index, we collect feedback and opinions from our customers using different studies on service development, corporate image, and target groups. In 2017 more than 160 000 Finns took part in our studies.

Our customers take part in the development of services via our "Asiakasraati" internet panel. In 2017 the panel included almost 10 000 people. Customers can share their views, for example, on our new concepts in healthcare services as well as the development of the OmaMehiläinen application and our online booking system. The outcome of our studies and internet panels are used in all stages of our service development.

Mehiläinen's partners specialised in healthcare and wellbeing, as well as universities and providers of public healthcare are widely involved in the development of our services. The cooperation with our partners helps to develop, for example, pre-emptive occupational healthcare services and our digital services using artificial intelligence.

Healthcare Near You

Mehiläinen outpatient clinics provide general medical services, physician services as well as occupational healthcare all over Finland. OmaMehiläinen application and Digital Clinic are there to make life easier for customers.

MORE THAN 50 OUTPATIENT clinics and over 50 occupational healthcare stations provide Mehiläinen's customers with high quality comprehensive care. Surgical treatment is provided by 11 hospitals. Mehiläinen employs medical experts from 46 areas of medical specialisation.

In 2017, we made substantial investments in our digital services, which are designed to complement the services of our outpatient clinics. With the help of OmaMehiläinen application a customer can visit the physician at the Digital Clinic or order a home delivery for his or her medication. Customers can effortlessly manage their own health information through the application, as it provides access to test results of the examinations as well as their X-ray and MRI images. We have received a lot of positive feedback on our services, and the OmaMehiläinen application has been downloaded over 140 000 times.

Strategic Partnership with LähiTapiola

In 2017 LähiTapiola chose Mehiläinen as its primary national partner in healthcare services. This offers customers with flexibility and new services, such as the "Terve!" service. This service is available for anyone without a preliminary health examination. We also launched together the TerveysHelppi application, which provides the possibility to communicate with healthcare professionals regardless of the location.

New Clinics and Services

In 2017, we also expanded our service network: we opened 6 new outpatient clinics and 7 clinics became a part of Mehiläinen through acquisitions. We strengthened our network of both Felicitas Mehiläinen fertility services and the treatment of top athletes. We introduced new research techniques in health maintenance, including the Hertta-test for cardiovascular health and the Stockholm3-test for diagnosing prostate cancer. We also launched the Customer Benefit Program to support the health and wellbeing of our customers.

In 2018, we will continue to measure the effectiveness of care and develop our health maintenance services. These services help both the patient and the physician in achieving their individual goals.

Jarkko Ahtiainen, Tero Yli-Kyyny

SMOOTH COOPERATION ENSURES FAST CARE

The cooperation between Mehiläinen, Lujabetoni and LähiTapiola helped Jarkko Ahtiainen, 30, from the floorball rink to the operating table in no time.

"IT ALL HAPPENED REALLY FAST," says Jarkko. "Me and my friends were playing floorball on a Sunday, and I made a quick turn in full speed twisting my knee." Jarkko, who works at Lujabetoni, was sent to his occupational healthcare station by his employer. He was sent to see an orthopedist immediately.

Jarkko's employer has an extensive contract on occupational healthcare, so he did not need to wait long to be seen by a specialist. "I had an MRI the same day, and the images showed that at least one of the meniscus was destroyed," he says.

"Lujabetoni invests in its employees. The goal is a healthy, motivated personnel. For these kinds of situations, we have a broad insurance that ensure fast and high-quality services," says the Director of Human Services at Lujabetoni, **Mikko Satuli**.

> **It was great to get help fast, says Jarkko Ahtiainen, the father of 1-year old Alma.**

Onto the Operating Table without Delay

On Tuesday night Dr. **Tero Yli-Kyyny**, orthopedic surgeon, examined Jarkko's MRI's at his home office. "I called Jarkko and asked him if he had any plans for the next day." The time for the knee surgery was booked during the phone call.

The surgery took place in Mehiläinen Kuopio, and Jarkko got to decide for himself if he wanted to have the surgery under general or local anesthesia. "It was a bit frightening, but we made the decision to use an epidural for the surgery, so I was awake the whole time. It made it possible for me to follow the surgery. All in all I think it was the right choice, because the local anesthesia wears out little by little. That way the pain does not hit you with all its power at once after the surgery," Jarkko explains. Jarkko was monitored for a few hours after the surgery, but he was allowed to go home and rest the same night.

"In this case the cooperation between the three parties worked perfectly, with no delays. Jarkko was operated immediately, because it did not take LähiTapiola long to confirm they would cover the expenses, and there was no need for further clarifications," Tero Yli-Kyyny says.

Physical Therapy Helped Jarkko Back on His Feet

Jarkko attended physical therapy after the surgery. With the help of Mehiläinen's Physical Therapist **Minna Laakkonen** he exercised his leg in order to get back on his feet as soon as possible. "It definitely was not the best time for an injury to happen," Jarkko says. His family includes his wife **Sanna** and their one-year-old daughter **Alma**. "It's been great to get help this fast in a situation like this. I've heard stories of having to wait for surgery for a long time."

Rehabilitation takes a lot of persistence and determination, but Jarkko has decided to have a positive attitude. "I had the operation five weeks ago, and I can already walk without support at home. The next step is to build up the muscles in my thighs stronger so it will be easier to put weight on the injured leg."

NPS 94

Our customers are extremely satisfied with our hospitals. NPS for hospitals rose to its all-time high 94.

Supporting Businesses and Personnel in Working Life

The considerable growth of our Working Life Services in 2017 was fuelled by our customers' satisfaction with the best quality in the field* as well as with our extensive digital services.

MEHILÄINEN'S WORKING LIFE SERVICES provide its customers with an extensive range of services in occupational healthcare, physical work capacity, and wellbeing at work. Our customers appreciate Mehiläinen's level of professionalism and geographical coverage. Our digital services for controlling the risks for losing work capacity have also been well received by our customers. The level of quality in our occupational healthcare services and our customer service were rated the best in the field in 2017*.

Investing in Effectiveness

In 2017, our occupational healthcare services grew substantially. Our customer base grew with 10% for the third consecutive year, mainly through extensive organic growth. We had success especially in tendering processes for big companies and in the loyalty and satisfaction of our existing customers. Over 11 500 companies and over 350 000 employees are now covered by Mehiläinen's occupational healthcare services.

Our main focus in the Working Life Services in 2017 was to further develop our digital services. We belive that in order to succeed, services taking the advantage of strong analytics to support the wellbeing of our customers' employees, are needed. As the first ones in our field, we made significant investments in exploiting artificial intelligence in the prediction of working capacity risks. We also invested in the effectiveness of treatment, and into making it visible with the help of our services.

In 2017 we also launched new service models for preventive occupational healthcare as well as fixed price services. Together with LähiTapiola we launched an insurance-based occupational healthcare service mainly aimed at our small and medium-sized business customers.

We continue to further develop our services in 2018, since our aim is to be a forerunner in reforming occupational healthcare also in the future.

**) A survey by Taloustutkimus on the company image of occupational healthcare providers 9–10/2017. The survey had 1 110 respondents.*

COOPERATION PROVIDES PREVENTIVE OCCUPATIONAL HEALTHCARE

The multi-professional team on occupational healthcare and wellbeing formed by Accenture and Mehiläinen is based on a partnership aiming to find new tools for preventive occupational healthcare.

WHAT THE PEOPLE AT ACCENTURE have in common is the desire to self-development, passion about their work, flexibility and the ability to solve their customers' challenges. Accenture is a leading provider of professional services for strategy, consulting, digital solutions, technology and outsourcing. The company employs over 425 000 professionals from more than 120 countries.

"Accenture focuses on comprehensive occupational healthcare and wellbeing at work. This means taking care of mental wellbeing, sense of belonging and good social relations in addition to physical wellbeing," says **Anni Hallila**, HR Director at Accenture Finland.

Wellbeing, not just Treating Illnesses

Accenture's cooperation with Mehiläinen aims at finding new tools for preventive occupational healthcare – ways to maintain and develop wellbeing instead of just treating illnesses. The cooperation is aided by Mehiläinen's digital solutions such as the "Kompassi" tools and the Digital Clinic, as well as the Wellbeing Manager, a person who knows Accenture as a company.

"Good examples of our cooperation with Mehiläinen are the digital wellbeing surveys, occupational healthcare tools for managers and HR, possibilities for education as well as the Accenture Mental Wellbeing programme that is supported by Mehiläinen's professionals," says Hallila.

The cooperation is still new, but the beginning has shown great promise. Both parties want to create sustainable wellbeing and renew traditional occupational healthcare with new innovations.

"Tomorrow's labor market emphasises renewal, learning, and emotional intelligence. Self-management and the ability to transform and perform under pressure are important skills for an employee. At its best, occupational healthcare can support these skills," Hallila states.

"We are looking forward to taking part in pilot projects and to designing the occupational healthcare of the future together with Mehiläinen."

Anni Hallila

"MyHealth concept is a service entity for health and wellbeing that aims to provide energy, wellbeing and passion for work for the personnel at Accenture. It has a strong focus on preventive measures, including extensive healthcare and individual coaching pathways that support wellbeing. The concept is supported by digital services."

Hammas Mehiläinen Dental Care Ensures Quality

Hammas Mehiläinen offers high quality diagnostics and warm and friendly dental care. Services range from preventive care by dental hygienists to demanding specialised dental care.

HAMMAS MEHILÄINEN CLINICS provide high quality dental care services at more than 30 clinics and 9 dental laboratories around Finland. Some of our dental care clinics are located in the same premises with Mehiläinen's outpatient clinics.

We emphasize quality in everything we do. Our quality system fulfills the demands of the ISO 9001:2008 standard and the quality certificate of our clinics covers our operation comprehensively. This can be seen in increased customer satisfaction, effectiveness of care, reaching to our promise on availability of care, and in patient safety.

High Technology Close to the Customer

The year 2017 was a year of growth for Hammas Mehiläinen. Both the number of clinics and professionals providing services grew. Our customer service as well as our constantly developing online and mobile services made it easier to reach us. Last year's growth was also fuelled by further developing high technology and 3D imaging services. Through the acquisiton of the business operations of Tomodent, specialising in dental X-ray examinations, and by opening a new imaging facility, Hammas Mehiläinen became the forerunner of technical development in its field.

Hammas Mehiläinen also provides dental care services for municipal customers. We are participating in the customer's freedom of choice pilot project in health and social services in Keski-Uusimaa. In 2018 we will also participate in the alliance model in Tesoma, City of Tampere.

The private dental care market has experienced some setbacks due to decreases made to Kela's compensation rates as well as due to the expectations for the social and healthcare reform, which seems to have led to procrastination in seeking treatment. This trend causes concern, and will inevitably lead to an accumulated need for treatment. The possible prolonged problems and infections may have an effect to an individual's general health. We want to do our share in supporting public health by providing high quality dental care for everyone.

Taru Kuosmanen

THE ALLIANCE MODEL BRINGS WELLBEING TO TESOMA

The City of Tampere and Mehiläinen will begin to provide with wellbeing services with an alliance model. The innovative approach provides residents of Tesoma with the best features of private and public wellbeing services.

THE ALLIANCE MODEL IS AIMED to create a new model of services provided by the city, the private sector, organisations, and the residents. Mehiläinen is the first to run a pilot model, enabling wellbeing to a whole neighborhood.

In the future, Mehiläinen is to take over the main responsibility for providing services at the Tesoma health centre, dental care for adults, units of intensified residential care, and home services.

Focusing on Openness and Measuring Effectiveness

Taru Kuosmanen, the Head of the Executive Board of the alliance group, says the model gives a completely new perspective on wellbeing services and how they can be developed. "The best thing about the alliance model is that we can genuinely take advantage of the best features of public and private healthcare services," she states. Kuosmanen has an experience of over ten years from positions in both child welfare services and social services in the City of Tampere.

One of the aspects the pilot focuses on is measuring the effectiveness of the services. The measures developed together make sure all the participants are committed to the same goals.

"This model increases the openness of our operations. The alliance shares the profits and risks of the project and all decisions are made together, taking the customers' needs into consideration," Kuosmanen states and continues: "I see the Tesoma wellbeing alliance primarily as a launchpad for innovations that we will continue to develope in the future."

The Forerunner in Public Healthcare Services

Oma Lääkärisi health centres as part of the customer's freedom of choice, led Mehiläinen's growth in public healthcare services in 2017. Oma Lääkärisi health centres already have around 150 000 signed up customers.

OMA LÄÄKÄRISI HEALTH CENTRES function as a part of the public network of health centres. They provide the customer with all the services included in public healthcare. Oma Lääkärisi health centres base their service in customer focus and in measuring the effectiveness of the treatment accurately.

Mehiläinen's success with Oma Lääkärisi health centres continued in 2017. Customer satisfaction remained at a high level and the availability of physician appointments excellent. New centres were opened in Hyvinkää, Hämeenlinna, Tampere and Jyväskylä. The number of customers signed up to Oma Lääkärisi health centres is expected to rise to over 240 000 individuals in 2018, as new units will be opened in Lohja, Tesoma in Tampere and in Meri-Lappi.

Five centres opened in 2017 and participating in the customers' freedom of choice pilot projects fueled the success of our Oma Lääkärisi health centres. Over 5 600 customers signed up to the pilot projects. Mehiläinen is the market leader among the pilots' service providers and the number one choice for the Finns with over a 30% market share.

Digital Services for Public Healthcare

Digital services provide our public healthcare customers with the same flexibility and ease as in the private sector. In 2017 we introduced the OmaMehiläinen application and condition and urgency recognition system to our customers in the Keski-Uusimaa freedom of choice pilot project. The system includes a preliminary diagnosis based on the symptoms and the possibility to request an appointment with the physician. When private service providers are allowed to take part in the public healthcare services, digitalization takes leaps forward. This means better services with easier access to the customers.

High Quality Local Services and Specialised Medical Care

Municipality of Siikalatva outsourced all of its healthcare and social care services to Mehiläinen. 2017, the first complete year of operation provided the customers with more local services and no waiting lists in specialised medical care. The fixed-prize contract resulted in direct savings of EUR 1.5 million for the municipality in 2017.

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Outsourcing social care and health care services has made access to care easier and raised the quality of specialised healthcare, says municipal mayor Pauli Piilmaa from Siikalatva.

Kotipalvelu Mehiläinen Grow Significantly

Mehiläinen provides a wide array of other public healthcare services such as on-call emergency care services and staffing of physicians and nurses for primary healthcare and dental care. We also provide meal and safety phone services as well as home-based care services from Kotipalvelu Mehiläinen. Kotipalvelu Mehiläinen expanded its services nationwide during 2017 especially in home-based services for the disabled and in personal assistance services. We received more than 40 new municipal customers in 2017.

THE QUALITY AND EFFECTIVENESS OF CARE IS AT A HIGH LEVEL

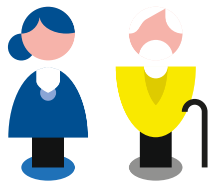
More than

260 000

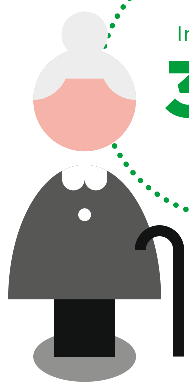
customer visits at Oma Lääkärisi health centres

Signed up customers around

150 000



Customer satisfaction at **90%**



Increased

34%

Care balance of LDL-cholesterol in coronary heart disease patients at the Oma Lääkärisi centres in City of Espoo has risen by 34% from 2015 to 2017.

LIFE OF AN ARTIST AT MAINIOKOTI

Ulla-Maija Stenman looks at the artwork on the walls of her room in Mehiläinen's Mainiokoti Käpylä and smiles. Her room in Mainiokoti is furnished with her own paintings and furniture from the house she used to live in.

RESIDENTS IN MAINIOKOTI KÄPYLÄ get to choose how they want to live their everyday life. There are plenty of activities to choose from, but the residents can also choose to spend time in their own rooms, if in need of peace and quiet. Ulla-Maija, who moved to Mainiokoti after she was diagnosed with a memory illness, will turn 87 years old later his year. "I've lived here for three years, and I've enjoyed it very much."

The feeling of home is what the former artist and mother likes most about her room. The walls are covered with her own paintings and the furniture moved in with her from her old home. The photo of the summer cottage above the wall calendar and the family portraits placed on the cupboards tell the stories of four generations. "Ulla-Maija is very particular about where each picture or flower vase is placed," says her personal caregiver **Ene Polluks** and continues: "We want our residents to feel safe and at home at all times."

A Personal Caregiver Gives Support and Safety

"All the caregivers here are so nice. We're all good friends," Ulla-Maija says and strokes Ene's hand gently. The caregiver's mission is to provide the residents with support and safety around the clock.

Ene is a practical nurse and works as a team leader at Mainiokoti. She has worked as a caregiver for over a decade, and she enjoys her job. "We're here for the residents. Every day I get to feel how my work helps the residents and gives them joy, and that gives back a lot," she says and smiles to Ulla-Maija.

All the nurses here are so nice. We're all good friends, says Ulla-Maija Stenman.

Stimulating Activities Provide Variety to Everyday Life

Different stimulating activities are provided daily for the residents of Mainiokoti. Today the residents try to remember the functions of old artifacts with the help of pictures. "We show the residents a picture of an old piece of furniture or a tool, and then discuss what kinds of memories it brings back to them," Ene explains.

Other stimulating activities include picnics and musical performances in Mainiokoti's dining room. "Ulla-Maija always takes part in the provided activities. She specially likes the musical performances," she adds.

Some of the paintings Ulla-Maija has created during her long life are hung on the Dining room walls, giving joy to everyone living, visiting or working at Mainiokoti.

Over **100 000** individual get-togethers during the year. Individual get-togethers are one-on-one time with personal caregivers that is planned according to the resident's preferences.

Ene Polluks, Ulla-Maija Stenman

Good Life at Our Care Homes

The Mehiläinen residential care services aim to provide all residents a good life, taking into account their individual needs. We offer residential care services for the elderly, disabled and mental health rehabilitees.

THE MEHILÄINEN RESIDENTIAL CARE HOMES invest in high quality care. In 2017 we introduced a quality programme in our care homes, focusing on each resident's individual needs for a good life. The programme is based on five areas:

1. individual care, nursing and guidance
2. tasty and healthy nutrition
3. sense of community and participation
4. a cosy home
5. safety

We carried out 12 different quality procedures in all of our residential care homes nationally, covering all different areas in the quality programme. An example of these procedures is individual resident get-togethers that have been planned according to the resident's preferences. At the moment we carry out over 300 individual resident get-togethers per day, totaling up to over 100 000 per year. We will continue to invest in quality in 2018 by implementing a quality indicator that will showcase all the good work that our employees do at our care homes.

21 New Residential Care Homes

The network of our residential care homes grew significantly in 2017. We opened 9 new homes, and 12 existing homes became a part of the Mehiläinen Group through acquisitions. At the end of the year 2017 our 129 care homes had a capability of over 4 800 residents. More than 2 400 employees work in our residential care homes.

Effective Child Welfare Services

Familar, a part of the Mehiläinen Group, is the leading private provider of child welfare services in Finland.

FAMILAR PRODUCES HIGH QUALITY child welfare and family services, including institutional and non-institutional care within child welfare as well as preventive family services as stipulated in the law on social welfare. Over 1 000 professionals produce these services in 62 units around Finland.

Familar bases its services on building a better future by advancing the wellbeing of children and families together with them. Life in Familar units is filled with ordinary things – school, excursions, and hobbies – as well as joined insights between children and adults. During 2017 daily life was colored by the expansion of three units and the introduction of new programmes for the personnel's further education and operation control.

Strong Support for Foster Families

Feedback collected form our foster families and social workers suggested that the coaching models used by modern foster care are not sufficient for providing the needed tools to face present-day challenges. Our new model of intensified support makes it possible to provide foster family care even for the more challenging children. In addition we use the high quality training based on experience and the latest information gained through research. It provides our foster families with the skills to function as a part of our multi-professional network to secure the needed care for the child.

We All Invest in Quality

The entire personnel at Familar invests in high quality, which is reached by cooperation with our customers. Our aim is that the care in all our units meets the same quality standards. Our customer satisfaction survey revealed that 93% of the social workers were planning to continue using our services in the future. One of the social workers commented: "The Familar personnel respects both the end customer and the client they provide the service for. Their way of working is an example to us all, the team is committed and clearly has a good team spirit."

Janko Tipsarević thanks the professional staff of Mehiläinen NEO and praises the modern facilities: "Everything was top level."

Lasse Lempainen

Operation Was Done by the Field's Top Phycisians

Janko Tipsarević, an ATP ranked tennis star injured his hamstring muscle in Wimbledon last summer. When the injury recurred during US Open, the personal doctor of the tennis player sent him to be operated at Mehiläinen NEO in Turku.

"ACCORDING TO MY DOCTOR DR. ANGEL COTORRO, the NEO orthopaedists **Sakari Orava** and **Lasse Lempainen** are the best in the business. Dr. Cotorro wanted them to treat me," Tipsarević says.

The MRIs taken at Mehiläinen NEO revealed a tore on the hamstring muscle also on the other side, which had started to show symptoms a few months back. Lempainen and Orava decided to operate both injuries during the same operation.

"Janko's operation went according to plans even though the increased size of the hamstring muscles added some extra challenge. He now has a carefully planned recovery period ahead of him, but I believe he will return to the top of the game. Janko certainly doesn't lack the motivation to do it," orthopaedist Lasse Lempainen says.

Recovery Is a Team Effort

After the operation began the rehabilitation towards return to the tennis courts. Lempainen and Tipsarević have been keeping in touch regularly via emails and phone calls. MRI files can be sent online so there is no need for the patient to travel to City of Turku.

"Lasse Lempainen has been incredibly helpful. We are in contact couple of times a week and he has guided me and my team through the recovery process," Tipsarević emphasises.

Janko Tipsarević is returning to the tennis courts during the spring of 2018.

Janko Tipsarević

- Born June 22, 1984 in Belgrade, Serbia
- Started playing tennis at the age of 6
- Ranked number 8 in the ATP listing in 2012
- Has won four ATP World Tour titles and one ATP Doubles title

OUR EXPERTS AT YOUR SERVICE

Mehiläinen employes over 14 000 social care and healthcare professionals. Our employees are offered meaningful work throughout their career.

MEHILÄINEN PROVIDES VARIOUS WORK opportunities for professionals in the social care and healthcare services in over 360 units all over Finland. The know-how and experience of our professionals are at the core of our services. We invest in quality and expertise as well as individual skill development especially through education and work rotations.

Mehiläinen employes a wide range of leading experts. At Mehiläinen, there are physicians with 46 different medical specialities, when overall in Finland there are 50 specialities in use. Through investments and organic growth, we expect to recruit over 1 000 social care and healthcare experts during 2018. In this regard, we are positively affecting the employment rate all over Finland.

Employee Satisfaction at a Good Level

Mehiläinen's yearly employee satisfaction survey results were overall at an excellent level. Our personnel is committed and excited about their work and find it meaningful. Commitment to Mehiläinen and experience of Mehiläinen as an employer grew stronger compared to last year. Employees are largely satisfied with the supervisory work.

DIFFERENT OCCUPATIONS AND MEDICAL SPECIALITIES REPRESENTED

Three largest occupations

Nurses

Practical nurses

Social workers

46

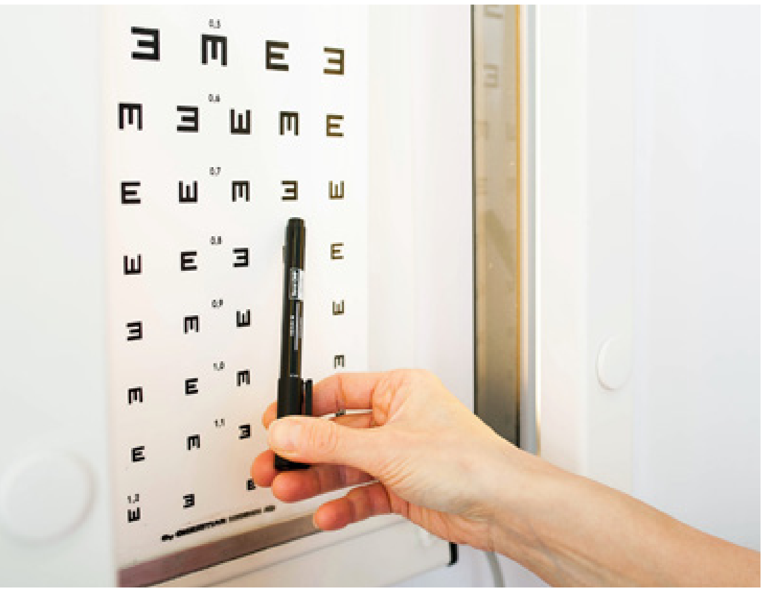
Medical specialities represented

Employee satisfaction

3.85/5

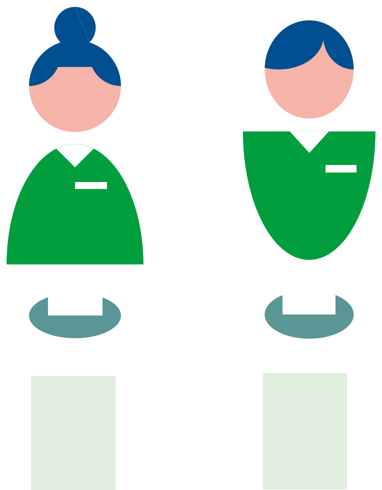
(Year 2016, average 3.81)

Mehiläinen has over 4 300 physicians, of which 3 200 work as private practitioners.



OPPORTUNITIES FOR DIFFERENT CAREER PATHS

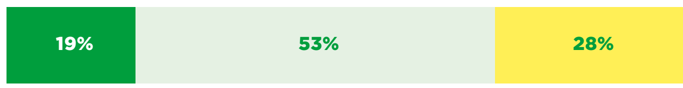
Gender dispersion



87%

13%

Different age groups represented



< 30 years · 30–50 years · > 50 years

We expect Mehiläinen's growth and development to continue. Based on our investments and expansions, we expect to recruit 1 000 new employees by the end of 2018.

Owners of Mehiläinen

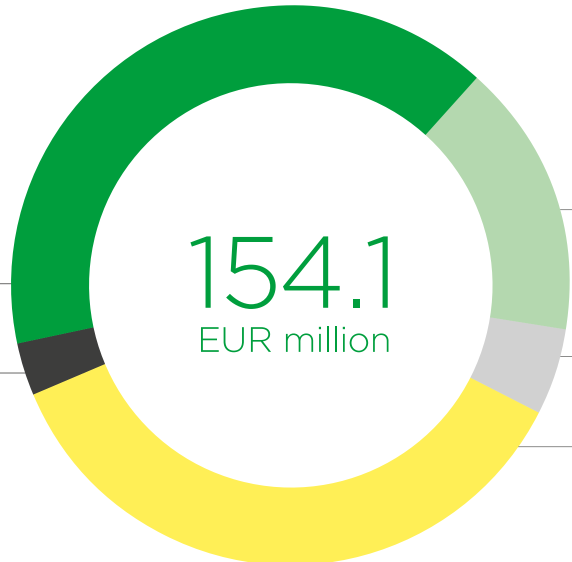
MEHILÄINEN IS OWNED BY the funds administered by private equity investment firms Triton and KKR, LähiTapiola, pension insurance companies Ilmarinen and Varma as well as private persons including the management of Mehiläinen. Other Finnish owners such as Kuntien eläkevakuutus are Mehiläinen's owners through the above-mentioned funds.

Juridically Finnish Mehiläinen Oy is owned by Mehiläinen Holding AB, which is administered through ACTR Holding AB by Actor SCA, which is registered in Luxembourg and where funds administered by Triton and KKR have the decision making power. LähiTapiola, Varma and Ilmarinen are co-owners through Mehiläinen Holding AB. The investments by Finnish private persons are made through holding companies registered in Luxemburg, and where funds administered by Triton and KKR have the decision making power. The Finnish private persons are subject to taxation in Finland on their possible investment gains or losses.

Shares of Ownership

Triton and KKR	76.3%
LähiTapiola	9.2%
Ilmarinen	3.7%
Varma	3.7%
Management and other private persons	7.1%

Tax Footprint



- Withholding taxes
- Purchase related VAT not deducted by Mehiläinen
- Corporate taxes
- Employer social security payments
- VAT invoiced by Mehiläinen

52.8 EUR million

Tax footprint of private practitioners

Estimate. Comes on top of the Mehiläinen Tax footprint.

MEHILÄINEN MANAGEMENT

CEO

Janne-Olli Järvenpää
Born 1971
M.Sc. (Econ.), MBA (Insead)

Before diving into entrepreneurship, Janne-Olli gained a decade of international experience at Bain & Co and Cisco Systems in London, Stockholm, Silicon Valley, Helsinki and the Baltic countries. He founded Mediverkko in 2001 and grew it into a company with more than 2 000 employees, before it merged with Mehiläinen in 2015. Janne-Olli has been the CEO of Mehiläinen since 2015.

Business Management

Johanna Asklöf
Born 1972
M.D., MBA
Outpatient Clinics, South

Healthcare expertise combined with strong leadership experience. Background in outpatient clinics, hospitals, working life services and residential care services. Johanna has been working at Mehiläinen since 2007.

Anssi Hartiala
Born 1979
M.Sc. (Tech.)
Outpatient Clinics, North

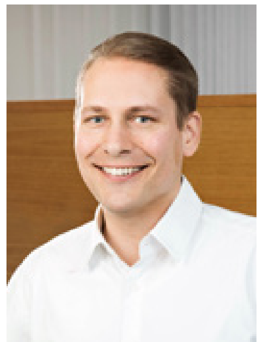
Over a decade of experience in business development, successful digital services development and leadership in the healthcare sector. Anssi has been at Mehiläinen since 2006.

Niklas Härus
Born 1986
M.Sc. (Econ.)
Residential Care Services

Experienced social care and healthcare services leader. Previous experience from i.e. Ernst & Young. Niklas came to Mehiläinen through Mediverkko in 2010.

Antti Miettinen
Born 1976
M.Sc. (Econ.)
Occupational Healthcare Services

Extensive experience in the service business, developing services for corporate clients and from leading sales i.e. at IBM and Ilmarinen. Antti has been working at Mehiläinen since 2015.



Markku Näreneva
Born 1980
M.D.
Public Healthcare Services

Markku has been producing, developing and leading public healthcare services for a decade. Markku came to Mehiläinen through Mediverkko in 2005.

Harri Pomell
Born 1974
M.Sc. (Tech.)
Child Welfare Services

15 years of experience in the social care and healthcare services sector. Experience from i.e. GlaxoSmithKline. Harri came to Mehiläinen through Mediverkko in 2006.

Erkki Virta
Born 1966
D.M.D
Dental Care Services

Over 15 years of experience in developing and leading dental clinics. Erkki came to Mehiläinen through Mediverkko in 2011.

”

Our job is to create more health and wellbeing to Finland – together with our customers.

Support Functions Management

Kalle Alppi
Born 1976
B.Eng.
IT-management

Efficient technology and business integrator. CIO of the Year in 2015 that has experience from Rovio and Kesko as IT Director. Kalle has worked at Mehiläinen since 2016.

Jarmo Karpakka
Born 1957
Docent, Specialist, M.D.
Chief Medical Officer, Quality

Chief Phycisian in specialised healthcare both in the private and public sectors for 26 years. Jarmo has been at Mehiläinen since 2004.

Anu Kolari
Born 1974
MA Psych
Human Resources

Developer of leadership and compensation, HR-expert. Experience from i.e. Aalto University and Finland's Compensation Center. Anu has worked at Mehiläinen since 2006.

Sami Koski
Born 1968
LL.M. with court training
Legal Affairs

Long-standing Legal Affairs Director at Mehiläinen. Experience from i.e. Kemira. Sami has worked at Mehiläinen since 2005.

Herkko Soininen
Born 1972
M.Sc. (Econ.), M.Sc. (Tech.)
CFO

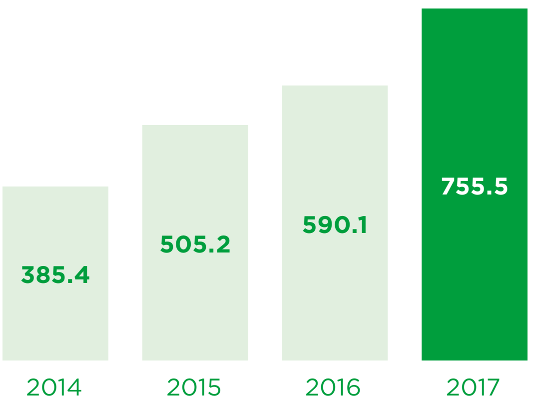
Experience as Rovio's and Savcor's Financial Director and from operative leadership at SmartTrust. Herkko has worked at Mehiläinen since 2015.

Ove Uljas
Born 1966
M.Sc. (Econ.)
Marketing, Communications and Customer Service

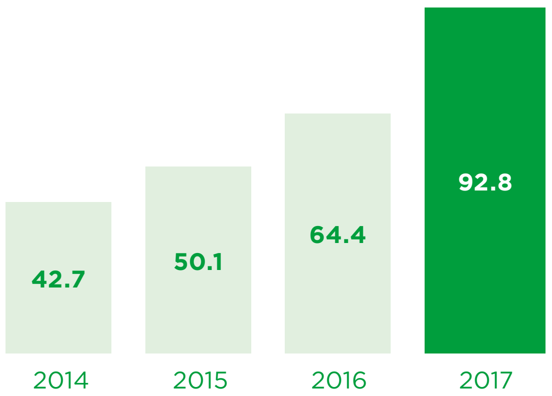
Vast experience in business leadership and development. Experience i.e. as Pfizer's CEO. Ove has worked at Mehiläinen since 2014.

KEY INDICATORS

REVENUE
EUR million



UNDERLYING EBITDA*



KEY INDICATORS*
EUR million

	2015	2016	2017
REVENUE	505.2	590.1	755.5
UNDERLYING EBITDA	50.1	64.4	92.8
UNDERLYING EBITA	36.4	47.1	73.3
PROFIT FOR THE YEAR	6.3	13.2	37.4

	2015	2016	2017
REVENUE GROWTH %	31.1	16.8	28.0
UNDERLYING EBITDA %	9.9	10.9	12.3
UNDERLYING EBITA %	7.2	8.0	9.7

* Underlying EBITDA is operating profit before depreciation, amortization, impairment losses and items affecting comparability, and underlying EBITA is operating profit before depreciation and amortisation arisen in business combinations, impairment losses and items affecting comparability. EBITDA % and EBITA % have been calculated based on underlying EBITDA and underlying EBITA.

Detailed financial results are published on page 31.

Mehiläinen Oy Financial Statements and Report of the Board of Directors

1 January – 31 December 2017

MEHILÄINEN

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Report by the Board of Directors 1 January – 31 December 2017

Mehiläinen's revenue growth was strong for the third consecutive year in 2017. Mehiläinen Group's revenue grew 28.0% from the previous year, reaching EUR 755.5 million. The growth was profitable, and the profit for the year almost tripled and reached EUR 37.4 million.

The positive business development was reached both organically via customer acquisition and new unit openings as well as through acquisitions. The growth was supported by, for example, the strategic partnership deal made with LähiTapiola in June 2017, the acquisition of NEO Terveys Group ("NEO") in May 2017 and the very strong development of Mehiläinen's social care services. The financial performance was supported by not only revenue growth but also by higher utilisation rates in social care services, better operative efficiency in healthcare services and the successful integration of acquired businesses.

Mehiläinen's customer base includes private customers, companies, insurance companies and municipalities, as well as other public organisations. Mehiläinen Group's healthcare services include Mehiläinen outpatient clinics, occupational healthcare services, hospitals, public healthcare services and dental care services. The social care services include child welfare services and care services for the elderly, disabled and mental health rehabilitees.

The growth in the number of Mehiläinen's customers continued in 2017. The number of visits by private customers in both the outpatient clinics and dental care clinics developed positively despite the challenging market situation. According to the statistics of the Social Insurance Institution of Finland (KELA) Mehiläinen's market share among private self-paying customers grew from the previous year. Another significant factor impacting the number of customers was the cooperation and partnership with LähiTapiola, which is expected to increase the number of insurance-based customers also in 2018. During the year 2018 Mehiläinen and LähiTapiola are planning to develop new and innovative insurance and healthcare services for their mutual customers.

The number of customers covered by Mehiläinen's occupational healthcare services grew for the third consecutive year, and exceeded 350 000 at the end of 2017. Mehiläinen acquired a net amount of 1 700 new corporate clients and the number of employee customers grew by over 40 000 customers. The majority of the growth was organic, while a small amount came from acquisitions.

During 2017, Mehiläinen made several new contracts with municipal customers and deepened the cooperation with the existing ones. Mehiläinen reached market leading position in the health and social care reform related freedom-of-choice pilots which were launched in 2017, with approximately 30% share of the customers signed up with the pilots. Altogether approximately 150 000 Finns were signed up with Mehiläinen's public service Oma Lääkärisi health centers by the end of 2017. During 2017 Mehiläinen also won several significant tenders for outsourced public healthcare. In addition, Mehiläinen successfully produced the social and healthcare services for Siikalatva municipality since the service production's commencement in January 2017.

The growth and development of Mehiläinen's social care services continued to be strong during 2017. Mehiläinen opened almost 900 new beds by building new residential care homes as well as by making small bolt-on acquisitions. The Group made investments in increasing the quality of the meal services and into making the homes cozier and more home-like. The utilisation rate in the existing units developed positively, and the ramp-up of new units met the expectations. The organic growth within foster family care and home care services was also substantial.

During 2017 Mehiläinen Group invested especially in developing digitalisation in healthcare services and in measuring the quality and effectiveness of care. The Group took advantage of machine learning in making customer service more effective, introduced digital means to evaluate the need for care, and launched a project for developing the use of artificial intelligence in recognising working capacity risks.

During the financial year 2017 Mehiläinen carried out significant investments into growth. The Group made several acquisitions in both social care and healthcare services, the largest being the acquisition of NEO Terveys Oy and its subsidiaries in May 2017. NEO, now merged with Mehiläinen Oy, provided general and specialised healthcare, dental care and other services in 38 different areas of medical specialisation in Turku and Salo. NEO also has a day surgery hospital in Turku. The net cash flow used by the Group for acquisitions of companies and businesses amounted to EUR 65.5 million (2016: EUR 41.1 million).

Mehiläinen opened several new units and launched a substantial amount of building projects for further new units – especially residential care homes – to be opened in 2018. Gross investments by the Group exclusive of acquisitions amounted to EUR 20.6 million (2016: EUR 18.0 million).

In 2018 Mehiläinen expects to grow as a provider of publicly funded specialised healthcare services through cooperation agreements and contracts on outsourced services. At the end of 2017 Mehiläinen announced a cooperation agreement with the Hospital District of Helsinki and Uusimaa (HUS), which included Mehiläinen becoming a minority owner in HUS's subsidiaries, Orton Oy and HYKSin kliiniset palvelut Oy. Other significant projects in 2018 include the Tesoma wellbeing center in Tampere, which will be carried out based on an alliance model, as well as the scheduled launch of service production of Mehiläinen Länsi-Pohja Oy with the municipalities of Meri-Lappi.

Group key indicators

EUR 1 000	2017	2016	2015
Revenue	755 544	590 090	505 245
Revenue growth %	28.0	16.8	31.1
EBITDA	84 954	55 942	45 153
% of revenue	11.2	9.5	8.9
Underlying EBITDA *)	92 797	64 358	50 086
% of revenue	12.3	10.9	9.9
EBITA	65 411	38 641	31 418
% of revenue	8.7	6.5	6.2
Underlying EBITA *)	73 254	47 057	36 351
% of revenue	9.7	8.0	7.2
Operating profit	59 440	33 103	22 820
% of revenue	7.9	5.6	4.5
Profit for the year	37 406	13 190	6 311
Net cash flow from operating activities	61 336	30 387	31 001
Return on equity %	43.0	37.0	16.5
Return on investment %	14.0	9.7	12.3
Equity ratio %	18.3	13.7	0.8
Gearing %	300.2	419.8	9 848.3
Interest-bearing net debt	316 840	287 012	294 785
Assets total	576 396	498 089	384 712
Average number of personnel	5 888	4 502	3 798
Employee benefit expenses	319 075	250 519	207 703

*) Adjustments included in the underlying EBITDA and EBITA are presented in the note 26 to the financial statements. Items affecting comparability include transactions that are exceptional and outside the ordinary course of business, such as acquisition related expenses and income, which include transfer taxes, advisor fees, changes in fair value of contingent considerations and other expenses resulting from acquisitions; expenses related to integration of acquired businesses and restucturing of business operations, which include expenses for combining sites, onerous lease agreements for premises not in use and measures to rationalise operations; and impairment losses.

More key indicators are presented in section Group key indicators.

Parent company key indicators

EUR 1 000	2017	2016	2015
Revenue	416 440	379 496	376 263
Revenue growth %	9.7	0.9	-1.2
EBITDA	41 781	33 783	32 827
% of revenue	10.0	8.9	8.7
Operating profit	27 306	19 950	21 855
% of revenue	6.6	5.3	5.8
Profit for the year	11 199	4 170	6 723
Return on equity %	15.9	11.7	15.7
Return on investment %	6.6	6.1	11.5
Equity ratio %	14.3	13.5	2.0
Interest-bearing net debt	353 806	302 872	268 077
Assets total	536 614	471 838	382 185
Average number of personnel	2 094	2 004	2 416
Employee benefit expenses	125 335	120 705	129 017

Revenue

The revenue of Mehiläinen Group was EUR 755.5 million in the financial year 2017 (2016: EUR 590.1 million). The revenue growth, 28.0%, was supported by both organic growth through acquisition of new clients and opening of new units as well as business acquisitions. Revenue growth without acquisitions was 9.5%. Organic growth was mainly due to the holistic outsourcing of social care and healthcare services in Siikalatva municipality started in January, growth in the number of customers in occupational healthcare, as well as new care and healthcare units. Non-organic growth came primarily from the acquisition of Mainio Vire in August the previous year and NEO in May 2017. The Group also made several small bolt-on acquisitions. The revenue of parent company Mehiläinen Oy grew by 9.7% to EUR 416.4 million (2016: EUR 379.5 million).

	Group	
EUR 1 000	2017	2016
Revenue		
Healthcare services	502 110	415 236
Social care services	253 434	174 853
Total	**755 544**	**590 090**

The revenue growth in healthcare services was affected by the Siikalatva holistic outsourcing that commenced at the beginning of 2017, the positive development of Mehiläinen's occupational healthcare services business, the growth in the value of services provided by outpatient clinics, acquisition of NEO in May 2017 and the home services acquired in connection to the Mainio Vire acquisition.

The long-term partnership between Mehiläinen and LähiTapiola agreed in June has started as expected. It is expected to give significant support to developing Mehiläinen's services in outpatient clinics and hospitals as well as the expansion of the service network. Mehiläinen is taking part in national freedom of choice pilots as a service provider within public healthcare services. Mehiläinen has four ongoing pilots in Hyvinkää, Hämeenlinna, Tampere and Jyväskylä. Mehiläinen also won several significant tenders for outsourced public healthcare, the largest one being the Länsi-Pohja hospital district's tendering concerning primary healthcare and specialised healthcare within the area. The service production of Länsi-Pohja is scheduled to be launched in June 2018.

The revenue growth in social care services is mainly due to the significant growth in the volume of business after the acquisitions of Mainio Vire and MilaPro the previous year. The revenue was also increased by opening new units, growth in utilisation rates in child welfare services and in services for mental health rehabilitees and the disabled, as well as small bolt-on acquisitions. Mehiläinen launched several building projects for new units, which is expected to increase the number of beds in residential care services significantly during the year 2018.

Profit

EBITDA for the financial year amounted to EUR 85.0 million (2016: EUR 55.9 million), with a growth of EUR 29.0 million. EBITDA was equivalent to 11.2% of revenue (2016: 9.5%). EBITDA includes items affecting the comparability of EUR -7.8 million (2016: -8.4 million), mainly expenses related to acquisition and integration as well as other restructuring of operations and unit network. Mehiläinen Group's underlying EBITDA adjusted for items affecting the comparability was EUR 92.8 million (2016: EUR 64.4 million) with a growth of EUR 28.4 million. Underlying EBITDA was equivalent to 12.3% of revenue (2016: 10.9%). The significant growth of the EBITDA was supported by growth generated by new customer acquisition and opening of new units as well as growth in utilisation rates in social care services, higher operational efficiency in healthcare services and the successful integration of acquired businesses. The operating profit for Mehiläinen Group was EUR 59.4 million (2016: EUR 33.1 million).

The parent company Mehiläinen Oy's EBITDA was EUR 41.8 million (2016: EUR 33.8 million) and operating profit EUR 27.3 million (2016: EUR 20.0 million).

The Group's profit for the year was EUR 37.4 million (2016: EUR 13.2 million). Finance income and expenses amounted to EUR -14.3 million (2016: EUR -16.6 million). The income taxes for Mehiläinen Group were EUR -7.7 million (2016: EUR -3.3 million). The parent company Mehiläinen Oy's profit for the year was EUR 11.2 million (2016: EUR 4.2 million).

Cash flows

Supported by the profitable and strong growth Mehiläinen Group's net cash flow from operating activities in the financial year 2017 was EUR 61.3 million (2016: EUR 30.4 million). Change in working capital was EUR -1.6 million (2016: EUR -6.5 million), net finance expenses paid amounted to EUR -14.4 million (2016: EUR -20.4 million) and taxes paid amounted to EUR -7.3 million (2016: EUR -2.7 million).

Mehiläinen's net cash flow from investing activities in the financial year 2017 amounted to EUR -85.3 million (2016: EUR -58.7 million). The net cash used for the acquisition of subsidiaries and businesses amounted to EUR -65.5 million (2016: EUR -41.1 million) and investments in property, plant and equipment, and intangible assets was EUR -20.6 million (2016: EUR -18.0 million) mainly due to investments in equipment and premises of medical clinics.

Group's net cash flow after investments (total of net cash flow from operating activities and net cash flow from investing activities) was EUR -23.9 million (2016: EUR -28.3 million).

Group's net cash flow from financing activities was EUR 16.3 million (2016: EUR 37.2 million).

Financial position

Mehiläinen Group's equity at the end of the financial year 2017 amounted to EUR 105.6 million (2016: EUR 68.4 million) and Mehiläinen Oy's equity was EUR 76.7 million (2016: EUR 63.9 million).

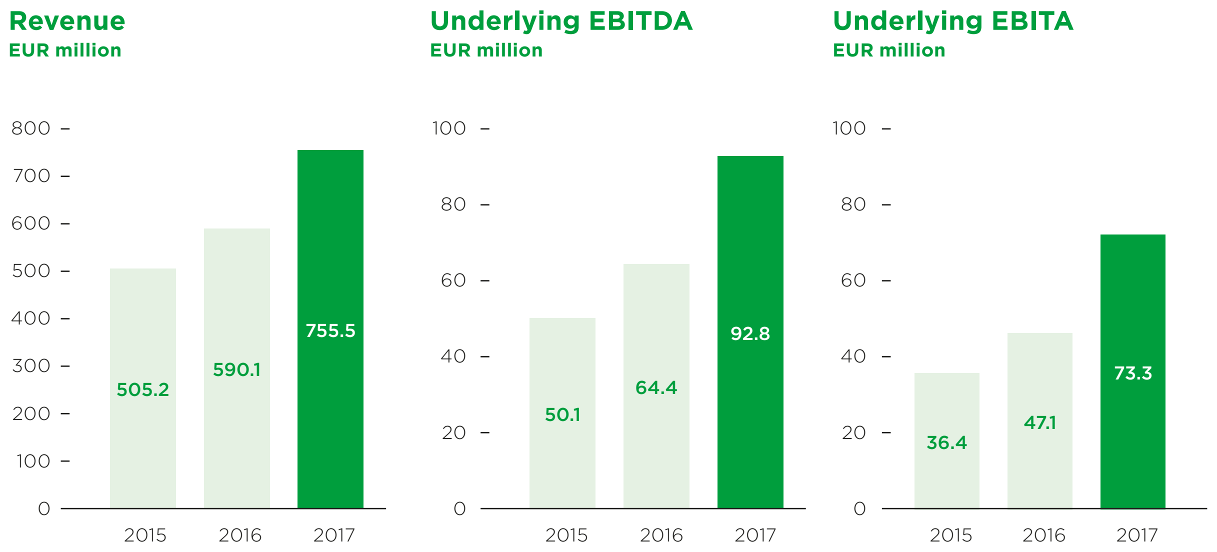
The Group's cash and cash equivalents at the end of the financial year 2017 was EUR 32.0 million (2016: EUR 39.6 million). The Group's interest-bearing net debt at the end of the financial year amounted to EUR 316.8 million (2016: EUR 287.0 million). At the end of the financial year 2017 the Group had unused committed financing facilities worth EUR 60.5 million (2016: EUR 29.4 million). The Group complied with the senior facilities agreement's covenant terms on 31 December 2017.

Mehiläinen Group's total assets at the end of financial year 2017 were EUR 576.4 million (2016: EUR 498.1 million). The Group's gearing at the end of the financial year 2017 was 300.2% (2016: 419.8%). The return on investment in the financial year 2017 reached 14.0% (2016: 9.7%) and the return on equity 43.0% (2016: 37.0%).

Changes in the Group structure during the financial year

Mehiläinen Group acquired NEO Terveys Oy with its subsidiaries on 12 May 2017. NEO Terveys Group included subsidiaries Neuro NEO Oy, NEO Healthcare International Ltd, Kritima Oy and KritimaTec Oy. NEO provided general and specialised healthcare, dental care and other services in 38 different areas of medical specialisation in Turku and Salo. NEO also has a day surgery hospital in Turku. NEO employed approximately 300 healthcare professionals. The gross revenue for NEO Group in 2016 was EUR 22.6 million.

Group



Mehiläinen Group acquired three businesses providing outpatient and occupational healthcare services: Kajaanin Lääkärikeskus Oy on 1 April 2017, Kouvolan Lääkärikeskus Oy on 14 November 2017, and Lapin Lääkärikeskus Oy on 31 December 2017. The Group also acquired Adenova Lääkärikeskus Oy, provider of gynaecological services, on 1 June 2017, Väestöliiton klinikat Oy, provider of fertility treatments, on 6 April 2017, and the outpatient clinic business of Hangon Lääkäritalo ja Fysioterapia Oy on 2 January 2017. Mehiläinen acquired 50% of associated company Kotkan Radiologikeskus Oy on 16 February 2017.

Mehiläinen Group acquired dental care businesses from Dentist Saila Häkkinen on 1 January 2017, from Tomodent Oy on 31 January 2017, from Dentist Ulla Kantelinen on 1 February 2017, from Dentist Irmeli Meriläinen on 24 April 2017, from Dentuno Oy on 25 April 2017, from Parodent Oy on 25 April 2017, and from Dentist Ulla Holopainen on 1 May 2017. On 1 May 2017 Mehiläinen acquired Vaasan Hammas Oy, which provides dental laboratory services.

Mehiläinen Group acquired the following companies providing residential care services for mental health rehabilitees: Kotinummi Oy on 1 February 2017, Kiikan Palvelukoti Oy on 1 March 2017, Hoivakoti Auringonnousu Oy on 20 September 2017, Palvelutalo Kotiranta Oy on 9 November 2017, and Haapajärven Kimppakoti Oy on 21 November 2017. Mehiläinen Group acquired Kormel Oy on 3 April 2017 and Perhe- ja Palvelukodit Suomalainen Oy on 1 November 2017, both providers of residential care services for disabled, and Joutsan Kartanokoti, a provider of residential services for mental health rehabilitees and disabled on 4 September 2017. On 31 October 2017 Mehiläinen Group acquired Itä-Suomen Hoitokodit Group, provider of residential care services for mental health rehabilitees and the elderly, as well as ISH-Kiinteistöt Oy, a real estate company leasing out the premises for Itä-Suomen Hoitokodit Group. The Itä-Suomen Hoitokodit Group comprises Itä-Suomen Hoitokodit Oy and Toivonlahti Oy. Mehiläinen Group acquired SAP-Care Oy, on 1 July 2017, Elämäntalo Oy on 26 October 2017 and Hoivakoti Atzalea Oy in 27 October 2017, all providers of residential care services for the elderly.

Mehiläinen Group acquired the business operations of child welfare service provider Etelä-Suomen Sijaishuoltopalvelut ESSI Oy on 1 May 2017, and Kymen Nuorten Asema Oy on 19 June 2017, and the child welfare business of Terapeuttinen hoito- ja kasvuyhteisö La Casa Gialla Oy on 1 July 2017.

Mehiläinen Oy signed an agreement on the acquisition of the business operations of Amfident Oy's Espoonlahden Hammaslääkäriasema on 27 September 2017 and on the acquisition of Pantomo Oy's dental radiology business operations on 7 November 2017. Both transactions were closed on 1 January 2018. Mehiläinen Group signed an agreement on the acquisition of the business operations of Invalidiliiton Asumispalvelut Oy's (Validia Asuminen) residential care services for the elderly in Hämeenlinna, Kuopio and Vantaa on 30 October 2017. The transaction was closed on 1 February 2018.

Mehiläinen Oy sold its shares in MV Partners Oy on 1 June 2017. The transaction had no significant effect on the Group's reported figures.

Mehiläinen streamlined its Group structure by dissolving and merging its subsidiaries as follows:

Company	Merged / dissolved	Merger / dissolving date
Malmin Torin Hammaslääkärit Oy	Merged into Mehiläinen Oy	28 February 2017
Iisalmen Hammaspaikka Oy	Merged into Mehiläinen Oy	28 February 2017
Kotkan Lääkärikeskus Oy	Merged into Mehiläinen Oy	28 February 2017
Kotkan Leikkaussali Oy	Merged into Mehiläinen Oy	28 February 2017
Ilmaria Oy	Merged into Familar Oy	31 March 2017
Kauhavan Mummola Oy	Merged into Mehiläinen Hoivapalvelut Oy	31 May 2017
Kotinummi Oy	Merged into Mehiläinen Oy	30 June 2017
Mehiläinen Hammashoitopalvelut Oy	Merged into Mehiläinen Oy	31 August 2017
Tapiolan Hammaslääkäriasema Oy	Merged into Mehiläinen Oy	31 August 2017
Kiinteistöosakeyhtiö Kuoreniemen Suvi	Merged into MilaPro Oy	30 September 2017
Vaasan Hammas Oy	Merged into Mehiläinen Oy	31 October 2017
NEO Terveys Group	Merged into Mehiläinen Oy	31 October 2017
ITTE Imatran Tutkimus ja Terveys Oy	Dissolved	14 November 2017
Kotkan Radiologikeskus Oy	Dissolved	14 November 2017
Kajaanin Lääkärikeskus Oy	Dissolved	14 November 2017
Adenova Lääkärikeskus Oy	Merged into Mehiläinen Oy	5 December 2017

Administration

BOARD OF DIRECTORS, ANNUAL GENERAL MEETING, AND AUDITORS

The members of the Board of Directors of Mehiläinen Oy in 2017 were Mikael Aro (Chair), Anders Borg, Oskari Eskola up to 2 October 2017, Eveliina Huurre, Young Kim as of 2 October 2017, Petri Parvinen, Jan Pomoell as of 7 February 2017, Peder Prahl up to 7 February 2017, Arja Talma as of 7 February 2017 and Hans Årstad. On 31 December 2017 62.5% of the members of the Board were male and 37.5% were female.

The Board of Directors has appointed three committees: the Audit Committee, the Remuneration Committee and the Contracts Committee. The members of the Audit Committee in 2017 were Oskari Eskola up to 2 October 2017 (Committee Chair up to 7 February 2017), Young Kim as of 2 October 2017, Arja Talma as of 7 February 2017 (Chair) and Hans Årstad. The members of the Remuneration Committee were Mikael Aro (Chair), Anders Borg, Jan Pomoell as of 7 February 2017 and Peder Prahl up to 7 February 2017. The members of the Contracts Committee were Eveliina Huurre (Chair) as of 8 June 2017, Hans Årstad (Chair until 8 June 2017), Oskari Eskola up to 2 October 2017, and Jan Pomoell as of 2 October 2017.

As decided by the Extraordinary General Meeting on 7 Feb 2017 and Annual General Meeting on 8 June 2017 the remuneration to the members of the Board of Directors is as follows: Chair EUR 120 000 per year, independent members of the Board EUR 35 000 per year, other members of the Board EUR 17 500 per year. An additional annual remuneration of EUR 50 000 is paid to the Chair of the Audit Committee and of EUR 20 000 to the Chair of the Contracts Committee.

Mehiläinen Oy's Chief Executive Officer is Janne-Olli Järvenpää.

The auditor during the reporting period is Ernst & Young Oy, with APA Mikko Rytilahti as the auditor in charge.

Transactions with related parties including loans and liabilities to related parties and the remunerations paid to the management are presented in note 24 to the financial statements.

CODE OF CONDUCT AND POLICIES

In 2017 the Group decided to introduce a Code of Conduct and updated several policies such as human resources policy, quality policy, information security and data privacy policy, communications policy, procurement policy, risk management policy and tax policy.

Mehiläinen's Code of Conduct also covers principles on prevention of bribery and corruption. As specified in the Mehiläinen management system, steering and management committees have been appointed to monitor the implementation of the Code of Conduct and different policies within different operations. The implementation of the principles of the Code of Conduct is also monitored via internal and external audits.

A whistle blower for fraud was decided to be implemented as a part of internal control.

Key business risks and uncertanties

Mehiläinen operates in a tightly regulated industry. Legislative changes to social care and healthcare services both create opportunities and pose risks to the company.

Mehiläinen has long-term leases and customer contracts, such as contracts on outsourced services with municipalities, with limitations on price adjustments. While they permit long-term development of operations, profitability is not guaranteed in the long run. For example, the contractual provisions may not take into account increases in employee benefit expenses or weaker than expected demand for the services of certain units.

Demand for privately funded services may be adversely affected by a general downturn in the economy and a fall in the employment rate. Competition and the measures taken by the public sector may also impact the company. Intensified competition increases pricing pressures and complicates customer acquisition.

Other circumstances affecting the operations include the availability of qualified social care and healthcare professionals whether private practitioners or employees. This may limit the company's growth and create cost pressures. Mehiläinen invests in human resources development and staff wellness, and surveys show that Mehiläinen is regarded as an attractive employer.

Expansion and acquisitions involve risks that are managed through the efficient integration of the acquired companies, standardised processes and procedures and effective change implementation.

Patient and customer safety and data protection are a necessary prerequisite for the provision of all social care and healthcare services. Efficient IT systems and data security are of great importance both in the customer interface and support functions. The risks associated with these functions are managed through technical arrangements and staff training.

The Group's operations involve financial risks, such as liquidity, interest rate and credit risks as well as accident risks. Mehiläinen seeks to prepare for these risks by foreseeing financing needs, concluding long-term financing agreements, considering interest rate hedging, analysing counterparties and taking out insurance.

Risk management

In addition to requirements and goals set by Mehiläinen, the social care and healthcare services are a regulated industry with licenses, registrations and regulatory control involved.

The processes and responsibilities of the Group's risk management are described in the Group's risk management policy. The financial risks are described in the notes to the financial statements.

The strategic, operative and accident risks involving the company's operations are controlled by continued monitoring and development of processes and operating models. Monitoring the quality of operations and the risks involved with operations are a part of Mehiläinen's management system.

Operations are monitored with Mehiläinen's own internal control, an outsourced internal control service and by the authorities. Internal and external audits, a feedback channel and incident reports are used as a part of risk management.

Non-financial information

QUALITY AND SAFETY

Customer satisfaction

Customer satisfaction at Mehiläinen's outpatient clinics and Hammas Mehiläinen dental clinics is measured continuously with the NPS customer experience tool. NPS index reading can vary between -100 and +100, and the result is considered excellent when the reading is over 50. In 2017 Mehiläinen's outpatient clinics, hospital and Felicitas fertility clinics reached an overall index of 88. The hospitals reached an index of 94 and Hammas Mehiläinen 89. Responses of 123 455 were given at Mehiläinen outpatient clinics, 4 410 in the hospitals and 22 356 at Hammas Mehiläinen dental care clinics.

The satisfaction of the decision-maker customers at Mehiläinen's occupational healthcare services is measured with online questionnaires and telephone interviews every spring and autumn as well as with the help of an ongoing steering group questionnaire. In 2017 a total of 2 018 replies were collected using these methods.

Customers are involved in developing Mehiläinen's operations and services via the Asiakasraati customer online panel. 9 813 customers took part in the panel during 2017, and 66 933 replies were given to the panel questionnaires.

Patient and customer safety

The services Mehiläinen provides are based on evidence-based medicine as well as good care and operational practices. Patient and customer safety covers all principles and operational practices by professionals employed at Mehiläinen units and the Group that ensure the safety of the healthcare, medical treatment and care services received by patients and the customers in social care services. Patient safety can be divided into three strands: safety of treatment, medication safety and equipment safety.

Mehiläinen uses the HaiPro tool for reporting incidents compromising patient and customer safety. HaiPro reporting system is designed to help develop the operations of the organisation. With the help of the systematic and easy-to-use report system the users can take advantage of information gained from incidents and accidents and the organisation's management gains information on for example the sufficiency of training and guidelines as well as the effects of measures taken.

The objective in reporting incidents is to increase patient, customer and staff safety by learning from mistakes and by sharing information on good and safe practices. The information collected in the system helps to understand what kinds of incidents and accidents occur at Mehiläinen's operations, why they occur and how they can be prevented. A feedback channel and a separate complaint channel are in place at Mehiläinen. Patients may express their dissatisfaction with services provided through these channels.

The Patient Insurance Center processed altogether 164 reports made on Mehiläinen's healthcare services in 2017. 46 of these cases were found as patient injuries entitled to indemnity. Mehiläinen's share of all indemnified patient injuries in the private healthcare sector is about 10% which is well below Mehiläinen's overall market share. Dental care incidents were reported 33 times, from which 13 cases were found to be entitled to indemnity.

Effectiveness

Mehiläinen invests in quality and the effectiveness of care. The professionals working at Mehiläinen report on matters affecting quality and the effectiveness of care as a part of their daily duties, making measuring them a part of everyday work. Data and analytics are used to verify effectiveness, and the indicators followed are, for example, laboratory tests according to the Current Care Guidelines, other physiological metrics, rating scales for symptoms and the customers' experience on effectiveness. Some examples on evidence-based effectiveness of care at Mehiläinen's healthcare and social care services include:

- Strong results were achieved in the care of diabetes in Espoo Oma Lääkärisi health centers. During the course of the year the number of diabetics who reached their goals on blood sugar levels increased with 14% compared to previous year.

- In Oma Lääkärisi Säynätsalo good results were made especially in the care of coronary heart disease. In 2017 a 32% increase was made in patients who had reached care balance in the treatment of their LDL cholesterol levels.

- The residential care homes for the elderly made improvements in the quality of nutrition, among other things. There has been an even decrease in cases of unintentional weight loss, and in 2017 the Mehiläinen units reached an incidence rate 6.4% below the national average 7.4%.

- According to the latest resident survey from Mehiläinen's residential care homes for mental health rehabilitees, 87% of patients felt they were making progress with Mehiläinen's support. The excellent results were affected, for example, by the customers' experience on receiving enough support to everyday activities from the staff.

Research and development activities in Mehiläinen Group focused on further digitalisation of healthcare services. Digital services create a new range of possibilities for using Mehiläinen's services as well as improving the customer experience and the efficiency of service processes. One of the key digital services developed by the Group is the OmaMehiläinen mobile application which provides quick and easy access to customer's own health records as well as enables appointments and renewal of prescriptions by phone and a 24/7 access via messages to a healthcare professional. Mehiläinen's total investments in research and development in 2017 amounted to EUR 1.9 million (2016: EUR 1.2 million).

DATA PROTECTION AND PROCESSING OF PERSONAL DATA

Mehiläinen's information security and data privacy policy aims at securing data confidentiality, integrity and availability for Mehiläinen's customers and partners. A large number of patient data, customer data from social care services and other personal data is processed at Mehiläinen daily. Correct and careful treatment of personal data is an integral part of the company's every day quality and risk control.

Another aim of Mehiläinen's information security and data privacy policy is to prevent unauthorised use and altering of data and information systems and to minimise possible damage. Requirements and responsibilities related to information security and data protection are a part of Mehiläinen's management system and are an integral part of all operations within the company.

The laws on data protection in Finland and throughout the European Union are being renewed. The European Union General Data Protection Regulation, GDPR will be applied in all EU countries as of 25 May 2018. In principle, the GDPR is applied in all processing of personal data. The most central project concerning information security and data protection during 2017 in Mehiläinen has been preparing to meet the "privacy by design" concept as well as the documentation of the accountability required by the regulation. The project will be fully completed by the end of the first quarter of 2018. Chief Medical Officer Jarmo Karpakka is the data protection officer at Mehiläinen.

ENVIRONMENTAL MATTERS

The guiding principle of Mehiläinen's environmental policy is to prevent all detrimental impact on the environment due to its activities and so promote sustainable development throughout Finland. Currently Mehiläinen is investing heavily in digital services and processes, which reduce the environmental load. Most of the environmental impacts of the Group's activities stem from waste management, procurement-related logistics and travel. Environmental matters are an integral part of Mehiläinen's management and quality system. Mehiläinen complies with the current environmental legislation and the requirements imposed by the ETJ+ energy management system. A necessary prerequisite for successful work on environmental matters is that the staff is fully committed to environmental responsibility.

Certified by Inspecta Sertifiointi Oy, Mehiläinen's operations satisfy the customer and legal requirements specified in the ISO 9001 and ISO 14001 quality and environmental standards and the ETJ+ energy management system. The certification covers Mehiläinen's outpatient clinics, hospitals and occupational healthcare services including laboratory, imaging and physiotherapy activities and dental care services. Additionally, the certification covers the residential care and rehabilitation services and work activities targeted for mental health rehabilitees, residential care services for the elderly, residential care and family foster care services in child welfare, and Group services and the Group management system. At present, environmental certification embraces most sites while new units are added in connection with audits carried out 1–2 times per year.

EMPLOYEES AND PRIVATE PRACTITIONERS

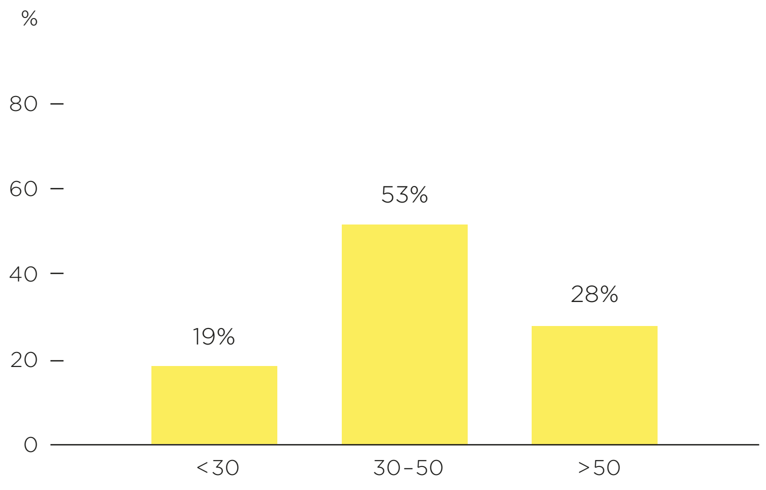
Mehiläinen offers a wide range of employment opportunities for social care and healthcare professionals in over 360 units around Finland. Mehiläinen aims to act as a responsible employer in every situation. The skills, knowledge and experience of Mehiläinen's experts are at the core of the services. Mehiläinen invests in a high level of professionalism and quality as well as skill development through education and task rotation. Mehiläinen employs a wide range of specialists from different fields and offers professionals meaningful work throughout the different phases of their careers. Availability of healthcare and nursing personnel, and the related physician shortage that may occur, is a risk concerning Mehiläinen's personnel and affects the healthcare sector in general.

During the financial year, the Group employed an average of 5 888 (2016: 4 502) and the parent company an average of 2 094 (2016: 2 004) employees on full-time equivalent basis. At the end of the financial year, the number of employees as full-time equivalents in the Group was 6 393 (2016: 5 380). Additionally, there were 3 785 private practitioners operating in Mehiläinen Group's units during the financial year (2016: 2 779). The increase in the number of Group's personnel is mainly due to acquisitions. The Group employs a total of 14 397 employees and private practitioners, including part-time employees.

Due to investments and organic growth Mehiläinen estimates to recruit approximately 1 000 new healthcare and social care services professionals during the year 2018. This way Mehiläinen will on its part contribute to the positive development of the employment situation in different parts of Finland.

Group's employee benefit expenses for 2017 totalled EUR 319.1 million (2016: EUR 250.5 million) and those by the parent company EUR 125.3 million (2016: EUR 120.7 million).

Age and gender split in the Group in 2017



SAFETY AT WORK

Safety at work is monitored at Group level based on, for example, accidents at work and commuting accidents as well as the number of absent days these accidents have resulted in.

None of the accidents occurred were critical, as they resulted in for example superficial wounds and strains. 21% of the accidents took place during commuting, 2% during business travel and 77% at the workplace.

Safety at work

	2017	2016
Total number of occupational accidents	476	497
Number of critical occupation accidents	0	0
Compensated absence days from occupational accidents	2 728	3 716
Compensated absence days from occupational accidents/ work days %	0.18	0.33

HUMAN RIGHTS

Mehiläinen respects international human rights in all of its operations. Due to the nature of its operations, Mehiläinen's personnel are in constant interaction with people. During these interactions, personnel must treat customers with respect whilst following applicable laws and regulations as well as Mehiläinen's values and Code of Conduct. Mehiläinen's Code of Conduct requires personnel to provide personalised and holistic service, equal treatment and to always prioritise patient safety. The social care and healthcare services sector is strictly regulated and monitored, which is why Mehiläinen's operations effectiveness, impact and safety is strictly monitored as well.

Corrupt practices and distorting competition are not acceptable according to Mehiläinen's Code of Conduct. Operations risk management process includes questions concerning corrupt practices.

Mehiläinen's Code of Conduct, which was launched and updated in 2017, will be implemented during 2018. This will further strengthen Mehiläinen's values in its business practices.

Significant pending disputes

Mehiläinen Oy is involved in an ongoing dispute with the tax authorities regarding the tax deductibility of the interest expenses allocated to the Finnish branch of Ambea Finland AB in tax years 2006–2012. Should the dispute be decided in the favor of the tax authorities, the company would have to pay surtaxes for the delay in tax payments. According to the company's estimate, the reassessed taxes, tax increases and surtaxes would total approximately EUR 13.3 million on 31 December 2017. No tax provision has been recognised, because the company believes a successful outcome in the dispute is probable. For more information on the dispute see note 9 to the financial statements.

With respect to its extensive business operations the Group companies are involved also in other disputes, which are not expected to have an adverse effect on the Group's profit or financial position, considering the provisions recognised.

Share capital and share option plans

Mehiläinen Oy has 1 500 shares outstanding. All shares carry an equal number of votes and are entitled to an equal distribution of dividends. Mehiläinen does not have in place any share option plans.

Future outlook

Mehiläinen Group expects the revenue to grow and EBITA (operating profit before impairment losses and amortisation of intangible assets arisen from acquisitions) to improve during the year 2018.

Events after the reporting period

Acquisitions of Amfident Oy's Espoonlahden Hammaslääkäriasema and the dental radiology business operations of Pantomo Oy, which were agreed in 2017, have been closed as planned on 1 January 2018, and the acquisition of Invalidiliiton Asumispalvelut Oy's (Validia Asuminen) business operations for residential care services for the elderly in Hämeenlinna, Kuopio and Vantaa have been closed on 1 February 2018. Mehiläinen has acquired Recare Oy on 18 January 2018 and Palvelukoti Eloranta Oy on 31 January 2018, both providers of residential care services for the disabled. Mehiläinen has acquired child welfare services provider Huoltsikka Oy on 22 March 2018. Mehiläinen has acquired the business operations of L. ja A. Köpman Oy's Tohtoroi outpatient clinic and the child welfare business of Pienryhmäkoti Venla Oy on 1 March 2018.

The Group structure was simplified by merging SAP-Care Oy into its parent company Mehiläinen Hoivapalvelut Oy on 31 January 2018 and MilaPro Oy into its parent company Familar Oy on 28 February 2018.

Cities of Kemi and Tornio and municipalities of Keminmaa and Simo became shareholders in Mehiläinen Länsi-Pohja Oy after which Mehiläinen Terveyspalvelut Oy owns 81% of the shares. Mehiläinen Länsi-Pohja Oy has signed service agreement to provide primary healthcare, rehabilitation and specialty health care services within the Länsi-Pohja region. There are, however, appeal pending in market court against the procurement decision and appeals pending in administrative court against decisions of cities and municipalities to establish Mehiläinen Länsi-Pohja Oy. Production of services is planned to start with temporary agreement during 2018 unless prohibited.

Proposal by the Board of Directors for profit distribution

The Board of Directors proposes to the Annual General Meeting that no dividend be paid and that the profit for the period be allocated to retained earnings. At 31 December 2017 the distributable equity in the Group's parent company totaled EUR 49.9 million.

Consolidated Statement of Income

EUR 1 000	Note	For the year ended 31 December 2017	2016
Revenue	4	755 544	590 090
Other operating income	4	2 939	1 610
Materials and services	5	-215 404	-185 140
Employee benefit expenses	6	-319 075	-250 519
Depreciation, amortisation and impairment losses	10,12	-25 514	-22 839
Other operating expenses	7	-139 037	-100 099
Total expenses		**-699 030**	**-558 597**
Share of results in associated companies	13	-14	
Operating profit		**59 440**	**33 103**
Share of results in associated companies			-16
Finance income	8	851	1 082
Finance expenses	8	-15 142	-17 659
Total finance income and expenses		**-14 291**	**-16 577**
Profit before tax		**45 148**	**16 509**
Current tax	9	-7 477	-4 519
Deferred tax	9	-265	1 200
Income taxes		**-7 742**	**-3 320**
Profit for the year		**37 406**	**13 190**
Profit for the year attributable to			
Owners of the parent company		37 406	13 190

The notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

EUR 1 000	Note	For the year ended 31 December 2017	2016
Profit for the year		**37 406**	**13 190**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value			5
Related tax			-1
Transferred to statement of income		-44	
Other comprehensive income, net of tax		**-44**	**4**
Total comprehensive income		**37 362**	**13 194**
Total comprehensive income attributable to			
Owners of the parent company		37 362	13 194

The notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

EUR 1 000	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Goodwill	10,11	358 806	300 799
Other intangible assets *)	10	13 760	13 516
Property, plant and equipment *)	12	72 022	61 240
Investments in associated companies	13	306	176
Receivables	17	3 717	5 431
Other financial assets	17	756	1 020
Deferred tax assets	9	5 467	5 873
Total non-current assets		**454 834**	**388 054**
Current assets			
Inventories	14	4 353	3 354
Trade and other receivables	15	83 148	66 336
Current tax assets		2 097	718
Cash and cash equivalents	16	31 964	39 627
Total current assets		**121 562**	**110 035**
Total assets		**576 396**	**498 089**

*) Group has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

The notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

EUR 1 000	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	18	1 500	1 500
Share premium reserve	18	25 281	25 281
Invested unrestricted equity reserve	18	126 375	126 375
Fair value reserve	18		44
Retained earnings	18	-47 606	-84 833
Total equity		**105 551**	**68 369**
Non-current liabilities			
Interest-bearing liabilities	17	344 240	323 032
Other liabilities	17	1 051	858
Provisions	22	2 127	3 019
Deferred tax liabilities	9	3 127	2 881
Total non-current liabilities		**350 545**	**329 791**
Current liabilities			
Interest-bearing liabilities	17	9 323	7 991
Trade and other payables	19	106 996	88 548
Derivatives	17,20		646
Current tax liabilities		2 002	562
Provisions	22	1 979	2 182
Total current liabilities		**120 301**	**99 929**
Total liabilities		**470 845**	**429 720**
Total equity and liabilities		**576 396**	**498 089**

The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the parent company					
EUR 1 000	**Note**	**Share capital**	**Share premium reserve**	**Invested unrestricted equity reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
Equity 1 January 2016	18	**1 500**	**25 281**	**74 195**	**40**	**-98 023**	**2 993**
Comprehensive income							
Profit for the year						13 190	13 190
Other comprehensive income, net of tax							
Available-for-sale financial assets					4		4
Total comprehensive income for the period					4	13 190	13 194
Transactions with owners							
Equity investment				52 181			52 181
Total transactions with owners				52 181			52 181
Equity 31 December 2016		**1 500**	**25 281**	**126 375**	**44**	**-84 833**	**68 369**
Equity 1 January 2017	18	**1 500**	**25 281**	**126 375**	**44**	**-84 833**	**68 369**
Comprehensive income							
Profit for the year						37 406	37 406
Other comprehensive income, net of tax							
Available-for-sale financial assets					-44		-44
Total comprehensive income for the period					-44	37 406	37 362
Other movements							
Other adjustments						-179	-179
Equity 31 December 2017		**1 500**	**25 281**	**126 375**		**-47 606**	**105 551**

The notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

		For the year ended 31 December	
EUR 1 000	**Note**	**2017**	**2016**
Cash flow from operating activities			
Profit for the year		37 406	13 190
Adjustments			
Depreciation, amortisation and impairment losses	10,12	25 514	22 839
Dividends for business operations [1]		5 391	4 683
Change in impairment losses on trade receivables	15	692	360
Change in provisions		-1 133	3 193
Share of results in associated companies		48	
Gains and losses on disposal of non-current assets		-279	-12
Other non-cash transactions		-267	-1
Finance income and expenses		14 291	16 577
Taxes		7 742	3 320
Changes in working capital			
Change in trade and other receivables		-11 312	-264
Change in inventories		-476	-211
Change in trade and other payables		10 147	-6 043
Dividends paid for business operations [1]		-4 672	-4 136
Interest and other finance expenses paid		-14 595	-20 555
Interest and other finance income received		153	171
Taxes paid		-7 314	-2 724
Net cash flow from operating activities		**61 336**	**30 387**
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	3	-65 470	-41 088
Investments in property, plant and equipment and intangible assets		-20 594	-17 980
Investments in associated companies	13	-166	
Sale of subsidiaries, net of cash disposed of	3	-24	
Granted loan receivables		-359	
Repayment of loan receivables		541	
Sale of available-for-sale financial assets		222	245
Disposal of property, plant and equipment and intangible assets		593	153
Net cash flow from investing activities		**-85 257**	**-58 670**
Cash flow from financing activities			
Escrow accounts (acquisition of subsidiaries and businesses)		710	-2 000
Payments into invested unrestricted equity reserve			34 409
Proceeds from loans	17	30 000	35 000
Repayment of loans	17	-14 452	-30 176
Net cash flow from financing activities		**16 258**	**37 233**
Change in cash and cash equivalents		-7 664	8 950
Cash and cash equivalents at 1 Jan.		39 627	30 677
Cash and cash equivalents at 31 Dec.	16	**31 963**	**39 627**

[1] The dividends were paid for based on the work conducted by the shareholders of OmaPartners and MV Partners.

The notes are an integral part of these financial statements.

Parent Company Statement of Income

EUR 1 000	Note	For the year ended 31 December 2017	2016
Revenue	4	416 440	379 496
Other operating income	4	4 506	1 111
Materials and services	5	-175 327	-159 343
Employee benefit expenses	6	-125 335	-120 705
Depreciation, amortisation and impairment losses	10,12	-14 475	-13 832
Other operating expenses	7	-78 503	-66 776
Total expenses		**-393 640**	**-360 656**
Operating profit		**27 306**	**19 950**
Finance income	8	1 762	2 594
Finance expenses	8	-14 825	-16 598
Total finance income and expenses		**-13 063**	**-14 005**
Profit before tax		**14 243**	**5 946**
Current tax	9	-2 827	-1 273
Deferred tax	9	-217	-503
Income taxes		**-3 044**	**-1 776**
Profit for the year		**11 199**	**4 170**

Parent Company Statement of Comprehensive Income

EUR 1 000	Note	For the year ended 31 December 2017	2016
Profit for the year		**11 199**	**4 170**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value			5
Related tax			-1
Transferred to statement of income		-44	
Other comprehensive income, net of tax		**-44**	**4**
Total comprehensive income		**11 155**	**4 174**

The notes are an integral part of these financial statements.

Parent Company Statement of Financial Position

EUR 1 000	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Goodwill	10,11	213 046	177 424
Other intangible assets *)	10	5 139	4 045
Property, plant and equipment *)	12	53 446	45 866
Investments in subsidiaries	3	171 088	149 639
Investments in associated companies	13	326	160
Receivables	17	1 519	2 817
Other financial assets	17	720	856
Deferred tax assets	9	300	97
Total non-current assets		**445 585**	**380 904**
Current assets			
Inventories	14	4 122	3 179
Trade and other receivables	15	65 417	61 248
Current tax assets		737	576
Cash and cash equivalents	16	20 753	25 933
Total current assets		**91 029**	**90 935**
Total assets		**536 614**	**471 838**

*) Parent company has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

The notes are an integral part of these financial statements.

Parent Company Statement of Financial Position

EUR 1 000	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1 500	1 500
Share premium reserve	18	25 281	25 281
Invested unrestricted equity reserve	18	126 375	126 375
Fair value reserve	18		44
Retained earnings	18	-76 437	-89 294
Total equity		**76 720**	**63 907**
Non-current liabilities			
Interest-bearing liabilities	17	342 910	320 859
Other liabilities	17	1 018	1 012
Provisions	22	263	188
Deferred tax liabilities	9	708	198
Total non-current liabilities		**344 899**	**322 257**
Current liabilities			
Interest-bearing liabilities	17	52 184	30 174
Trade and other payables	19	61 362	54 556
Derivatives	17,20		646
Current tax liabilities		802	
Provisions	22	648	299
Total current liabilities		**114 995**	**85 675**
Total liabilities		**459 894**	**407 931**
Total equity and liabilities		**536 614**	**471 838**

The notes are an integral part of these financial statements.

Statement of Changes in Parent Company Equity

EUR 1 000	Note	Share capital	Share premium reserve	Invested unrestricted equity reserve	Fair value reserve	Retained earnings	Total
Equity at 1 Jan. 2016	18	**1 500**	**25 281**	**74 195**	**40**	**-93 411**	**7 606**
Comprehensive income							
Profit for the year						4 170	4 170
Other comprehensive income, net of tax							
Available-for-sale assets					4		4
Total comprehensive income for the period					4	4 170	4 174
Transactions with equity owners							
Equity investment				52 181			52 181
Total transactions with equity owners				52 181			52 181
Other adjustments						-51	-51
Equity at 31 Dec. 2016		**1 500**	**25 281**	**126 375**	**44**	**-89 294**	**63 907**
Equity at 1 Jan. 2017	18	**1 500**	**25 281**	**126 375**	**44**	**-89 294**	**63 907**
Comprehensive income							
Profit for the year						11 199	11 199
Other comprehensive income, net of tax							
Available-for-sale assets					-44		-44
Total comprehensive income for the period					-44	11 199	11 155
Other movements							
Common control transactions						1 659	1 659
Other adjustments						-2	-2
Equity at 31 Dec. 2017		**1 500**	**25 281**	**126 375**		**-76 437**	**76 720**

The notes are an integral part of these financial statements.

Parent Company Statement of Cash Flows

EUR 1 000	Note	For the year ended 31 December 2017	2016 *)
Cash flow from operating activities			
Profit for the year		11 199	4 170
Adjustments			
Depreciation, amortisation and impairment losses	10, 12	14 475	13 832
Change in impairment losses on trade receivables	15	223	256
Change in provisions		237	499
Gains and losses on disposal of non-current assets		-128	-198
Other non-cash transactions		-219	-353
Finance income and expenses		13 063	14 005
Taxes		3 044	1 776
Other adjustments			-3 975
Changes in working capital			
Change in trade and other receivables		-1 880	6 400
Change in inventories		-141	-61
Change in trade and other payables		-152	-2 959
Interest and other finance expenses paid		-14 348	-20 237
Interest and other finance income received		1 059	1 664
Taxes paid		-2 171	-397
Net cash flow from operating activities		**24 262**	**14 422**
Cash flow from investing activities			
Acquisition of subsidiaries and businesses	3	-63 468	-69 287
Investments in property, plant and equipment and intangible assets		-15 575	-15 232
Investments in associated companies	13	-166	
Disposal of subsidiaries	3	0	
Disposal of other investments		221	78
Disposal of property, plant and equipment and intangible assets		244	198
Change in interest-bearing receivables		-2 448	1 102
Net cash flow from investing activities		**-81 192**	**-83 141**
Cash flow from financing activities			
Escrow accounts (acquisition of subsidiaries and businesses)		710	-2 000
Payments into invested unrestricted equity reserve			34 409
Proceeds from loans	17	30 000	35 000
Repayment of loans	17	-6 527	-7 000
Change in current interest-bearing liabilities	17	20 012	10 250
Net cash flow from financing activities		**44 195**	**70 659**
Change in cash and cash equivalents		-12 735	1 940
Cash and cash equivalents at 1 Jan.		25 933	23 212
Cash and cash equivalents transferred due to merger		7 555	781
Cash and cash equivalents at 31 Dec.	16	**20 753**	**25 933**

*) The presentation of cash pool accounts has been changed in 2017.

The notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Company information

Mehiläinen Group is a recognised and highly regarded private provider of social and healthcare services in Finland. Mehiläinen offers a complete range of services for private, corporate and municipal customers. In Finland, Mehiläinen's services are provided by a total of 14 397 full-time and part-time employees and private practitioners.

The Group's parent company is Mehiläinen Oy domiciled in Helsinki, Finland. Mehiläinen Oy is a member of a parent Group by the name of Mehiläinen Holding AB whose parent company is Mehiläinen Holding AB domiciled in Stockholm, Sweden. Mehiläinen Holding AB, in turn, is a member of a parent Group by the name of ACTR Holding AB whose parent company is ACTR Holding AB domiciled in Stockholm, Sweden. ACTR Holding AB's parent company is Actor S.C.A domiciled in Luxembourg. A description of the structure of Mehiläinen Group is provided in note 24 to the financial statements. Copies of the consolidated financial statements of both Mehiläinen Group and Mehiläinen Holding AB Group are available at Pohjoinen Hesperiankatu 17, 00260 Helsinki, Finland. Copies of the consolidated financial statements of ACTR Holding AB Group are available at Vretenvägen 13, 17129 Solna, Sweden.

These financial statements were adopted by the Board of Directors of Mehiläinen Oy at a meeting held on 27 March 2018. Under the Finnish Limited Liability Companies Act, shareholders may adopt or reject the financial statements at the Annual General Meeting to be held after the publication of the statements.

2. Accounting principles

Mehiläinen Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been drawn up in accordance with the IFRS standards and interpretations effective on 31 December 2017 and IFRS 15 *Revenue from contracts with customers* early adopted by Mehiläinen. The notes to the consolidated financial statements also comply with the Finnish accounting standards and corporate legislation which are complementary to the IFRS regulations. All amounts in the consolidated financial statements are based on historical cost, except for items identified below, which have been measured at fair value in compliance with the standards. When preparing IFRS-compliant financial statements, the management is called upon to present estimates, make assumptions and exercise judgement, among other things, in the application of the accounting principles. A description of these issues is provided in sub-section Critical accounting estimates and assumptions.

The parent company's financial statements have been prepared following the same accounting principles as in the consolidated financial statements unless otherwise indicated in the relevant section. The main differences in accounting principles relate to investments in subsidiaries and associated companies. A more detailed description is provided in subsections Consolidation principles and Acquisition of assets and business combinations.

All amounts in the consolidated financial statements and those of the parent company are denominated in euros and all figures have been rounded up to the nearest thousand, unless otherwise indicated.

As of the beginning of 2017, the Group adopted the following amendment made to the standards:

- Amendment to IAS 7 Statement of Cash Flows - Disclosure Initiative. The amendments are designed to allow users of financial statements to assess cash-flow-impacting and non-cash-flow impacting changes in liabilities arising from financing activities. The changes are presented in note 17.

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the parent company Mehiläinen Oy and all its subsidiaries. Subsidiaries are entities controlled by the Group. The Group is deemed to control an entity when the Group is exposed or entitled to variable returns from its involvement with the entity and is able to affect such returns through the exercise of its powers over the entity. If the Group does not hold most of shares in the entity, it assesses all the circumstances through which such control may be gained in the absence of the majority of votes. Such circumstances include contract-based arrangements between other holders of voting rights and the investor, any rights arising from other contract-based arrangements as well as the voting rights and potential voting rights enjoyed by the investor.

The Group re-evaluates its control over an entity if the facts or actual circumstances show that any changes have taken place in one or more of the circumstances contributing to such control. A subsidiary is included in the consolidated financial statements as of the date when the Group obtains control, whereas divested entities are included up to the date when such control ceases to apply. The existence of potential voting rights that are currently exercisable have been considered when assessing whether the Group controls another entity or not.

Intra-group ownerships have been eliminated using the acquisition method. Acquisition cost is determined as the fair value of the assets transferred, equity instruments issued and liabilities assumed at the date of the transaction. All identifiable assets, assumed liabilities and contingent liabilities of the acquiree are measured at the fair value on the date of acquisition. Any contingent consideration (additional purchase price) is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value at the end of each reporting period, and the resulting gains or losses are recognised in profit or loss. Contingent consideration classified as equity is not re-measured. Acquisition-related costs are expensed as incurred. Any non-controlling interests in the acquired entity are measured either at fair value or at the proportionate share of non-controlling interests in the acquired entity's net identifiable assets. The principle applied in measurement is specified separately for each acquisition. Any goodwill arisen through business combinations is measured at the amount by which the amount of consideration, the share of non-controlling interests in the acquired entity and the purchaser's previously held interest in the entity exceed the fair value of the net assets acquired. Any negative goodwill is recognised in profit or loss.

In the parent company's financial statements, investments in subsidiaries are carried at cost. Acquisition cost is measured as the fair value of the assets transferred, equity instruments issued and liabilities assumed at the date of the transaction. Historic cost is tested for impairment annually or whenever indications of impairment exist.

Profit or loss for the period attributable to the owners of the parent company and the non-controlling interests are presented in the face of the statement of income. The comprehensive income for the period attributable to the owners of the parent company and the non-controlling interests is presented in the face of the consolidated statement of comprehensive income. Profit and total comprehensive income are allocated to the parent company shareholders and non-controlling interests, even if the share due to the latter were to turn negative. The share of equity held by non-controlling interests is presented in the consolidated statement of financial position under equity, separately from the equity of the owners of the parent company. Changes in the parent company's interests in the subsidiary not resulting in a loss of control are treated within equity. In step acquisitions, any previously held interest is measured at fair value and any profit or loss arising from this is recognised in profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at fair value on the date of loss of control in the subsidiary and the difference is recognised in profit or loss.

One of the Group's subsidiaries, OmaPartners Oy, includes non-controlling interest held by owners who are entitled to dividends based on the amount of work they perform. Such dividends related to non-controlling interests are treated in the consolidated financial statements as employee benefits and liabilities. Consequently, no part of the company's financial results or equity in the financial statements is attributable to such owners. As a result, there were no non-controlling interests in the consolidated financial statements in the accounting periods 2017 and 2016.

Associated companies

Associated companies are all entities over which the Group exercises significant influence. Significant influence is deemed to exist when Mehiläinen Group holds an interest equivalent to 20–50% of the voting rights or has otherwise obtained significant influence but not control over the entity. The existence of potential voting rights is considered when assessing whether the Group exercises significant influence. Investments in associates are accounted for using the equity method and are initially recognised at cost. An investment in an associate also includes the goodwill determined at the time of acquisition.

The Group's share of the profits earned or losses incurred by associates is presented separately in the statement of income. The item is presented above operating profit as of 2017, whereas in comparative periods it was presented below the operating profit. Similarly, the Group's share of the changes in other comprehensive income of associated companies is recognised in the statement of comprehensive income. If the Group's share of an associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value in the statement of financial position. Losses exceeding the carrying amount are not consolidated, unless the Group has incurred the obligations on behalf of the associate.

In the parent company's financial statements, investments in associates are carried at cost which is based on fair value at the time of acquisition; they are not accounted for using the equity method.

Eliminations in the consolidated financial statements

Intra-group transactions, receivables and payables, income and expenses, internal distribution of profits and unrealised gains and losses are eliminated in the consolidated financial statements. Unrealised gains from associated companies are eliminated in proportion to the interests held. Unrealised losses are also eliminated unless there are indications that the transaction involves an impairment of the transferred asset.

Where appropriate, the financial statements of subsidiaries and associated companies have been amended to comply with the accounting principles applied by the Group.

ACQUISITION OF ASSETS AND BUSINESS COMBINATIONS

When the Group acquires assets either through acquisition or other arrangements, the management evaluates the true nature of the assets and related business to determine whether the transaction is considered a business combination.

When an asset item or group of items does not constitute a business, the acquisition is not treated as a business combination. In such a case, the Group recognises the acquisition of individual identifiable assets and the liabilities assumed. Cost is attributed to the individual asset items and liabilities in proportion to their fair value at the time of acquisition. No goodwill is generated as a result of such a transaction. Acquisitions of assets and liabilities constituting a business are accounted for as business combinations.

The Group recognises business combinations using the acquisition method. The accounting method is the same irrespective of whether the Group acquires the shares of the company or its business operations in full or in part. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Acquisition-related costs are recognised in the statement of income under other operating expenses.

Acquisitions of subsidiary shares are recognised at cost by the parent company based on fair value at the time of acquisition. Acquisitions of businesses are recognised by the parent company as business combinations in compliance with the accounting principle applied by the Group. Costs incurred as a result of acquisitions of subsidiaries and business operations are recognised by the parent company in the statement of income under other operating expenses.

Legal mergers and other similar restructuring are accounted for in the parent company's financial statements using carrying amounts recognised in the consolidated financial statements. This includes any associated goodwill, intangible assets and other adjustment arising from measurement at fair value that were recognised when the subsidiary was originally acquired, less subsequent related depreciation, amortisation and impairment losses. The difference between the amounts assigned to the merged subsidiary's net assets in the parent company's financial statements and the carrying amount of the investment in the merged subsidiary is recognised directly in equity.

The classifications or determinations related to business combinations are made based on the terms of contract, economic conditions, the operating or accounting principles applied by the Group and the parent company, and other pertinent circumstances prevailing at the time of acquisition.

CURRENT/NON-CURRENT DISTINCTION

In the consolidated financial statements, the Group classifies assets and liabilities applying the current/non-current distinction. The Group classifies an asset as current when it expects to realise the asset within twelve months after the reporting period. Other assets are classified as non-current. The Group classifies a liability as current when it matures for repayment within twelve months after the reporting period or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Other liabilities are classified as non-current.

FAIR VALUE MEASUREMENT

For many of the accounting principles and notes to the financial statements, it is necessary to determine fair values both for financial instruments and other assets and liabilities. The fair value hierarchy is based on the information source used for the measurement of fair value. Information of the fair values of financial instruments measured at amortised cost are presented in note 17.

- Level 1 – Fair values of financial instruments are based on quoted prices in active markets for identical assets and liabilities.

- Level 2 – Financial instruments are not subject to trading in active and liquid markets. The fair values of financial instruments can be determined based on quoted market prices and deduced valuation.

- Level 3 – Measurement of financial instruments is not based on verifiable market information, and information on other circumstances affecting the value of the instruments is not available or verifiable.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company and its subsidiaries. Mehiläinen Group's business operations are primarily carried out in Finland and so typically denominated in euros.

Any transactions in foreign currencies have been recognised in the functional currency using the exchange rate prevailing on the transaction date. Monetary foreign currency items are translated into the functional currency using the rates prevailing on the closing date of the reporting period. Exchange rate gains and losses arising from foreign-currency transactions and the translation of monetary items are recognised in profit or loss. Non-monetary items are measured at the rates prevailing at the transaction date. Exchange rate gains and losses on business transactions are included in the respective items above operating profit.

REVENUE AND REVENUE RECOGNITION PRINCIPLES

Mehiläinen Group's revenue streams derive from payments made for the social care and healthcare services and combinations of services provided. The healthcare services include primary and specialty health care, occupational healthcare and dental care services related to the prevention and treatment of illnesses and maintenance of health. Social services include residential care, nursing and other services intended for the elderly, children, disabled and mental rehabilitation customers. The Group offers its services to public undertakings, companies, insurance companies, societies and foundations as well as private individuals.

Revenue is recognised at the amount the Group expects to be entitled to in exchange of the services provided. When determining the amount of sales revenue, the Group gives due consideration to the terms of contracts and its normal operating practices. The contracts concluded by the Group include a range of variable price components, such as bonuses, sanctions or target prices. The Group estimates the effect of variable price components on the amount of revenue to be recognised based, for example, on historic data and demand for services, determining and recognising the revenue from such services at the most probable value.

Revenue from the services is recognised specifically to each individual appointment according to use. In the case of long-term contracts on predetermined services, revenue is recognised over the term of the contract, as the customer simultaneously receives and consumes the benefits from the service as Mehiläinen performs. If revenue is generated under a contract for the capability to provide the relevant services, say, for a given population in a specified area, the payments received are recognised over the term of the contract.

Regarding the private practitioners' services in Mehiläinen premises, the Group acts as a principal and recognises the practitioners' invoicing in its revenue and the cost of practitioners' services in materials and services.

Mehiläinen Group uses a practical expedient in the presentation of the transaction price allocated to remaining performance obligations on the reporting date. Mehiläinen Group's remaining performance obligations on the reporting date are generally part of a contract with a maximum term of one year; alternatively, the revenue recognised by the reporting date correspond to the benefit of the service provided by Mehiläinen for the customer. Mehiläinen Group has not recognised assets on costs for obtaining or fulfilling the customer contracts in 2017 and 2016. Mehiläinen Group's customer contracts do not include any significant financing components or incremental expenses due to obtaining contracts.

GOVERNMENT GRANTS

Government grants are recognised as accrued income and deferred expenses when such grants are probable and the Group satisfies the eligibility criteria. The grants are recognised as income for the period in which the expenses covered by the grant are incurred.

LEASES

Leasing agreements in which risks and rewards incidental to ownership are not transferred to the lessee are classified as operating leases. Payments made under such leases are recognised as expenses in the statement of income over the term of the lease. Most of the Group's operating leases relate to premises and equipment. The Group has subleased individual premises that are not used by its own business operations.

Leases that substantially transfer all the risks and rewards incidental to ownership to the Group are classified as finance leases. An asset leased under a finance lease is recognised in the statement of financial position at fair value at the commencement date or the present value of minimum lease payments, whichever lower. The leasing liabilities of finance leases are recognised in interest-bearing liabilities in the statement of financial position. Lease payments are divided into interest expenses and the repayment of the outstanding liability during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period. Finance lease assets are depreciated over the useful life of the asset or the term of the lease, whichever shorter.

INCOME TAX

The Group's income taxes include the Group companies' taxes based on taxable profit for the period, prior period tax adjustments and deferred taxes. The Group companies' taxes are calculated from the taxable profit of each company as determined by local tax legislation and based on the tax rates and tax laws enacted or in practise approved by the end of the reporting period. If the tax relates to items recognised in other comprehensive income or in equity, income tax is recognised in respect of those items.

Deferred tax is calculated from the temporary differences between the carrying amount of an asset or liability and their taxable values as well as any unused tax losses. Deferred tax is calculated at the tax rates in effect on the date of the financial statements, and if the rates change, at the new rate enacted or approved, for all practical purposes, by such date.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the deferred tax liability arises from initial recognition of goodwill or from the initial recognition of certain assets and liabilities in a transaction which is not a business combination and affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. However, a deferred income tax asset is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income.

The Group reassesses unrecognised deferred tax assets at the end of each reporting period. It recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised. Conversely, an allowance is made from a deferred tax asset if the related tax benefit is no longer deemed probable.

Tax receivables and liabilities related to the taxes for the period are netted when the Group has a legally enforceable right to offset the tax items and the Group intends either effect the tax payment on a net basis or realise the tax receivable and pay the tax liability simultaneously.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Costs include the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. With business combinations, the acquisition cost of a property, plant and equipment is its fair value at the time of acquisition.

Costs arising at later date are included in the carrying amount of an asset only when it is likely that the future financial benefit associated with the asset will benefit the Group and when the acquisition cost of the asset can be reliably determined. Ordinary costs of repair and maintenance are recognised as incurred. The residual value and useful life of assets is reviewed regularly and, if necessary, adjusted to reflect any changes in the expected economic benefit.

The acquisition cost of property, plant and equipment is depreciated over their useful life using straight-line depreciation. As a rule, buildings and structures are depreciated over 10–30 years and machinery and equipment over 3-10 years. Other property, plant and equipment items and land areas are not depreciated.

The improvement cost of leasehold premises is due to repairs and modifications necessary to make the premises suitable for the Group's business operations, and these costs are depreciated over the remaining term of the lease as specified in the leasing agreement. If the lease is valid for an indefinite term, a specific assessment of useful life is made by the management. Investments in the housing and mutual real estate companies in which the Group carries out business operations are accounted for using proportionate consolidation.

Property, plant and equipment is derecognised when disposed of or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in other operating income or other operating expenses.

The useful life of an asset is reviewed at the end of the reporting period, and if expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company or business at the date of the acquisition. Goodwill is not amortised but it is tested annually for impairment. For impairment testing, goodwill is allocated to cash-generating units. Goodwill is recognised at cost less impairment losses. More details are provided in section Impairment. The goodwill generated from the acquisition of associated companies is included in the cost of the associate in the statement of financial position.

Research and development costs

Research costs are recognised as expenses. Development costs are capitalised when a development project is likely to generate economic benefits for the Group and the criteria established for commercial and technical feasibility are met. Development projects may relate to new or essentially improved services or processes.

Other intangible assets

Other intangible assets are recognised in the statement of financial position at cost. Intangible assets are recognised in the statement of financial position only if their cost can be reliably measured and if it is likely that the expected future economic benefits attributable to the assets will flow to the company.

Other intangible assets acquired in connection with a business combination are recognised at fair value at the time of the acquisition. Subsequently, other intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Other intangible assets include customer relations, the patient base and trademarks acquired in connection with acquisitions as well as acquired IT software and licences, and the expenditure incurred in connection with the deployment of a new IT system. The patient base and customer relations are amortised in 3–10 years, trademarks in 3–5 years and other intangible assets normally in 5–10 years. Expenses arising from IT systems acquired as a service are recognised in the statement of income. Expenditure incurred in connection with their deployment are recognised as an asset and expensed over the term of the service contract.

At the end of each reporting period, the Group assesses whether there are any indications of asset impairment and recognises any such impairment. The amortisation period and method for other intangible assets is determined on the last day of the reporting period. If the expected useful life of the asset differs from previous estimates, the amortisation period is adjusted accordingly. If there has been a substantial change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method is adjusted to reflect the changed pattern.

Any gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and recognised in the statement of income under other operating income or expenses.

INVENTORIES

The Group's inventories include materials and supplies required for the rendering of services. Inventories are measured at cost or net realisable value, whichever lower. Cost is determined using the first-in first-out (FIFO) method. Any need for impairment is assessed when the net realisable value is determined.

FINANCIAL ASSETS

The Group's financial assets are classified as follows: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

The classification of financial assets takes place at initial recognition and depends on the purpose for which the financial assets were acquired. All purchases and sales of financial assets are recognised on the trade date, being the date when the Group commits to purchase or sell the asset. Financial assets are derecognised when the Group has lost the contractual right to the cash flows or when the Group has transferred a substantial portion of the risks and income outside the Group.

Financial assets at fair value through profit or loss

Financial assets recognised at fair value through profit or loss include financial assets held for trading and a subordinated loan receivable with an embedded conversion feature into shares. They are measured at fair value and all changes in fair value are recognised in the statement of income for the period in which they arise. Assets held for trading include derivative instruments. Transaction costs related to financial assets at fair value through profit or loss are recognised in the statement of income in the period in which they occur.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not held for trading. Customary loan receivables and trade receivables fall into this category. Loan receivables are carried at amortised cost less any impairment losses which are determined on a case-by-case basis. Transaction costs are recognised in the initial carrying amount. Receivables are classified as non-current and current assets according to maturity.

Available-for-sale financial assets

Available-for-sale financial assets include shares in listed and non-listed companies. Shares are measured at fair value or, if fair value cannot be reliably determined, at cost less any impairment losses. Transaction costs are included in the initial cost. The fair value of listed shares is the market price on the date of the financial statements. In assessing the fair values of shares not subject to public trading, the Group uses generally accepted valuation methods. These may include recent transactions between independent parties, other similar instrument valuations and discounted future cash flows. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and presented net of tax in the fair value reserve under equity. Cumulative changes in fair value are reclassified from equity into profit or loss when the investment is sold or an impairment loss must be recognised in respect of the investment. Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the investment within one year of the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and other current, highly liquid investments, which are easily exchangeable for a previously known amount of cash and whose risk of a change in value is low. Items included in cash and cash equivalents have maximum maturities of three months. Escrow accounts are presented under non-current or current receivables.

More details on financial assets are provided in notes 17 and 21.

FINANCIAL LIABILITIES

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. Borrowings and purchases and sales of financial liabilities are recognised on the date when the related contract has been made. Financial liability or part of it is derecognised when the obligation specified in the contract is either discharged or cancelled or expires. Non-current liabilities refer to other financial liabilities that mature later than 12 months and current liabilities to liabilities that mature in less than 12 months.

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading and contingent considerations are included in the financial liabilities at fair value through profit or loss. Changes in their fair values are recognised in the statement of income for the period when incurred. Transaction costs related to financial liabilities at fair value through profit or loss are recognised in the statement of income in the period in which they occur. Financial liabilities held for trading include derivative instruments. Derivative liabilities are classified as non-current or current according to the underlying item to be hedged. Mehiläinen has hedged interest rate risk of a floating-rate loan with an interest rate swap which expired in 2017.

Financial liabilities measured at amortised cost

In Mehiläinen, financial liabilities measured at amortised cost include loans, finance leases, trade payables and other liabilities that meet the IFRS financial liability criteria. Loans are recognised initially at fair value net of transaction costs. Loans are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance expense over the loan period using the effective interest method.

Arrangement fees for loans are treated as transaction costs. Fees related to the establishment of revolving credit facilities are capitalised as an asset and amortised as finance expenses over the period of the facility to which they relate.

More details on financial liabilities are provided in notes 17 and 21.

IMPAIRMENT

Impairment of property, plant and equipment and intangible assets and investments

If any indications of impairment exist, the recoverable amount of the respective asset is measured. In addition, recoverable amounts of goodwill and intangible assets not yet in use, as well as the amount recoverable by the parent company in respect of subsidiary shares are determined annually, if any indications of impairment exist. For example, such indications may relate to the subsidiary's past financial performance or an assessment of future performance.

Need for impairment testing is considered at the level of individual cash-generating units, which is the lowest unit level mainly independent of other units and the cash flows of which are separable and independent of cash flows of other corresponding units. Goodwill and, in the case of the parent company, subsidiary shares are tested for impairment annually or whenever there is an indication that the value of the cash-generating unit including goodwill or the subsidiary shares may be impaired. A cash-generating unit represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Assets common to the entire Group that serve several cash-generating units and do not generate a separate cash flow are allocated to cash-generating units in a reasonable and coherent manner and are tested as part of each cash-generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value-in-use refers to the expected discounted future net cash flows to be derived from asset or the cash-generating unit. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. Impairment losses are recognised immediately in profit or loss. Impairment losses attributable to a cash-generating unit are recognised to reduce first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit pro rata based on their carrying amounts. Any earlier impairment is reversed if the estimates underlying the recoverable amount change. However, the value remaining after the reversal of impairment may not result in a carrying value that is higher than it would have been if no impairment had been recognised. No recognised impairment loss on goodwill is reversed.

A description of impairment testing is provided in note 11.

Impairment of financial assets

At the end of the reporting period, the Group determines whether there is objective evidence of any impairment of any financial asset or group of financial assets. If such evidence of impairment exists, the loss in the fair value reserve related to shares classified as available-for-sale financial assets is reclassified into profit or loss.

Objective evidence of the impairment of loans and receivables include significant financial difficulties on the part of a debtor, a payment default or substantial delay in payment. Impairment on loans is recognised in the statement of income under finance expenses, and impairment on other receivables under other operating expenses for the period in which such impairment is established.

EMPLOYEE BENEFITS

The Group has defined contribution plans with external insurance companies in respect of which the Group does not have a legal or constructive obligation to make additional payments in case the payment recipient is unable to pay the pension benefits. The contributions payable under defined contribution plans are recognised as expenses in the statement of income for the period to which the payments relate.

Short-term employee benefits are recognised in the period in which they arise. Incentive and performance bonuses are recognised as expenses when the obligation to make the payments arises and when the amounts can be reliably estimated.

Upon termination of employment, an expense is recognised if the company has a constructive obligation to make the payment before the termination of employment. If the purpose of the arrangement is voluntary termination, the costs are recognised in the statement of income when the acceptance of such an arrangement is certain and the number of employees can be reliably estimated.

The Group does not have any share-based incentive plans.

The right of owners holding non-controlling interests to draw funds as dividends at a later date based on their work performance in the reporting period is treated as a short-term employee benefit expenses in the statement of income because in accordance with IFRS it is considered a remuneration in exchange for rendered employee service. An equivalent liability is included in other current liabilities in the statement of financial position.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. In situations where the time value of money is of essence, provisions are discounted in accordance with the estimated future cash flows. A restructuring provision is recognised when the Group has in place a detailed plan for such restructuring and its implementation has commenced or the interested parties have been informed of the main points of such a plan. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable expenses of meeting the obligations under the contract. Lease contracts become onerous, if the leased premises remain unused or if they are subleased at a rate lower than the original. As a result, a provision is recognised for the estimated losses over the remaining lease term.

Contingent liabilities

A contingent liability is an obligation that may arise as a result of past events and whose existence is only confirmed if an uncertain event outside the control of the Group materialises. An existing obligation which probably does not require the satisfaction of a payment obligation or the amount of which cannot be reliably determined, is also considered a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

OPERATING PROFIT AND ITEMS AFFECTING THE COMPARABILITY OF REPORTING PERIODS

Operating profit in the statement of income is the net sum arrived at by adding other operating income to net sales and deducting the cost of materials and services, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses.

In the notes to the financial statements, the Group discloses a number of items that affect the comparability of the operating profit in the various reporting periods. The items affecting comparability are substantial in amount, exceptional and outside the ordinary course of business. For example, they include the costs of extensive restructuring within the Group, capital gains and losses from the sale of businesses and assets as well as expenses and income related to acquisitions and the integration of operations.

DIVIDENDS

Dividends are recognised as liabilities after the Annual General Meeting of Shareholders approves the amount of dividends.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

To prepare the financial statements in compliance with the IFRS, the Group management needs to make certain estimates and assumptions and use judgement in the application of the accounting principles. They affect the amounts of assets and liabilities in the statement of financial position, the presentation of commitments and contingent assets and liabilities in the financial statements as well as the income earned and expenses incurred in the reporting period.

The management's estimates and assumptions are based on previous experience and a range of other assumptions deemed reasonable under the circumstances. Actual outcomes may differ from these estimates. Additional information on the judgement made by the management when applying the accounting principles that have the most significant impact on the figures presented in the financial statements, is provided below.

Determination of the fair value of contingent consideration and assets acquired and liabilities assumed as part of business combinations

The Group has retained the services of an external advisor to assist in determining the fair values of assets acquired and liabilities assumed in conjunction with significant business combinations. Where possible, the fair values of assets and liabilities are determined by reference to market values insofar as they are available. If no market values are available, the measurement is based on the estimated capacity of the asset to generate profits and its future use in Mehiläinen Group's operating activities. The measurement of intangible assets is based on the present values of future cash flows and requires that the management make estimates regarding future cash flows, discount rates and the use of assets.

The acquisition-date fair value of contingent consideration is recognised as part of the consideration transferred. When contingent consideration is classified as a financial liability, it is recognised at fair value at the end of the reporting period and the change in fair value is recognised in the statement of income.

The management believes that the estimates and assumptions made are accurate enough for the determination of fair value. Additionally, the Group monitors any indications of any impairment of property, plant and equipment and intangible assets.

Impairment testing of intangible assets

The Group and parent company test goodwill and any intangible assets not yet in use for impairment annually. In addition to these, the parent company tests the cost of subsidiary shares. The amounts recoverable from cash-generating units' operating activities are determined based on value-in-use calculations. In these calculations, forecast cash flows are based on 5-year financial plans approved by the management.

Income taxes

The management uses its judgement in determining the deferred tax assets to be recognised in respect of tax losses. The amounts of recognised deferred tax assets are based on the management's estimates and assumptions regarding the amount of future taxable income to be generated in respect of which losses can be used. Actual outcomes may differ substantially from the estimates made at the time when the financial statements are prepared.

Managerial judgement is also called for when the amount of income tax based on the taxable income earned by the Group and parent company is determined. Although the claims made in the Group companies' tax returns are well-founded, it is possible that the tax authorities do not accept some of the claims presented. The Group is currently appealing regarding taxation during 2006–2012 of which more details are provided in note 9.

Classification of leasing agreements

Management judgement is also required to classify the leasing agreements related to business premises. The judgement is based on the following assessment of the agreements at the inception of the lease: does the lease term cover the estimated useful life of the asset; does the present value of the minimum lease payments amount to the substantial part of the asset's fair value; does the Group have any option to purchase the asset and will the ownership of the asset be transferred to the Group at the end of the lease term.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) has announced the following new or amended standards and interpretations, which the Group has not yet adopted. The Group will apply each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the accounting period, as of the beginning of the financial year following the effective date.

- IFRS 9 *Financial Instruments* and amendments thereto (effective for accounting periods beginning on or after 1 January 2018). The new standard replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and an 'expected credit loss' model for the measurement of the impairment of financial assets. The classification and measurement of financial liabilities largely correspond to the current guidance in IAS 39.
  The impact of the standard on the consolidated or the parent company's financial statements is not expected to be significant. Mehiläinen will classify and measure customary loan receivables, other receivables and trade receivables at amortised cost according to new standard. Group companies have minor investments in shares which will be classified and measured at fair value through profit or loss. The same principle will be applied to subordinated loan receivables. Mehiläinen will apply the practical expedient allowed by IFRS 9 to impairment losses arising from trade receivables. The amount of credit losses will be estimated using a provision matrix taking into account the characteristics of business and customer base. Based on the matrix, a probability-weighted estimate is calculated of the lifetime expected credit losses. Mehiläinen estimates the recognition of credit losses to take place somewhat earlier than before. Regarding loan receivables the credit risk and need to recognise impairment loss are estimated based on expected credit losses within 12 months or, if there has been an increase in the credit risk related to the receivable, based on lifetime expected credit losses. Mehiläinen has no separate derivative instruments on the reporting date. The standard will also have an impact on the notes to the financial statements.

- IFRS 16 *Leases* (effective for accounting periods beginning on or after 1 January 2019). The standard discusses the definition, recognition and measurement of leases and the notes related to the arrangements. Under IFRS 16, the lessee is required to recognise leases in the statement of financial position as a lease liability and related asset item. Exemptions regarding recognition are introduced in respect of short-term leases with a maximum term of 12 months as well as assets of low value. The lessor accounting remains mostly similar to current IAS 17 accounting.
  Mehiläinen has leased almost all its business premises, and the obligations arising from operating lease contracts amounted to approximately EUR 523 million in the Group and EUR 187 million in the parent company as of 31 December 2017. The leasing agreements which meet the new standard's criteria will be recognised in the statement of financial position as lease liabilities and related asset items. Lease payments on the agreements meeting the criteria will be presented as repayments of liabilities and related interest expenses due to which the operating expenses of Mehiläinen will decrease significantly. The asset items will be depreciated which, in turn, increases significantly Mehiläinen's depreciation in the statement of income. The recognitions also increase the cash flow from operating activities as the lease payments regarding repayments of liabilities will be presented in the cash flow from financing activities. The new standard will also have an impact on Mehiläinen's key indicators. Mehiläinen continues the preparations to adopt the new standard during 2018 by, for instance, implementing a new IT system for lease management. Characteristics of Group's lease agreements have been analysed from the new standard's perspective and the work continues during the first half of 2018.

- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019). The interpretation clarifies the accounting of income tax treatments that have not yet been accepted by tax authorities. When considering the recognition and measurement, the entity needs to assess if the tax authorities having all relevant information will accept the company's tax treatment. The interpretation is expected to have an impact on the notes to the Mehiläinen's financial statements. The interpretation is not yet endorsed for use in the EU.

3. Acquisitions and divestments

In 2017 and 2016, Mehiläinen has expanded rapidly due to acquisitions. The acquisitions have diversified the Group's range of services for example in the field of dental care, care services as well as child welfare and mental health rehabilitation, and thus strengthened the Group's market position and expanded the unit network in Finland. The main acquisitions were NEO Terveys Group in 2017 and Mainio Vire Group and MilaPro Group in 2016. The accounting principles applicable to the recognition of business combinations and related management judgement are discussed in the accounting principles. The Mainio Vire -acquisition in 2016 and part of the smaller business combinations in 2017 and 2016 include contingent considerations the terms of which are discussed in connection with the business combinations below. They are based on the development of each company's EBITDA during the 1-2 years following the acquisition date. The contingent considerations are measured using income approach with the Group's discount rate valid at the acquisition date. Goodwill arising from the acquisitions is based on their expected operational and administrative synergies.

Mehiläinen Oy has disposed of the shares of MV Partners Oy on 1 June 2017. The cash consideration transferred for the disposal was EUR 1 and a EUR 999 loss realised from the disposal. No companies were disposed of in 2016.

Acquisitions in 2017

EUR 1 000	Note	NEO Terveys Group	Other acquisitions	Total
Assets				
Trademarks	10	289		289
Customer relations	10	892	3 685	4 577
Other intangible assets	10	52	8	60
Property, plant and equipment	12	4 508	4 933	9 441
Investments			91	91
Deferred tax assets	9	245	320	566
Inventories		421	102	523
Trade and other receivables		2 657	3 527	6 184
Cash and cash equivalents		651	5 857	6 508
Total assets		**9 716**	**18 523**	**28 239**
Liabilities				
Loans		12	2 281	2 293
Deferred tax liabilities	9	239	712	951
Finance lease liabilities		4 093		4 093
Trade and other payables		2 563	4 156	6 720
Total liabilities		**6 907**	**7 149**	**14 056**
Net assets		**2 809**	**11 375**	**14 183**
Consideration transferred				
Cash consideration		25 462	44 291	69 753
Acquisition related liabilities			331	331
Contingent considerations		900	1 584	2 484
Total consideration transferred		**26 362**	**46 205**	**72 567**
Goodwill arising from the acquisitions		**23 554**	**34 831**	**58 384**
Cash flow				
Cash consideration		25 462	44 291	69 753
Cash and cash equivalents of the acquired entities		-651	-5 857	-6 508
Additional purchase prices paid related to previous years' acquisitions			2 225	2 225
Cash flow impact		**24 811**	**40 659**	**65 470**

Acquisition of NEO Terveys Group

On 12 May 2017, the Group acquired 100% of NEO Terveys Group which provided private sector, dental care and occupational healthcare services in Turku and Salo. Control over the acquiree was transferred to Mehiläinen on the same date. NEO Terveys Group included NEO Terveys Oy and the subsidiaries owned by it.

The cash consideration transferred for the acquisition was EUR 26.4 million. EUR 0.9 million of the cash consideration was paid to an escrow account and a corresponding amount was recognised as contingent consideration. The cash consideration paid to the escrow account is subject to final tax audit outcome. The asset transfer tax and advisor fees incurred in the transaction, a total of EUR 0.6 million, are reported under other operating expenses in the statement of income.

The revenue recognised in the consolidated financial statements of NEO Terveys Group was EUR 12.7 million and profit EUR 0.3 million in 2017. In 2016, the consolidated revenue of NEO Terveys Group was EUR 22.6 million and EBITDA 0.6 EUR million.

Other acquisitions

Other acquisitions by Mehiläinen Oy

Acquiree	Acquisition date	Industry sector
Dentist Saila Häkkinen's business	1 January 2017	Dental care services, Hyvinkää
Hangon Lääkäritalo ja Fysioterapia Oy's business	2 January 2017	Private medical services, physiotherapy services and occupational healthcare services, Hanko
Tomodent Oy's oral healthcare services business	31 January 2017	Medical dental imaging services, Turku
Dentist Ulla Kantelinen's dental clinic business	1 February 2017	Dental care services, Tampere
Kotinummi Oy, 100% of the shares	1 February 2017	Mental rehabilitation services, Kouvola and Lieksa
Kotkan Radiologikeskus Oy, 50% of the shares (Group's former ownership 50%)	16 February 2017	Medical imaging services, Kotka
Kiikan Palvelukoti Oy, 100% of the shares	1 March 2017	Mental rehabilitation services, Sastamala
Kajaanin Lääkärikeskus Oy, 100% of the shares	1 April 2017	Private medical services and occupational healthcare services, Kajaani
Kormel Oy, 100% of the shares	3 April 2017	Residential care services for the disabled, Kouvola
Väestöliiton klinikat Oy, 100% of the shares	6 April 2017	Infertility treatment services, Helsinki, Turku and Oulu
Hammaslääkäritoiminta Irmeli Meriläinen Oy's business	24 April 2017	Dental care services, Tampere
Dentuno Oy's dentist business	25 April 2017	Dental care services, Espoo
Parodent Oy's dentist business	25 April 2017	Dental care services, Espoo
Dentist Ulla Holopainen's business	1 May 2017	Dental care services, Tampere
Vaasan Hammas Oy, 100% of the shares	1 May 2017	Dental laboratory services, Vaasa
Adenova Lääkärikeskus Oy, 100% of the shares	1 June 2017	Private gynaecological medical services, Espoo
Joutsan Kartanokoti Oy, 100% of the shares	4 September 2017	Mental rehabilitation and residential care services for the disabled, Joutsa
Hoivakoti Auringonnousu Oy, 100% of the shares	20 September 2017	Mental rehabilitation services, Myrskylä
Itä-Suomen Hoitokodit Group, 100% of the shares	31 October 2017	Mental rehabilitation services and residential care services for the elderly, Kitee and Kiihtelysvaara
ISH-Kiinteistöt Oy, 100% of the shares	31 October 2017	Investing in real estates and owning of real estates, Joensuu
Perhe- ja Palvelukodit Suomalainen Oy, 100% of the shares	1 November 2017	Residential care services for the disabled, Kuopio
Palvelutalo Kotiranta Oy, 100% of the shares	9 November 2017	Mental rehabilitation services, Huittinen
Kouvolan Lääkärikeskus Oy, 100% of the shares	14 November 2017	Private medical services and occupational healthcare services, Kouvola
Haapajärven Kimppakoti Oy, 100% of the shares	21 November 2017	Mental rehabilitation services, Haapajärvi
Lapin Lääkärikeskus Oy, 100% of the shares	31 December 2017	Private medical services, Rovaniemi

Other acquisitions by Mehiläinen Hoivapalvelut Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
SAP-Care Oy, 100% of the shares	1 July 2017	Residential care services for the elderly, Kaarina
Elämäntalo Oy, 100% of the shares	26 October 2017	Residential care services for the elderly, Espoo
Hoivakoti Atzalea Oy, 100% of the shares	27 October 2017	Residential care services for the elderly, Vantaa

Other acquisitions by Familar Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Etelä-Suomen Sijaishuoltopalvelut ESSI Oy's child welfare services business	1 May 2017	Child welfare services, Espoo
Kymen Nuorten Asema Oy, 100% of the shares	19 June 2017	Child welfare, foster care and aftercare services for children and juvenile, Iitti
Terapeuttinen hoito- ja kasvuyhteisö La Casa Gialla Oy's child welfare services business	1 July 2017	Child welfare services, Korpikoski

The total consideration paid for other subsidiary and business acquisitions was EUR 44.3 million. Contingent considerations recognised for the acquisitions amounted to EUR 1.6 million in total. Contingent considerations are related to the acquisitions of Saila Häkkinen's business, Tomodent Oy's business, Ulla Kantelinen's business, Dentuno Oy's business, Parodent Oy's business, Vaasan Hammas Oy, Adenova Lääkärikeskus Oy and Joutsan Kartanokoti Oy. The contingent considerations are based on the development of each company's and business' EBITDA during the 1-2 years following the acquisition date. Regarding the acquisition of Väestöliiton klinikat Oy the Group paid EUR 0.4 million of the cash consideration to an escrow account and a corresponding amount was booked as contingent consideration. The cash consideration paid to the escrow account is subject to potential tax audit outcome. The asset transfer tax and advisor fees arising from other subsidiary and business acquisitions, a total of EUR 1.7 million, are recognised under other operating expenses in the statement of income.

The acquired companies and businesses have been consolidated during the financial year as of the acquisition date. The revenue recognised in the consolidated financial statements for other subsidiary and business acquisitions was EUR 12.2 million and profit EUR 1.1 million in 2017.

The Group's revenue in 2017 would have been EUR 812.6 million and profit EUR 40.4 million if the companies and businesses including NEO Terveys Group had been consolidated from the beginning of the 2017 reporting period. The effect of the acquisitions on the Group's revenue for the reporting period was EUR 24.9 million and on the profit EUR 1.4 million.

Escrow Accounts

Regarding the acquisitions in 2017 the Group has paid EUR 1.3 million (2016: EUR 2.0 million) to escrow accounts. A contingent consideration corresponding the escrow accounts was recognised. Escrow accounts are presented in the statement of cash flow in cash flow from financing activities. The EUR 2.0 million paid to escrow accounts regarding the acquisitions in 2016 has been released to Mehiläinen.

Changes in previous year's acquisitions

Resulting from the change in fair value of contingent consideration payments, the Group recognised EUR 0.1 million as income in the statement of income.

Acquisitions and disposals of subsidiaries and businesses after the reporting period

Events after the reporting period are presented in note 27.

Acquisitions in 2016

EUR 1 000	Note	Mainio Vire Group	MilaPro Group	Other acquisitions	Total
Assets					
Trademarks	10	800	200		1 000
Customer relations *)	10	6 300	600	344	7 244
Other intangible assets *)	10	1 913	539	134	2 586
Property, plant and equipment *)	12	2 302	2 919	2 178	7 399
Investments		3		162	165
Deferred tax assets *)	9	4 070	509		4 579
Inventories				138	138
Trade and other receivables		10 931	1 829	849	13 609
Cash and cash equivalents		1 102	680	2 109	3 891
Total assets		**27 421**	**7 275**	**5 913**	**40 609**
Liabilities					
Loans		20 320	2 384	356	23 060
Deferred tax liabilities	9	1 495	160	69	1 723
Provisions		1 955			1 955
Trade and other payables		18 951	3 994	1 392	24 337
Total liabilities		**42 721**	**6 538**	**1 816**	**51 075**
Net assets		**-15 300**	**736**	**4 097**	**-10 467**
Consideration transferred					
Cash consideration		14 749	15 000	14 146	43 895
Exchange of shares		17 771			17 771
Contingent considerations		110		1 304	1 414
Total consideration transferred		**32 630**	**15 000**	**15 450**	**63 080**
Goodwill arising from the acquisitions		**47 930**	**14 264**	**11 353**	**73 548**
Cash flow					
Cash consideration		14 749	15 000	14 146	43 895
Cash and cash equivalents of the acquired entities		-1 102	-680	-2 109	-3 891
Additional purchase prices paid related to previous years' acquisitions *)				1 005	1 005
Cash flow impact		**13 647**	**14 320**	**13 041**	**41 008**

*) Resulting from the difference between earlier estimated and actual contingent consideration payments, the Group recognised EUR 0.2 million as income in the statement of income. In 2016 also the recognition of Mediverkko's identifiable assets was adjusted by EUR 1.1 million decrease in customer relationships and by EUR 0.7 million increase in deferred tax assets and expenses by EUR 0.5 million as a consequence of which the goodwill decreased by EUR 0.1 million. The aforementioned amounts are included in columns / rows business combinations in the notes 10 and 9.

Acquisition of Mainio Vire Group

In June 2016, the Group acquired the Mainio Vire Group which operated in more than 100 locations as a social and care services provider. The acquired Group included Mainio Vire Group's holding company Vire Care Oy and its subsidiaries. Control over the acquiree was transferred to Mehiläinen on 1 August 2016 following the approval of the transaction by the competition authority. In 2015, the consolidated revenue of the acquired Group was EUR 87.4 million and EBITDA EUR 4.0 million.

The total consideration transferred for the acquisition was EUR 32.6 million. In connection with the acquisition, the seller was issued shares in companies that own the Mehiläinen Group. They in turn invested EUR 17.8 million, corresponding to the fair value of shares issued, to Mehiläinen Oy's invested unrestricted equity reserve. The cash consideration paid for the transaction was EUR 14.7 million. Regarding the acquisition the Group paid EUR 2.0 million to an escrow account of which EUR 0.1 million was recognised as contingent consideration and of which EUR 1.9 the Group expected as a refund. The contingent considerations were based on the development of certain business unit's EBITDA until 30 September 2017. The asset transfer tax and advisor fees incurred in the transaction, a total of EUR 1.4 million, are reported under other operating expenses in the statement of income.

Acquisition of MilaPro Group

The Group company Familar Oy acquired on 20 May 2016, MilaPro, a Group providing child welfare and mental rehabilitation services from outpatient care to demanding level specialised units. In addition to child welfare and care, MilaPro offers other welfare related services, such as housing support, employment services and neuropsychiatric coaching. The consideration transferred for the acquisition amounted to EUR 15.0 million. The asset transfer tax and advisor fees incurred in the transaction, a total of EUR 0.6 million euro, are reported under other operating expenses in the statement of income.

Other acquisitions

Other acquisitions by Mehiläinen Oy

Acquiree	Acquisition date	Industry sector
Oulun HammasSalon Oy, 100% of the shares	1 January 2016	Dental care services, Oulu
Leanportin Hammaslääkäriasema Oy, 100% of the shares	1 February 2016	Dental care services, Helsinki
Karkkilan lääkärikeskus- ja työterveyspalvelut Oy's business	1 March 2016	Private medical services and occupational healthcare services, Karkkila
Vaasan Endolab Oy's business	1 March 2016	Private medical services and laboratory services, Vaasa
Dental Kemi Oy's business	1 April 2016	Dental care services, Kemi
Lääkäriasema Medek Oy's business	1 April 2016	Private medical services and occupational healthcare services, Tammisaari
Tapiolan Hammaslääkärit Oy, 100% of the shares	1 April 2016	Dental care services, Espoo
SM Amiprix Oy, 100% of the shares	1 June 2016	Mental rehabilitation services, Vihanti
PlusTerveys Oy's Plushammas business	1 July 2016	Dental care services, Lappeenranta
Dentist Aila Lindroos' business	1 August 2016	Dental care services, Lohja
Rovaniemen Työterveys ry's business	1 August 2016	Occupational healthcare services, Rovaniemi
Iisalmen Hammaspaikka Oy, 100% of the shares	1 September 2016	Dental care services, Iisalmi
Malmin Torin Hammaslääkärit Oy, 100% of the shares	1 September 2016	Dental care services, Helsinki
Kotkan Lääkärikeskus Oy and Kotkan Leikkaussali Oy, 100% of the shares	1 September 2016	Private medical services and occupational healthcare services, Kotka
ITTE Imatran Tutkimus ja Terveys Oy, 100% of the shares	1 October 2016	Private medical services and occupational healthcare services, Imatra
Jyväskylän Lääkäripalvelut Oy's business	1 October 2016	Medical centre, private medical services and specialist services, Jyväskylä
Dentist Timo Grönlund's business	1 December 2016	Dental care services, Uusikaupunki

Other acquisitions by Mehiläinen Hoivapalvelut Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Kauhavan Mummola Oy, 100% of the shares	1 December 2016	Residential care services for the elderly, Kauhava

Other acquisitions by Familar Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Ryhmä- ja kuntoutuskoti Myllykoto Oy's business	1 September 2016	Child welfare services, Kouvola

The total cash consideration paid for other subsidiary and business acquisitions was EUR 14.1 million. Contingent considerations recognised for the acquisitions amounted to EUR 1.3 million in total. Contingent considerations were related to the acquisitions of Oulun HammasSalon Oy, Leanportin Hammaslääkäriasema Oy, Tapiolan Hammaslääkäriasema Oy, Dental Kemi Oy's business, PlusTerveys Oy's Plushammas business, Iisalmen Hammaspaikka Oy and Malmin Torin Hammaslääkärit Oy. The contingent considerations were based on the development of the company's EBITDA during the 1–2 years following the acquisition date. The asset transfer tax and advisor fees arising from other subsidiary acquisitions, a total of EUR 0.3 million, are recognised under other operating expenses in the statement of income.

The acquired companies and businesses have been consolidated during the financial year as of the acquisition date. The revenue recognised in the consolidated financial statements for the acquired companies and businesses was EUR 59.6 million and profit EUR 4.5 million in 2016. The Group's revenue in 2016 would have been EUR 659.8 million and profit EUR 2.4 million if all the companies and businesses including Mainio Vire Group and MilaPro Group had been consolidated from the beginning of the 2016 reporting period.

4. Income

	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Revenue				
Healthcare services	502 110	415 236	386 116	351 138
Social care services	253 434	174 853	30 324	28 358
Total	**755 544**	**590 090**	**416 440**	**379 496**

	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Revenue				
Corporate	208 368	184 514	195 826	180 555
Private	214 426	175 091	174 977	153 153
Public customers	332 751	230 486	45 636	45 787
Total	**755 544**	**590 090**	**416 440**	**379 496**

Mehiläinen's corporate customer group consists of occupational healthcare customers, insurance company customers and other corporate contract customers except for public sector occupational healthcare customers. Private customers include private individuals. Public sector customer group consists of Finnish public sector organisations, such as municipalities, joint municipal authorities, hospital districts and the public administration when purchasing social and healthcare outsourcing services, residential services, occupational healthcare services and staffing services.

	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Other operating income				
Rental income	761	134	274	129
Gains on sale of property, plant and equipment and investments	401	160	150	145
Government grants [1]	111	92	111	92
Management fee [2]			2 994	
Other income	1 666	1 224	977	745
Total	**2 939**	**1 610**	**4 506**	**1 111**

[1] Government grants include Innovation Centre Tekes subsidies to Mehiläinen Oy for the "Individual diagnostics and treatment" programme which is a health and welfare research programme coordinated by SalWe Ltd between 2014 and 2018. Total of 13 businesses and 5 research organisations participate in the programme.

[2] Parent company's management fee was previously reported as an adjustment to other operating expenses (2016: EUR 1.5 million).

5. Materials and services

	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Raw materials and consumables				
Purchases during the period	27 022	28 338	20 770	17 800
Change in inventories	-476	-58	-146	18
Private practitioners' services	145 404	125 800	139 508	125 800
Other external services	43 454	31 059	15 195	15 726
Total	**215 404**	**185 140**	**175 327**	**159 343**

6. Employee benefit expenses

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Wages and salaries	262 416	203 240	102 954	97 389
Pension expenses, defined contribution plans	45 078	34 767	17 434	16 883
Other social security expenses	11 580	12 512	4 948	6 433
Total	**319 075**	**250 519**	**125 335**	**120 705**

	Group		Parent company	
	2017	2016	2017	2016
Number of personnel at the end of the period	6 393	5 380	2 317	1 980
Average number of personnel	5 888	4 502	2 094	2 004

Healthcare professionals work in the Mehiläinen Group as employees or private practitioners. The fees to practitioners are included in materials and services and presented in note 5. Private practitioners are responsible for their own social security expenses and pension contributions. The right of shareholder practitioners to withdraw funds from the company as a dividend based on their work input are treated in the Group's financial statements as an employee benefit and the amounts are recognised in employee benefit expenses in relation to the work conducted by the shareholder in question. The procedure is described in more detail in the accounting principles.

The number of people working in Mehiläinen as private practitioners is not included in the number of personnel stated above.

See note 24 for information on the remuneration of the key management.

7. Other operating expenses

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Lease expenses	69 114	52 203	34 444	30 231
Premises expenses	16 669	14 195	7 387	7 112
Telephone and telecommunication expenses	13 047	11 143	10 328	8 540
Consultant and professional fees	7 976	6 354	7 071	3 920
Marketing and communication costs	6 123	5 622	5 550	5 197
Machinery and equipment servicing and operating costs	5 839	4 695	3 758	3 338
Other costs	20 269	5 887	9 965	8 438
Total	**139 037**	**100 099**	**78 503**	**66 775**

Auditor's fees

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Ernst & Young Oy				
Audit fees	382	333	131	116
Tax advisory	210	98	260	85
Other fees	726	242	601	158
Total	**1 318**	**673**	**993**	**359**
Other audit firms				
Audit fees	37	30		
Tax advisory	95	45	95	45
Other fees	599	137	502	137
Total	**732**	**212**	**598**	**182**

8. Finance income and expenses

Finance income

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Dividend income	9	17	53	36
Changes in fair value of financial liabilities at fair value through profit or loss				
Interest rate derivatives - hedge accounting not applied	550	930	550	930
Interest income on financial assets at amortised cost	247	133	143	14
Interest income from Group companies			973	1 614
Gain from sale of available-for-sale financial assets	43		43	
Other finance income	1	2	0	
Total finance income	**851**	**1 082**	**1 762**	**2 594**

Finance expenses

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Interest expense on financial liabilities at amortised cost	14 149	15 954	14 036	15 918
Interest expenses to Group companies				68
Impairment losses on available-for-sale financial assets	2		2	
Other finance expenses	991	1 705	786	612
Total finance expenses	**15 142**	**17 659**	**14 825**	**16 598**
Total finance income and expenses	**-14 291**	**-16 577**	**-13 063**	**-14 005**

9. Income taxes

EUR 1 000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Statement of income				
Current taxes	-7 677	-4 559	-2 978	-1 313
Adjustments to taxes for previous periods	200	40	151	40
Deferred taxes	-265	1 200	-217	-503
Total	**-7 742**	**-3 320**	**-3 044**	**-1 776**
Statement of comprehensive income				
Income taxes related to other comprehensive income items		-1		-1
Total		**-1**		**-1**

Reconciliation of the tax expense and taxes calculated at the tax rate of the parent company

EUR 1 000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Profit before tax	**45 148**	**16 509**	**14 243**	**5 946**
Tax at the tax rate of the parent company 20%	-9 030	-3 302	-2 849	-1 189
Effect of non-deductible expenses	-257	-560	-240	-416
Effect of non-taxable income	291	25	61	25
Unrecognised taxes on losses during the period		-55		
Share of results in associated companies	-3	-3		
Change in previously unrecognised deferred tax assets	1 130	534		
Other tax-deductible costs	29	-77	-215	15
Taxes from previous periods	200	40	151	40
Deferred taxes not previously recognised			89	
Other adjustments	-103	78	-41	-251
Income taxes in the statement of income	**-7 742**	**-3 320**	**-3 044**	**-1 776**

Mehiläinen Oy is involved in an ongoing dispute with the tax authorities regarding the tax deductibility of the interest expenses allocated to the Finnish branch of Ambea Finland AB in tax years 2006–2012. The interest expenses allocated to the Finnish branch of Ambea Finland AB have been regarded as non-deductible expenses for the branch in claim of adjustment made by the tax authorities regarding tax years 2006–2012. The branch has deducted in total approximately EUR 32 million of interest expenses during tax years 2006–2012. The branch has requested for rectification from the Board of Adjustment on the tax authority's decision. The Board of Adjustment has nevertheless rejected the requests for rectification submitted by the branch regarding both the deductibility of the interest expenses and the related tax increases. Mehiläinen Oy (Ambea Finland AB is now a part of Mehiläinen Oy due to the merger of its main company) has submitted an appeal to the Administrative Court in relation to the decisions and the collection of taxes has been suspended based on the guarantee given by the parent company. Should the dispute be decided in the favor of the tax authorities, the company would have to pay surtaxes for the delay in tax payments. According to the company's estimate, the reassessed taxes, tax increases and surtaxes would total approximately EUR 13.3 million on 31 December 2017. No tax provision has been recognised, because the company believes a successful outcome in the dispute is probable.

Deferred tax assets and liabilities

EUR 1 000	Group 2017 Deferred tax assets	Group 2017 Deferred tax liabilities	Group 2017 Net amount	Group 2016 Deferred tax assets	Group 2016 Deferred tax liabilities	Group 2016 Net amount
Intangible assets		1 898	-1 898		2 794	-2 794
Fair value measurement					9	-9
Finance lease liabilities		8	-8		8	-8
Provisions	826		826	1 038		1 038
Tax losses	1 602		1 602	3 718		3 718
Tax-deductible net interest income	1 842		1 842			
Other items	1 198	1 221	-23	1 116	70	1 046
Total	**5 467**	**3 127**	**2 340**	**5 873**	**2 881**	**2 992**

Changes in deferred tax assets and liabilities during the financial year

EUR 1 000	1 Jan. 2017	Business combinations	Recognised in the statement of income	Recognised in the statement of comprehensive income	31 Dec. 2017
Intangible assets	-2 794	154	742		-1 898
Fair value measurement	-9		9		
Finance lease liabilities	-8		0		-8
Provisions	1 038		-212		826
Tax losses	3 718	-194	-1 922		1 602
Tax-deductible net interest income			1 842		1 842
Other items	1 046	-345	-724		-23
Total	**2 992**	**-385**	**-265**		**2 340**

EUR 1 000	1 Jan. 2016	Business combinations	Recognised in the statement of income	Recognised in the statement of comprehensive income	31 Dec. 2016
Intangible assets	-2 047	-1 760	1 013		-2 794
Fair value measurement	-10			1	-9
Finance lease liabilities	-3	-5			-8
Provisions	164	358	517		1 038
Tax losses		4 005	-287		3 718
Other items	491	598	-43		1 046
Total	**-1 405**	**3 196**	**1 200**	**1**	**2 992**

As at 31 December 2017, the Group has EUR 8.0 million tax losses available for use (2016: EUR 17.9 million) for which deferred tax assets have been recognised. They will expire in 2021-2026.

Due to acquisitions during the financial year, tax losses were transferred to the Group for which it recognised a total of EUR 0.2 (3.7) million in deferred tax assets.

Deferred tax assets and liabilities

EUR 1 000	Parent company 2017 Deferred tax assets	Deferred tax liabilities	Net amount	2016 Deferred tax assets	Deferred tax liabilities	Net amount
Intangible assets		276	-276			
Fair value measurement					9	-9
Provisions	182		182	97		97
Other items	118	432	-315		188	-188
Total	**300**	**708**	**-408**	**97**	**197**	**-101**

Changes in deferred tax assets and liabilities during the financial year

EUR 1 000	1 Jan. 2017	Business combinations	Recognised in the statement of income	Recognised in the statement of comprehensive income	31 Dec. 2017
Intangible assets		-204	-72		-276
Fair value measurement	-9		9		
Provisions	97		85		182
Other items	-188	113	-239		-315
Total	**-101**	**-91**	**-217**		**-408**

EUR 1 000	1 Jan. 2016	Business combinations	Recognised in the statement of income	Recognised in the statement of comprehensive income	31 Dec. 2016
Fair value measurement	-10			1	-9
Provisions	164	-66			97
Other items	315	-3	-503		-188
Total	**469**	**-69**	**-503**	**1**	**-101**

10. Intangible assets

EUR 1 000	Group Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Cost					
Cost at 1 Jan. 2016 *)	**227 323**	**5 300**	**12 052**	**6 922**	**251 597**
Additions				550	550
Business combinations	73 476	1 000	6 138	630	81 244
Disposals				-38	-38
Transfers between items				1 447	1 447
Cost at 31 Dec. 2016 *)	**300 799**	**6 300**	**18 190**	**9 511**	**334 800**
Additions				950	950
Business combinations	58 384	289	4 577	60	63 310
Disposals				-426	-426
Transfers between items	-376		0	1 837	1 461
Cost at 31 Dec. 2017	**358 806**	**6 589**	**22 768**	**11 932**	**400 094**
Accumulated amortisation and impairment losses					
Accumulated amortisation and impairment losses at 1 Jan. 2016		**-4 606**	**-3 992**	**-4 711**	**-13 308**
Amortisation for the financial year		-503	-4 314	-1 667	-6 484
Impairment losses for the financial year		-731			-731
Accumulated amortisation on disposals				38	38
Accumulated amortisation and impairment losses at 31 Dec. 2016		**-5 839**	**-8 307**	**-6 340**	**-20 485**
Amortisation for the financial year		-374	-5 142	-1 742	-7 257
Impairment losses for the financial year		-178		-56	-234
Accumulated amortisation on disposals			17	431	449
Accumulated amortisation and impairment losses at 31 Dec. 2017		**-6 391**	**-13 431**	**-7 706**	**-27 528**
Carrying amount					
31 December 2017	**358 806**	**198**	**9 336**	**4 226**	**372 566**
31 December 2016	300 799	461	9 884	3 171	314 314

*) Group has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

There is additional information for business combinations in note 3.

EUR 1 000	Parent company Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Cost					
Cost at 1 Jan. 2016 *)	**214 916**			**7 312**	**222 228**
Additions				550	550
Business combinations	2 345				2 345
Common control transactions	-6 036		754	-190	-5 472
Disposals				-93	-93
Transfers between items	-33 800			1 447	-32 353
Cost at 31 Dec. 2016 *)	**177 424**		**754**	**9 025**	**187 203**
Additions				811	811
Business combinations	1 368		161		1 530
Common control transactions	34 254	217	941	26	35 438
Disposals				-216	-216
Transfers between items				694	694
Cost at 31 Dec. 2017	**213 046**	**217**	**1 856**	**10 340**	**225 460**
Accumulated amortisation and impairment losses					
Accumulated amortisation and impairment losses at 1 Jan. 2016				**-4 559**	**-4 559**
Amortisation for the financial year			-151	-1 062	-1 213
Accumulated amortisation on disposals				38	38
Accumulated amortisation and impairment losses at 31 Dec. 2016			**-151**	**-5 584**	**-5 735**
Amortisation for the financial year		-24	-270	-1 456	-1 750
Accumulated amortisation on common control transactions				-6	-6
Accumulated amortisation on disposals				216	216
Accumulated amortisation and impairment losses at 31 Dec. 2017		**-24**	**-421**	**-6 829**	**-7 274**
Carrying amount					
31 December 2017	**213 046**	**192**	**1 435**	**3 511**	**218 186**
31 December 2016	177 424		603	3 442	181 469

*) Parent company has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

11. Impairment testing

Group

Goodwill is allocated, for impairment testing, to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of business combinations and that constitute a level in business management and monitoring with which the goodwill would naturally be associated. The impairment testing of the Group and the parent company has been performed per December 31, 2017.

Goodwill carrying amounts are allocated as follows

EUR 1 000	2017	2016
Healthcare services	195 266	167 645
Dental care	26 450	21 050
Care services	93 199	70 198
Child welfare services	43 891	41 907
Total	**358 806**	**300 799**

In the impairment testing of the Group's assets, the recoverable amounts of cash-generating units are determined on the basis of value in use. Cash flow projections are based on forecasts approved by the management which cover a period of five years. Cash flows after the forecast period approved by the management have been extrapolated at a constant growth factor of 1%.

The key assumptions for impairment testing are the projected EBITDA%, the projected growth of revenue, the discount rate and the growth factor used in the post-forecast period extrapolation of cash flows. The projected EBITDA% and the growth of revenue are based on the latest forecasts approved by the management and its view of the market growth. The EBITDA and revenue for 2018 are based on the budget approved by the Board of Directors. No major changes are expected in the profitability level during the projection period.

The discount rate is determined using the weighted average cost of capital which describes the total cost of equity and liabilities, taking into account the special risks associated with each asset.

Discount rates used for the projection period 2018-2022

	2017	2016
Discount rate %, after taxes		
Healthcare services	6.64	5.30
Dental care	6.98	5.30
Care services	6.58	5.30
Child welfare services	6.54	5.30
Discount rate %, before taxes		
Healthcare services	8.30	6.62
Dental care	8.73	6.62
Care services	8.23	6.62
Child welfare services	8.18	6.62

According to impairment testing, the recoverable amount for the Healthcare services exceeded the carrying amount by EUR 735.3 million (2016: EUR 660.6 million), for the Dental care by EUR 54.5 million (EUR 48.1 million), for the Care services by EUR 351.2 million (EUR 310.5 million), and for the Child welfare by EUR 139.3 million (EUR 119.4 million). On the basis of impairment testing of cash-generating units in the Group, no impairment losses were recognised in 2017 or 2016.

A sensitivity analysis was carried out for cash-generating units by changing each accounting assumption for the entire projection period as described below, other factors remaining constant.

- A decrease of one percentage point in the projected EBITDA%
- An increase of one percentage point in the discount rate
- A decrease of one percentage point in the growth factor used for extrapolation

According to sensitivity analyses, the recoverable amount for all cash-generating units exceeded their carrying amounts.

The discount rate for each cash-generating unit should have changed as follows to ensure that the carrying amount of the unit would have equalled its recoverable amount, other factors remaining constant.

- Healthcare services: 6.64% to 24.53% (2016: 5.30% to 20.70%)
- Dental care: 6.98% to 14.88% (5.30% to 11.70%)
- Care services: 6.58% to 30.20% (5.30% to 21.95%)
- Child welfare: 6.54% to 23.63% (5.30% to 17.25%)

Parent company

In the parent company, the goodwill resulting from business combinations, common control transactions and restructuring is allocated to units using the same principles as with the Group.

EUR 1 000	2017	2016
Healthcare services	177 267	152 079
Dental care	24 470	16 296
Care services	11 310	9 048
Total	**213 046**	**177 424**

In the impairment testing of Mehiläinen Oy, the recoverable amounts of cash-generating units are determined on the basis of value in use. The principles for preparing cash flow projections are in line with the Group principles described above, as is the case with the assumptions and estimates used for presenting cash flows.

According to impairment testing, the recoverable amount for the Parent company's Healthcare services exceeded the carrying amount by EUR 499.9 million (2016: EUR 586.1 million), for the Dental care by EUR 55.5 million (EUR 42.4 million) and for the Care services by EUR 45.4 million (EUR 102.1 million). On the basis of impairment testing of cash-generating units in the Parent company, no impairment losses were recognised in 2017 or 2016.

According to a sensitivity analysis, the recoverable amount for all cash-generating units exceeded the carrying amount.

The discount rate for each cash-generating unit should have changed as follows to ensure that the carrying amount would equal its recoverable amount, other factors remaining constant.

- Healthcare services: 6.64% to 19.85% (2016: 5.30% to 16.72%)
- Dental care: 6.98% to 15.26% (5.30% to 11.33%)
- Care services: 6.58% to 26.66% (5.30% to 49.00%)

In 2017 in the parent company, the carrying amount of subsidiary shares were tested for companies with indications of impairment. The indications were evaluated from the perspective of the subsidiary's historical and future financial performance. The cash flow projections of tested subsidiaries were based on the income statements of 2017. The projections for 2018–2022 were prepared using the same growth factors for each cash generating unit as in the goodwill impairment testing. In all tested subsidiaries, the recoverable amounts exceeded the carrying amounts. No impairment losses were recognised for subsidiary shares in 2017 or 2016.

12. Property, plant and equipment

EUR 1000	Group						
	Buildings and structures	Land	Machinery and equipment	Improvements to leasehold premises	Other property, plant and equipment	Prepayments and construction in progress*)	Total
Cost							
Cost at 1 Jan. 2016 *)	**321**		**90 381**	**40 518**	**173**	**1 051**	**132 443**
Additions	108		8 391	329		8 756	17 583
Business combinations	2 877	667	4 340	2 117	58	68	10 127
Disposals	-278	-10	-1 260	-6 509			-8 057
Transfers between items	942		1 712	1 943		-5 108	-510
Cost at 31 Dec. 2016 *)	**3 969**	**657**	**103 564**	**38 397**	**231**	**4 767**	**151 586**
Additions	38		7 327	485		13 322	21 172
Business combinations	3 485	140	4 255	1 558	3		9 441
Disposals	-152	-8	-2 113	-71	-4	-3	-2 350
Transfers between items	225	-11	7 071	6 589	-35	-15 111	-1 273
Cost at 31 Dec. 2017	**7 566**	**778**	**120 104**	**46 958**	**195**	**2 975**	**178 576**
Accumulated depreciation and impairment losses							
Accumulated depreciation and impairment losses at 1 Jan. 2016	**-47**		**-60 508**	**-21 558**			**-82 113**
Depreciation for the financial year	-109		-10 650	-4 865			-15 624
Accumulated depreciation on disposals			880	6 509			7 389
Accumulated depreciation and impairment losses at 31 Dec. 2016	**-155**		**-70 277**	**-19 914**			**-90 347**
Depreciation for the financial year	-19		-13 676	-4 101	-4		-17 801
Impairment losses for the financial year	-213	-4			-5		-222
Accumulated depreciation on disposals	35	4	1 707	66	4		1 815
Accumulated depreciation and impairment losses at 31 Dec. 2017	**-352**	**-1**	**-82 247**	**-23 949**	**-5**		**-106 554**
Carrying amount							
31 December 2017	**7 213**	**777**	**37 857**	**23 009**	**190**	**2 975**	**72 022**
31 December 2016	3 814	657	33 287	18 484	231	4 767	61 240

Prepayments and construction in progress
Prepayments and construction in progress consists mostly of property, plant and equipment but includes also intangible assets. An asset is reclassified under the relevant asset class when it is taken into use.

*) Group has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

EUR 1000	Parent Company					
	Buildings and structures	Machinery and equipment	Improvements to leasehold premises	Other property, plant and equipment	Prepayments and construction in progress*)	Total
Cost						
Cost at 1 Jan. 2016 *)		**84 619**	**39 712**	**137**	**1 025**	**125 492**
Additions		6 267	279		8 137	14 683
Business combinations		-1 042	-278	23		-1 297
Disposals		-863	-6 470			-7 334
Transfers between items	775	1 462	1 867	5	-4 754	-646
Cost at 31 Dec. 2016 *)	**775**	**90 442**	**35 111**	**165**	**4 407**	**130 899**
Additions	38	4 344	78		10 968	15 427
Business combinations		78				78
Common control transactions		4 352	1 760	4	240	6 355
Disposals		-2 913	-23		-2	-2 938
Transfers between items	378	5 531	6 695		-13 039	-435
Cost at 31 Dec. 2017	**1 191**	**101 834**	**43 620**	**168**	**2 574**	**149 387**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses at 1 Jan. 2016		**-58 746**	**-20 941**			**-79 687**
Depreciation and impairment losses for the financial year		-8 019	-4 600			-12 619
Accumulated depreciation on disposals		803	6 470			7 273
Accumulated depreciation and impairment losses at 31 Dec. 2016		**-65 963**	**-19 070**			**-85 033**
Depreciation for the financial year	-60	-9 297	-3 368			-12 725
Accumulated depreciation on common control transactions		-812	-192			-1 004
Accumulated depreciation on disposals		2 799	23			2 821
Accumulated depreciation and impairment losses at 31 Dec. 2017	**-60**	**-73 274**	**-22 608**			**-95 941**
Carrying amount						
31 December 2017	**1 131**	**28 560**	**21 012**	**168**	**2 574**	**53 446**
31 December 2016	775	24 480	16 040	165	4 407	45 866

Prepayments and construction in progress
Prepayments and construction in progress consists mostly of property, plant and equipment but includes also intangible assets. An asset is reclassified under the relevant asset class when it is taken into use.

*) Parent company has specified the presentation of property, plant and equipment and intangible assets regarding prepayments and construction in progress.

Property, plant and equipment leased by finance lease agreements

EUR 1000	Group: Machinery and equipment	Group: Improvements to leasehold premises
Cost		
Cost at 1 Jan. 2016	**2 117**	
Additions	162	
Business combinations	1 484	
Disposals	-303	
Cost at 31 Dec. 2016 *)	**3 460**	
Business combinations	2 758	1 414
Transfers between items	-2 747	-1 414
Cost at 31 Dec. 2017	**3 471**	
Accumulated depreciation and impairment losses		
Accumulated depreciation and impairment losses at 1 Jan. 2016	**-530**	
Depreciation for the financial year	-695	
Accumulated depreciation and impairment losses at 31 Dec. 2016	**-1 225**	
Depreciation for the financial year	-1 118	-37
Accumulated depreciation on disposals	197	37
Accumulated depreciation and impairment losses at 31 Dec. 2017	**-2 146**	
Carrying amount		
31 December 2017	**1 325**	
31 December 2016	2 235	

13. Shares in associated companies

Associated companies

The Group has three associated companies: Laser-Porus Oy, HYKSin kliiniset palvelut Oy and Orton Oy. Laser-Porus is an eye laser centre operating within Mehiläinen Oulu which focuses refractive surgery. On 1 March 2017, the Group obtained control in Kotkan Radiologikeskus Oy and it was included in the consolidated financial statements as a subsidiary until the dissolution. On 20 November 2017 Mehiläinen acquired 10% of shares of HYKSin kliiniset palvelut Oy and on 12 December 2017 10% of shares of Orton Oy. Mehiläinen Group holds an interest below 20% of the voting rights but has significant influence due to Board representation and potential voting rights. Parent company has a non-current capital loan receivable of EUR 0.1 million from HYKSin kliiniset palvelut Oy.

Shares in associated companies

EUR 1 000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Shares in associated companies at 1 Jan.	**176**	**253**	**160**	**207**
Additions	166	6	166	
Share of associated companies' result for the financial year	-14	-16		
Distribution of dividends and capital repayment	-34	-66		-47
Other changes *)	11			
Shares in associated companies at 31 Dec.	**306**	**176**	**326**	**160**

*) Kotkan Radiologikeskus Oy was classified as a subsidiary, until dissolved, as a result of obtained control starting from 1 March 2017.

Financial information on associated companies and reconciliation with the carrying amount of associated companies in the Group

EUR 1 000	2017: HYKSin kliiniset palvelut Oy	2017: Orton Oy	2017: Laser-Porus Oy	2016: Kotkan Radiologi-keskus Oy	2016: Laser-Porus Oy
Current assets	4 131	2 485	233	92	261
Non-current assets	84	512	141	68	188
Current liabilities	3 027	2 787	52	104	62
Non-current liabilities	1 000				
Equity	188	211	321	55	386
Revenue	7 684	15 685	368	413	414
Net income	415	-476	-32	52	-56

EUR 1 000	2017: HYKSin kliiniset palvelut Oy	2017: Orton Oy	2017: Laser-Porus Oy	2016: Kotkan Radiologi-keskus Oy	2016: Laser-Porus Oy
Net assets of associated company	188	211	321	55	386
Ownership by Group %	10.0	10.0	42.7	50.0	42.7
Group's share of net assets	19	21	137	28	165
Goodwill	81	45		1	-159
Other adjustments			2	-17	157
Carrying amount of associated company in the consolidated statement of financial position	100	66	139	12	164

Figures above are based on unaudited income statement and balance sheet information as per 31 December 2017. The associated companies in the table have been consolidated in the financial statement of the Group using equity method.

14. Inventories

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Materials, supplies and consumables	4 353	3 354	4 122	3 179
Total	**4 353**	**3 354**	**4 122**	**3 179**

15. Trade and other receivables

Current

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Trade receivables	68 530	57 660	35 689	33 285
Prepaid expenses and accrued income	11 613	7 053	3 836	2 398
Loan receivables	1 491	846	640	1
Other receivables	225	777	4	44
Escrow account	1 290		1 290	
Receivables from Group companies			23 958	25 520
Total	**83 148**	**66 336**	**65 417**	**61 248**

See note 17 for further details on non-current receivables.

The payment term of trade receivables is principally 7 to 30 days and the Group's and the parent company's policy is not to request collateral for trade receivables or other receivables. See note 21 for further details on the credit risks related to trade receivables.

Impairment losses on trade receivables

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Impairment losses on trade receivables at 1 Jan.	**-588**	**-384**	**-488**	**-339**
Additions	-1 360	-360	-860	-256
Disposals	318	156	278	107
Recovery	110		97	
Impairment losses on trade receivables at 31 Dec.	**-1 520**	**-588**	**-973**	**-488**

Aging of the Group's trade receivables

			Past due			
EUR 1 000	Total	Not past due	< 30 days	30–60 days	60–180 days	> 180 days
2017	**68 530**	**62 124**	**3 807**	**808**	**814**	**977**
2016	57 660	51 620	3 742	641	882	776

Aging of the parent company's trade receivables

			Past due			
EUR 1 000	Total	Not past due	< 30 days	30–60 days	60–180 days	> 180 days
2017	**35 689**	**31 614**	**2 333**	**460**	**550**	**732**
2016	33 285	28 950	2 427	464	735	709

Prepaid expenses and accrued income

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Social security expenses	815	2 595	124	406
Sales not yet invoiced	7 610	2 189	2 041	603
Other prepaid expenses and accrued income	3 188	2 270	1 672	1 389
Total	**11 613**	**7 054**	**3 836**	**2 398**

16. Cash and cash equivalents

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Cash and cash equivalents	31 964	39 627	20 753	25 933
Total	**31 964**	**39 627**	**20 753**	**25 933**

Cash and cash equivalents correspond to the same item in the statement of cash flows.

17. Financial assets and liabilities

Financial assets

EUR 1 000	Fair value hierarchy	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Non-current financial assets					
Available-for-sale financial assets					
Unlisted shares	3	756	752	720	752
Listed shares	1	0	267		102
Total		**756**	**1 020**	**720**	**856**
Financial assets at fair value through profit or loss					
Capital loan receivable	2	100		100	
Total		**100**		**100**	
Loan and other receivables					
Escrow account (non-interest bearing)	3		1 890		1 890
Rental security deposit accounts	2	805	627	328	305
Loan receivables	2	2 364	2 913	659	622
Other non-current receivables	2	448		432	
Total		**3 617**	**5 430**	**1 419**	**2 817**
Total non-current financial assets		**4 473**	**6 450**	**2 239**	**3 673**
Current financial assets					
Loan and other receivables					
Trade receivables	2	68 530	57 660	35 689	33 285
Loan receivables	2	1 491	846	640	1
Trade receivables from Group companies	2			4 478	2 515
Loan receivables from Group companies	2			1 380	
Cash pool receivables from Group companies	2			17 427	21 300
Other receivables	2	132			
Escrow account (non-interest bearing)	3	1 290		1 290	
Cash and cash equivalents	2	31 964	39 627	20 753	25 933
Total current financial assets		**103 406**	**98 133**	**81 657**	**83 033**
Total non-current and current financial assets		**107 879**	**104 583**	**83 896**	**86 707**

The carrying amount of financial assets as well as cash and cash equivalents included in loan and other receivables are reasonable approximations of their fair values since the effect of discounting is not material considering the maturity of the receivables. See note 15 for more details on current receivables.

The principles for the classification and measurement of financial assets are presented in the accounting principles.

Financial liabilities

EUR 1 000	Fair value hierarchy	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Non-current financial liabilities					
Financial liabilities at fair value through profit or loss					
Contingent considerations (acquisition related)	3	1 018	858	1 018	1 013
Total		**1 018**	**858**	**1 018**	**1 013**
Financial liabilities at amortised cost					
Loans from financial institutions	3	342 910	320 834	342 910	320 834
Pension loans	2		129		
Hire purchase liabilities	2	649	666		25
Finance lease liabilities	2	681	1 403		
Non-current liabilities to others	3	33			
Total		**344 273**	**323 032**	**342 910**	**320 858**
Total non-current financial liabilities		**345 291**	**323 890**	**343 927**	**321 871**

EUR 1 000	Fair value hierarchy	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Current financial liabilities					
Financial liabilities at fair value through profit or loss					
Contingent considerations (acquisition related)	3	2 055	1 485	2 098	1 331
Derivatives: interest rate swaps	2		646		646
Total		**2 055**	**2 131**	**2 098**	**1 976**
Financial liabilities at amortised cost					
Loans from financial institutions	3	8 000	6 000	8 000	6 000
Pension loans	2	145	258		
Hire purchase liabilities	2	491	856	9	12
Finance lease liabilities	2	688	877		
Trade payables	2	12 017	9 413	7 944	7 018
Unpaid private practitioners' services	2	16 971	19 091	16 813	19 091
Acquisition related liabilities	3	331		314	
Trade payables to Group companies	2			132	11
Cash pool payables to Group companies	2			44 174	24 162
Total		**38 642**	**36 495**	**77 387**	**56 294**
Total current financial liabilities		**40 697**	**38 626**	**79 485**	**58 271**
Total financial liabilities		**385 989**	**362 516**	**423 412**	**380 142**

The Group's bank loans are included in loans from financial institutions and they are variable rate loans which are revalued every 1-3 months using the 1 or 3-month Euribor as a reference rate. Due to the shortness of the revaluation period, the nominal value of the loans is used as an estimate for their fair value.

The carrying value of other financial liabilities at amortised cost are a reasonable approximation of their fair values since the effect of discounting is not material considering the maturity of the liabilities. No interest is paid on the liabilities arising from contingent considerations; for additional information, see note 3.

The principles for the classification and measurement of financial liabilities are presented in the accounting principles. The loans are secured by shares of Group companies and business mortgages; for additional information, see note 25.

Maturity of finance lease liabilities

	Group	
EUR 1 000	**2017**	**2016**
Gross finance lease liabilities - minimum lease payments by maturity		
Within one year	710	965
Later than one year but not later than five years	692	1 391
Total	**1 402**	**2 356**
Future finance expenses	-33	-75
Present value of finance lease liabilities	**1 369**	**2 281**
Maturity of the present value of finance lease liabilities		
Within one year	687	877
Later than one year but not later than five years	682	1 403
Total	**1 369**	**2 281**

Change in liabilities classified as financing activities in the statement of cash flows

	Group				
EUR 1 000	**Loans from financial institutions**	**Pension loans**	**Hire purchase liabilities**	**Finance lease liabilities**	**Interest-bearing liabilities total**
1 January 2016	**300 746**	**774**	**1 007**	**1 608**	**304 135**
Cash flow - financing activities	6 307	-387	-261	-835	4 824
Business combinations	21 553			1 507	23 060
New hire purchase liabilities			776		776
Transaction costs	-1 912				-1 912
Transfers between items	140				140
31 December 2016	**326 834**	**387**	**1 522**	**2 280**	**331 024**
Cash flow - financing activities	21 314	-258	-504	-5 004	15 548
Cash flow - investing activities			-201		-201
Business combinations	2 185	16	91	4 093	6 385
New hire purchase liabilities			631		631
Transaction costs	576				576
Transfers between items			-399		-399
31 December 2017	**350 910**	**145**	**1 140**	**1 369**	**353 564**

	Parent company			
EUR 1 000	**Loans from financial institutions**	**Hire purchase liabilities**	**Cash pool liabilities**	**Interest-bearing liabilities total**
1 January 2016	**300 746**	**10**	**13 911**	**314 667**
Cash flow - financing activities	28 000		10 250	38 250
New hire purchase liabilities		27		27
Transaction costs	-1 912			-1 912
31 December 2016	**326 834**	**37**	**24 162**	**351 033**
Cash flow - financing activities	23 500	-28	20 012	43 485
Transaction costs	576			576
31 December 2017	**350 910**	**9**	**44 174**	**395 093**

18. Equity related information

	Group				
EUR 1 000	No. of shares	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
1 Jan. 2016	1 500	1 500	25 281	74 195	100 976
Investment				52 181	52 181
31 Dec. 2016	1 500	1 500	25 281	126 375	153 157
31 Dec. 2017	**1 500**	**1 500**	**25 281**	**126 375**	**153 157**

	Parent company				
EUR 1 000	No. of shares	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
1 Jan. 2016	1 500	1 500	25 281	74 195	100 976
Investment				52 181	52 181
31 Dec. 2016	1 500	1 500	25 281	126 375	153 157
31 Dec. 2017	**1 500**	**1 500**	**25 281**	**126 375**	**153 157**

Mehiläinen Oy has one class of shares, each share carrying an equal right to dividend. Each share is entitled to one vote at the Annual General Meeting. The maximum number of shares according to the Articles of Association is 20 000. The par value of shares is EUR 1 000 per share and the maximum share capital is EUR 20 million. All shares issued have been fully paid for.

The subscription price of new shares is recognised in share capital unless the share issue resolution states that it shall be recognised in full or in part in the invested unrestricted equity reserve. Transfers to the invested unrestricted equity reserve can also be made without a share issue. The share premium reserve includes transfers made under the previous Limited Liability Companies Act in respect of sums exceeding the par value of shares. The fair value reserve included changes in the fair value of available-for-sale financial assets.

Transfers to the parent company's invested unrestricted equity reserve amounted to EUR 52.2 million in 2016. The investment in 2016 was partly related to the equity-based consideration for the acquisition of Mainio Vire. Common control transactions in 2017 increased the parent company's retained earnings by EUR 1.7 million.

Parent company's distributable funds at 31 December

EUR 1 000	2017	2016
Retained earnings from previous periods	-87 636	-93 462
Profit for the year	11 199	4 170
Invested unrestricted equity reserve	126 375	126 375
Total	**49 939**	**37 084**

The payment of a dividend or other distribution of assets to the shareholders of the company requires prior consent of the financing banks of the company. No assets were distributed in 2017 or 2016.

19. Trade and other payables

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Trade payables	12 017	9 413	7 944	7 018
Unpaid private practitioners' services	16 971	19 091	16 813	19 091
Contingent consideration (acquisition related)	2 055	1 485	2 098	1 331
Withholding tax liability	5 051	4 957	2 168	2 062
VAT liability	2 782	457	615	326
Social security contribution liability	229	461	95	165
Acquisition related liabilities	331		314	
Payroll liabilities	38 717	33 608	19 093	17 201
Non-wage payroll liabilities	13 080	8 522	6 029	3 977
Other	15 763	10 554	5 931	3 135
Liabilities to Group companies			262	249
Total	**106 996**	**88 548**	**61 362**	**54 556**

See note 17 for further details on other non-current liabilities.

20. Derivatives

The Group used an interest rate derivative to hedge against the interest related cash flow risk arising from changes in the reference rate of variable rate loans. The interest rate derivative matured in July 2017. See note 21 for further details on expired hedging.

	Group		Parent company	
EUR 1 000	2017	2016	2017	2016
Net fair values				
Current derivative liabilities				
Interest rate swaps		646		646
Total		**646**		**646**
Nominal values of derivatives		220 000		220 000
Total		**220 000**		**220 000**

21. Financial risk management

Risk management principles and process

Mehiläinen is exposed to various financial market risks, which are managed in accordance with the risk management measures approved by the Board of Directors. The main aim of Mehiläinen's finance function is to secure sufficient funding and to identify, measure and manage financial risks. Responsibility for the Group's financial risk management lies with Mehiläinen Oy's CFO. The main financial risks include the credit risk related to financial activities, the liquidity and refinancing risk, the interest rate risk and the credit risk related to trade receivables.

Market risks

Interest rate risk

The Group is exposed to interest rate risks when changes in market interest rates and interest margins influence finance costs, income from investments and the measurement of interest-bearing items. The main effect on Mehiläinen's interest rate risk comes from the financing arrangement. The financing arrangement includes syndicated floating-rate loans, the interest rate risk of which was hedged against by converting the floating rate into a fixed one through an interest rate swap. Until the beginning of July 2017, an interest rate derivative was used to hedge a bullet loan of EUR 220 million maturing in 2021. The loan arrangement had an interest rate floor of 0%, which was not included in the interest rate swap. According to the interest rate swap, the Group paid a fixed interest of 0.2025% p.a. and received a floating rate which was tied to the one month Euribor, plus the Group's interest margin. The average interest rate of the Group's interest-bearing liabilities was, taking interest rate hedging into account, approximately 4.0% (2016: 4.8%).

The Group has assessed the impact of the increase and decrease in market interest rates on the Group's interest expenses and profit before taxes, other factors remaining unchanged. The loan amount and the interest rate in effect at the end of the financial year, an increase of one percentage point in the market interest rate would affect the Group's interest expenses and profit by EUR -2.2 million. The interest margin of the loan arrangement is tied to the Net debt/adjusted EBITDA covenant (see the Liquidity and refinancing risk section).

Liquidity and refinancing risk

In view of the Group's business operations and expansion objectives, it is important that the Group has, in addition to cash and cash equivalents, sufficient credit facilities to fund working capital requirements and acquisitions. The Group's liquidity is projected both in the medium and short term in order to anticipate financing needs. The Group's business is profitable and the Group's view is that there is no significant risk regarding the availability of financing.

At the reporting date, there were EUR 32.0 million (EUR 39.6 million) of cash and cash equivalents in the Group and EUR 20.8 million (EUR 25.9 million) in the parent company. Any cash and cash equivalents investments are made in interest-bearing, liquid and low risk instruments.

Two new facilities, EUR 10 million and EUR 20 million were withdrawn and financial covenants were changed. Most of the facilities mature in September 2021 and some in September 2020. The Group's revolving credit facility was increased from EUR 35 million to EUR 65 million. EUR 4.4 million of the revolving credit facility was in use at the end of the financial year period, allocated for the guarantee facility. The maturity of liabilities is presented in the following maturity table.

Maturity of the Group's financial liabilities

2017	Group						
EUR 1 000	**1-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**Total**
Loans	10 719	10 654	22 851	26 909	336 278		407 410
Finance lease liabilities	370	317	510	163	9		1 369
Hire purchase liabilities	245	245	325	325			1 140
Contingent considerations (acquisition related)	1 539	394	1 213	63			3 210
Trade payables	12 017						12 017
Unpaid private practitioners' services	16 971						16 971
Acquisition related liabilities	331						331
Total	**42 192**	**11 610**	**24 899**	**27 460**	**336 287**		**442 447**

2016	Group						
EUR 1 000	**1-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**Total**
Loans	9 397	9 298	18 062	18 249	21 923	312 810	389 739
Finance lease liabilities	510	454	706	515	161	9	2 356
Hire purchase liabilities	428	428	333	333			1 522
Contingent considerations (acquisition related)	1 140	345	858				2 343
Trade payables	9 413						9 413
Derivatives		646					646
Unpaid private practitioners' services	19 091						19 091
Total	**39 979**	**11 171**	**19 960**	**19 097**	**22 084**	**312 819**	**425 108**

Maturity of the parent company's financial liabilities

2017	Parent company						
EUR 1 000	**1-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**Total**
Loans	10 572	10 654	22 851	26 909	336 278		407 263
Hire purchase liabilities	5	5					9
Contingent considerations (acquisition related)	1 539	394	1 213	63			3 210
Trade payables	7 944						7 944
Unpaid private practitioners' services	16 813						16 813
Acquisition related liabilities	314						314
Cash pool payables to Group companies	44 174						44 174
Total	**81 361**	**11 053**	**24 064**	**26 972**	**336 278**		**479 728**

2016	Parent company						
EUR 1 000	1–6 months	6–12 months	1–2 years	2–3 years	3–4 years	More than 4 years	Total
Loans	9 266	9 168	17 933	18 249	21 667	312 810	389 093
Hire purchase liabilities	6	6	12	12			37
Contingent considerations (acquisition related)	970	370	1 004				2 343
Trade payables	7 018						7 018
Derivatives		646					646
Unpaid private practitioners' services	19 091						19 091
Cash pool payables to Group companies	24 162						24 162
Total	**60 512**	**10 190**	**18 948**	**18 261**	**21 667**	**312 810**	**442 389**

The liabilities in the tables above are presented on an undiscounted basis and the figures include capital repayments and interest payments for interest-bearing liabilities. Loans include loans from financial institutions and pension loans.

The Group's loan agreement includes, as determined in the agreement, a covenant based on the ratio of net debt to adjusted EBITDA, which also affects the interest margins in the loan arrangement. In addition, the loan agreement includes a covenant based on the ratio of adjusted EBITDA (calculated in accordance with the loan agreement) to interest expenses, a covenant based on the maximum amount of investments and other customary conditions. The Group reports on the covenants to the financiers on a quarterly basis. If the covenant terms are breached, the financier may require accelerated repayment of loans. All the covenant terms related to the Group's loans were complied with in 2017. Guarantees related to loans are described in note 25.

Credit risk

The Group's credit risk mainly concerns trade receivables related to business operations. The Group also has small amounts of loan receivables involving credit and counterparty risks. Credit loss risk regarding trade receivables is low since municipalities, insurance companies and corporate customers buying services have a good credit rating which has been checked in advance in accordance with the Group's credit policy. The Group's sales do not concentrate on a small number of large accounts; instead, they are diversified across among numerous individual customers. Services to private customers are mainly charged on a cash basis. The services of external collection agencies are used in the collection process. The age analysis of trade receivables and the impairment losses recognised for trade receivables are presented in note 15.

Currency risk

The Group operates mainly in Finland, so it does not have significant foreign exchange risk related to operations. All loans taken by the Group are euro-denominated.

22. Provisions

	Group			
EUR 1 000	Restructuring provision	Onerous contracts	Other provisions	Total
1 Jan. 2016	**330**	**268**	**242**	**840**
Additions		2 963	230	3 193
Business combinations		1 972		1 972
Provisions used	-82	-479	-242	-803
31 Dec. 2016	**248**	**4 724**	**230**	**5 202**
Additions		1 820	137	1 957
Provisions used	-83	-2 811	-160	-3 054
31 Dec. 2017	**165**	**3 733**	**207**	**4 106**

EUR 1 000	2017	2016
Current provisions	1 979	2 182
Non-current provisions	2 127	3 019
Total	**4 106**	**5 202**

	Parent company			
EUR 1 000	Restructuring provision	Onerous contracts	Other provisions	Total
1 January 2016	**330**	**268**	**242**	**840**
Additions		134	124	258
Provisions used		-39	-242	-282
Common control transactions	-330			-330
31 December 2016	**0**	**363**	**124**	**487**
Additions		744	30	774
Business combinations		150	27	177
Provisions used		-432	-96	-528
31 December 2017	**0**	**825**	**85**	**910**

EUR 1 000	2017	2016
Current provisions	648	299
Non-current provisions	263	188
Total	**910**	**487**

Restructuring provision

The restructuring provision primarily includes the costs associated with the termination of the Turun Hoiva -business. In 2016, the provision was transferred to Group company Mehiläinen Hoivapalvelut, as a common control transaction. The provision is expected to be realised by 2020.

Onerous contracts

Onerous contracts include rents for unused leased premises, an onerous service contract, and an onerous customer agreement assumed in a business combination. The provisions are expected to be realised by 2022.

Other provisions

Other provisions include costs related to terminated employment contracts. Provisions are expected to be realised during 2018.

23. Capital management

Capital management in Mehiläinen concerns equity and no external capital requirements are set. The goal of capital management is to achieve a capital structure which allows the Group to ensure normal operating conditions in the long and short term. The main factors affecting capital structure are any restructurings of the Group, acquisitions, dividend policy and the profitability of the business. The development of the capital structure is monitored in terms of the gearing ratio and by comparing interest-bearing net debt to EBITDA, which is also the basis of one of the covenants in the Group's loan arrangement.

Gearing ratio in 2017 and 2016

EUR 1 000	2017	2016
Interest-bearing financial liabilities	353 564	331 024
Interest-bearing receivables	4 760	4 385
Cash and cash equivalents	31 964	39 627
Interest-bearing net debt	316 840	287 012
Total equity	105 551	68 369
Gearing %	300.2	419.8

24. Related party

The Group's related parties include Mehiläinen Holding AB, which owns the Mehiläinen Group, its parent companies ACTR Holding AB and Actor S.C.A, as well as Triton Masterluxco 3 S.A.R.L and KKR Actor Investor S.A.R.L and subsidiaries and associated companies in the Group.

The Group's related parties also include key management employees, the members of the parent company's Board of Directors, CEO, CFO and business management members of Executive committee, including their immediate family members and the entities over which they have control or joint control.

Additionally, the Group's related parties include subsidiaries as well as associated companies Laser-Porus Oy, HYKSin kliiniset palvelu Oy and Orton Oy. The Parent company's related parties include its subsidiaries and associated companies in its direct and indirect control. The Group companies are listed later in this note.

Parent company's related parties are the same as the Group's related parties. Related party transactions include transactions which are not eliminated during the preparation of the Mehiläinen Group's consolidated financial statements. Transactions with related parties have been market-based.

Transactions with related parties and amounts due to or from them

	Group						
EUR 1 000	Sales	Receivables	Loan receivables	Purchases	Other costs	Liabilities	Interest and dividends received
2017							
Associated companies	90		100				14
Owners		2	640	47	65		
Total	**90**	**2**	**740**	**47**	**65**		**14**
2016							
Associated companies	93						
Owners		420		202	61	32	
Total	**93**	**420**		**202**	**61**	**32**	

	Parent company							
EUR 1 000	Sales	Receivables	Loan receivables	Purchases	Other costs	Liabilities	Interest and dividends received	Interest and dividends paid
2017								
Subsidiaries	6 301	23 958	1 380	1 708		262	1 003	
Associated companies	90		100				14	
Owners		2	640	47	65			
Total	**6 391**	**23 960**	**2 120**	**1 755**	**65**	**262**	**1 017**	
2016								
Subsidiaries	1 408	25 100		348		24 410	1 614	68
Associated companies	93							
Owners		420		202		32		
Total	**1 500**	**25 520**		**550**		**24 442**	**1 614**	**68**

Mehiläinen Oy has provided a EUR 5 million general guarantee as collateral for the liabilities of subsidiaries. Additionally, Mehiläinen Oy's bank guarantee limit includes EUR 0.5 million of bank guarantees for subsidiaries.

Key management employee benefits

	Group		
EUR 1 000	CEO	Executive committee [1]	Total
2017			
Salaries and other short-term employee benefits	594	2 074	2 667
Post-employment benefits	178	43	221
Remuneration to members of the Board of Directors			352
Total	**772**	**2 117**	**3 241**
2016			
Salaries and other short-term employee benefits	500	1 790	2 290
Post-employment benefits	147	46	193
Remuneration to members of the Board of Directors			218
Total	**647**	**1 836**	**2 701**

[1] CFO and business management members of the Executive committee. Post-employment benefits for Executive committee includes only supplementary pensions.

Salaries and other short-term employee benefits consists of salaries and benefits, incentive bonuses and performance bonuses. Key management employee benefits include for the CEO salaries amounting to EUR 308.4 thousand, bonus accrued for the year of 2017 amounting to EUR 280.0 thousand. CEO's bonus paid in 2017 totalled EUR 280.0 thousand accruing from the year 2016.

The CEO's period of notice is six months and the severance pay, on termination by the company, equals 12 months' salary. The retirement age corresponds to the Finnish employee pension plan.

In 2017, the consolidated financial statements include the parent company Mehiläinen Oy and the following subsidiaries

Subsidiaries	Domicile	Ownership (%)	Share of votes (%)
Desiker-Aurinkomäki Oy	Helsinki	100	100
Familar Oy	Helsinki	100	100
Elämäntalo Oy [2]	Espoo	100	100
Haapajärven Kimppakoti Oy [2]	Haapajärvi	100	100
Hoiva Mehiläinen Oy [1]	Helsinki	100	100
Hoivakoti Auringonnousu Oy [2]	Myrskylä	100	100
Hoivakoti Atzalea Oy [2]	Vantaa	100	100
Hämeen Tukikoti Oy	Hämeenlinna	100	100
Itä-Suomen Hoitokodit Oy [2]	Joensuu	100	100
Itä-Uudenmaan Palvelukoti Oy	Loviisa	100	100
ISH-Kiinteistöt Oy [2]	Joensuu	100	100
Joutsan Kartanokoti Oy [2]	Jyväskylä	100	100
Kiikan Palvelukoti Oy [2]	Sastamala	100	100
Kormel Oy [2]	Kouvola	100	100
Kotipalvelu Mehiläinen Oy [1]	Espoo	100	100
Kouvolan Lääkärikeskus Oy [2]	Kouvola	100	100
Kymen Nuorten Asema Oy [2]	Iitti	100	100
Lapin Lääkärikeskus Oy [2]	Rovaniemi	100	100
Lappeenrannan Palvelukoti Oy	Lappeenranta	100	100
Lastensuojelulaitos Eemeli Oy	Harjavalta	100	100
Mainio Care Oy	Helsinki	100	100
Mehiläinen Eesti OÜ	Tallinn	100	100
Mehiläinen Arwola Oy [1]	Akaa	100	100
Mehiläinen Hoivapalvelut Oy	Helsinki	100	100
Mehiläinen Länsi-Pohja Oy [3]	Kemi	100	100
Mehiläinen Raija Oy [1]	Hausjärvi	100	100
Mehiläinen Terveyspalvelut Oy	Helsinki	100	100
MilaPro Oy	Lieto	100	100
OmaPartners Oy	Helsinki	6.1	56.4
OIVA Riihi Oy	Kuopio	100	100
Palmukoti Oy	Helsinki	100	100
Palvelutalo Kotiranta Oy [2]	Eno	100	100
Perhe- ja Palvelukodit Suomalainen Oy [2]	Kuopio	100	100
Riekkomäen Palvelu Oy	Rauma	100	100
SAP-Care Oy [2]	Kaarina	100	100
SM Amiprix Oy	Raahe	100	100
Toivonlahti Oy [2]	Joensuu	100	100
Viitasaaren Ruustinna Oy	Viitasaari	100	100
Väestöliiton klinikat Oy [2]	Helsinki	100	100

Subsidiaries merged in 2017	Domicile
Adenova Lääkärikeskus Oy [4]	Espoo
Iisalmen Hammaspaikka Oy [4]	Iisalmi
Ilmaria Oy	Harjavalta
Kauhavan Mummola Oy	Kauhava
Kiinteistöosakeyhtiö Kuoreniemen Suvi	Mänttä-Vilppula
Kotinummi Oy [4]	Kouvola
Kotkan Lääkärikeskus Oy [4]	Kotka
Kotkan Leikkaussali Oy [4]	Kotka
Kritima Oy	Turku
KritimaTec Oy	Turku
Malmin Torin Hammaslääkärit Oy [4]	Helsinki
Mehiläinen Hammashoitopalvelut Oy [4]	Helsinki
NEO Terveys Oy [4]	Turku
Neuro NEO Oy	Turku
OY NEO Healthcare International Ltd	Turku
Tapiolan Hammaslääkäriasema Oy [4]	Espoo
Vaasan Hammas Oy [4]	Vaasa

Subsidiaries dissolved in 2017	Domicile
ITTE Imatran Tutkimus ja Terveys Oy	Imatra
Kotkan Radiologikeskus Oy	Kotka
Kajaanin Lääkärikeskus Oy	Kajaani

Subsidiaries sold in 2017	Domicile
MV Partners Oy	Helsinki

Associated companies	Domicile
Laser-Porus Oy	Oulu
HYKSin kliiniset palvelut Oy [2]	Helsinki
Orton Oy [2]	Helsinki

1) Name changed in 2017
2) Acquired in 2017
3) Established in 2017
4) Merged with parent company

See note 3 for further details on acquisitions.

25. Contingent liabilities and commitments

Non-cancellable minimum lease payments under operating leases at 31 Dec.

Group as a lessee

Premises lease expenses	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Within one year	65 404	55 479	31 539	26 845
Between two and five years	201 294	178 945	81 861	77 628
More than five years	253 823	199 970	71 423	56 159
Total	**520 521**	**434 394**	**184 823**	**160 632**

Other lease expenses	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Within one year	1 526	2 361	1 046	1 149
Between two and five years	1 308	2 322	857	1 080
Total	**2 834**	**4 683**	**1 903**	**2 229**

Group as a lessor

	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Within one year	973	401	490	221
Between two and five years	1 321	416	1 123	416
More than five years	294		294	
Total	**2 588**	**817**	**1 907**	**637**

The Group has leased nearly all of its premises. The amount of lease obligations has increased significantly as a result of acquisitions and expansion and the lease obligations relate to new assisted residental care homes, outpatient clinics and dental units. The lease periods of the most significant lease agreements are mainly from 5 to 15 years. Many of the leases include an index clause and some of them include an option to renew the lease after the original termination date. The Group has subleased individual premises which are not used by its businesses.

Mehiläinen Terveyspalvelut Oy has a lease obligation of approximately EUR 1 million per year until 2026 related to an outsourcing agreement. The company has the right to charge the rent from the contracting party as part of the outsourcing agreement due to which the obligation is not included in the figures presented above.

In November 2017, Mehiläinen Terveyspalvelut Oy signed a purchase agreement regarding the acquisition of Keminmaa health center real estate for EUR 4.2 million. The purchase has not yet been closed due to pending appeal against the municipality decision.

As part of normal business activities, Mehiläinen Group has made indicative offers on care premises, of these offers, a care premise in Somero has been classified as a binding offer. Present value of Somero's minimum lease payments is approximately EUR 11 million.

Lease expenses and rental income for the reporting period are presented in the notes 7 and 4, respectively.

Other contingent liabilities and commitments	Group		Parent company	
EUR 1 000	**2017**	**2016**	**2017**	**2016**
Guarantees given on behalf of the company				
Business mortgages [1]	975 630	975 117	795 600	795 600
Pledged subsidiary shares [1]	46 785	46 785	210 043	210 043
Rental deposit accounts	805	627	328	305
Other pledged shares [2]		442		442
Mortgage of office and business premises [3]	1 800			
Total	**1 025 021**	**1 022 971**	**1 005 971**	**1 006 390**

[1] Pledged subsidiary shares as well as EUR 975 million of the Group's business mortgages are collaterals in respect of Group's loan facilities. The Group's business mortgages also include mortgages related to acquired companies amounting to EUR 0.6 million (2016: EUR 0.1 million) that have been returned after the end of financial year or were under cancellation process at the end of the financial year. The table includes pledged shares for subsidiaries without business mortgages.
[2] General collateral at Group's financing banks.
[3] Mortgage of office and business premises is a general collateral that derives from an acquired company. The loan related to this general collateral has been repaid in 2017 and the general collateral has been released in January 2018.

Other contingent liabilities

The Group is involved in a number of legal proceedings related to its normal business. They are not expected to have a material impact on the Group's earnings or financial position. On the tax dispute, there is more information in note 9.

Hoiva Mehiläinen Oy, a Group company, has an obligation of approximately EUR 0.2 million arising from the potential expiry of a lease to restore the site to its pre-lease state. As the lease is a long-term lease and the lessor has not expressed an intention to change the intended use of the area, the related obligation has not been included in the consolidated statement of income or statement of financial position.

26. Items affecting the comparability

EUR 1 000	Group 2017	2016
Acquisition related income	199	
Acquisition related expenses	-2 268	-2 773
Integration and restructuring related and other expenses	-5 774	-5 643
Impairment losses	-453	-731
Total	**-8 296**	**-9 147**

Items affecting comparability include transactions that are exceptional and outside the ordinary course of business, such as acquisition related expenses and income, which include transfer taxes, advisor fees, changes in fair value of contingent considerations and other expenses resulting from acquisitions; expenses related to integration of acquired businesses and restucturing of business operations, which include expenses for combining sites, onerous lease agreements for premises not in use and measures to rationalise operations; and impairment losses.

EUR 1 000	Group 2017	2016
Other operating income	199	
Materials and services	-239	-669
Employee benefit expenses	-160	-1 308
Depreciation, amortisation and impairment losses	-453	-731
Other operating expenses	-7 642	-6 439
Total	**-8 296**	**-9 147**

27. Events after the reporting period

Acquisitions of Amfident Oy's Espoonlahden Hammaslääkäriasema and the dental radiology business operations of Pantomo Oy, which were agreed in 2017, have been closed as planned on 1 January 2018, and the acquisition of Invalidiliiton Asumispalvelut Oy's (Validia Asuminen) business operations for residential care services for the elderly in Hämeenlinna, Kuopio and Vantaa have been closed on 1 February 2018. Mehiläinen has acquired Recare Oy on 18 January 2018 and Palvelukoti Eloranta Oy on 31 January 2018, both providers of residential care services for the disabled. Mehiläinen has acquired child welfare services provider Huoltsikka Oy on 22 March 2018. Mehiläinen has acquired the business operations of L. ja A. Köpman Oy's Tohtoroi outpatient clinic and the child welfare business of Pienryhmäkoti Venla Oy on 1 March 2018.

The Group structure was simplified by merging SAP-Care Oy into its parent company Mehiläinen Hoivapalvelut Oy on 31 January 2018 and MilaPro Oy into its parent company Familar Oy on 28 February 2018.

Cities of Kemi and Tornio and municipalities of Keminmaa and Simo became shareholders in Mehiläinen Länsi-Pohja Oy after which Mehiläinen Terveyspalvelut Oy owns 81% of the shares. Mehiläinen Länsi-Pohja Oy has signed service agreement to provide primary healthcare, rehabilitation and specialty health care services within the Länsi-Pohja region. There are, however, appeal pending in market court against the procurement decision and appeals pending in administrative court against decisions of cities and municipalities to establish Mehiläinen Länsi-Pohja Oy. Production of services is planned to start with temporary agreement during 2018 unless prohibited.

Board of Directors' proposal for profit distribution

The Board of Directors is proposing to the Annual General Meeting that no dividend be paid from the profit for the year and the profit will be allocated to retained earnings.

Helsinki, 27 March 2018

Mikael Aro
Chair of the Board of Directors

Anders Borg
Member of the Board of Directors

Eveliina Huurre
Member of the Board of Directors

Young Kim
Member of the Board of Directors

Petri Parvinen
Member of the Board of Directors

Jan Pomoell
Member of the Board of Directors

Arja Talma
Member of the Board of Directors

Hans Årstad
Member of the Board of Directors

Janne-Olli Järvenpää
CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, 27 March 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

Auditor’s report (Translation of the Finnish original)

To the Annual General Meeting of Mehiläinen Oy

Report of the Audit of Financial Statements

Opinion

We have audited the financial statements of Mehiläinen Oy (business identity code 1927556-5) for the year ended 31 December, 2017. 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 financial statements give a true and fair view of the group’s and parents financial position as well as its financial performance and their cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the statutory requirements.

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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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 are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from materia! misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as 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 Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from materia! 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 materia! misstatement when it exists. Misstatements can arise from fraud or error and are considered materia! if, individually or in 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 skepticism throughout the audit. We also:

- Identify and assess the risks of materia! 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 materia! 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 use of the going concern basis of accounting and based on the audit evidence obtained, whether a materia! uncertainty exists related to events or conditions that may east significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a materia! 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 company 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.

OTHER REPORTING REQUIREMENTS

Other informatio

The Board of Directors and the Managing Director 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.

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 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 aiso 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, we conclude that there is a materia! misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 27 March 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

Group Key Indicators

	2017	2016	2015
Revenue, EUR 1 000	755 544	590 090	505 245
Underlying EBITDA, EUR 1 000	92 797	64 358	50 086
% of revenue	12.3	10.9	9.9
EBITDA, EUR 1 000	84 954	55 942	45 153
% of revenue	11.2	9.5	8.9
Underlying EBITA, EUR 1 000 *)	73 254	47 057	36 351
% of revenue	9.7	8.0	7.2
EBITA, EUR 1 000 *)	65 411	38 641	31 418
% of revenue	8.7	6.5	6.2
Operating profit, EUR 1 000	59 440	33 103	22 820
% of revenue	7.9	5.6	4.5
Profit for the year, EUR 1 000	37 406	13 190	6 311
Return on equity (ROE) %	43.0	37.0	16.5
Return on investment (ROI) %	14.0	9.7	12.3
Assets total, EUR 1 000	576 396	498 089	384 712
Equity, EUR 1 000	105 551	68 369	2 993
Investments, EUR 1 000	22 122	17 971	14 095
% revenue	2.9	3.0	2.8
Equity ratio %	18.3	13.7	0.8
Gearing %	300.2	419.8	9848.3
Interest-bearing net debt, EUR 1 000	316 840	287 012	294 785
Average number of personnel	5 888	4 502	3 798
Revenue/average number of personnel, EUR 1 000	128	131	133

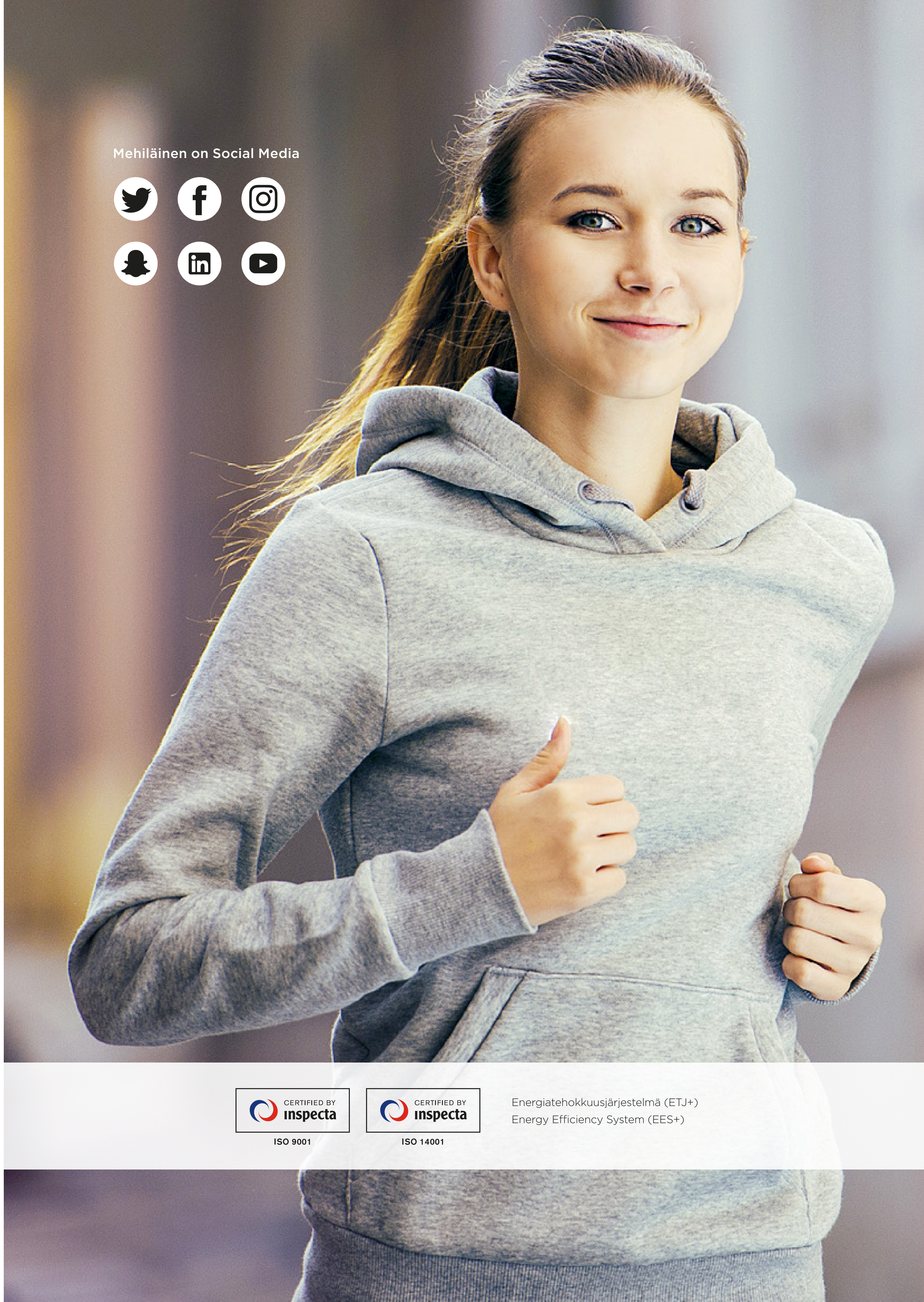
*) EBITDA - (Depreciation and amortisation - depreciation and amortisation arisen in business combinations)

Calculation of key indicators

RETURN ON EQUITY (ROE) %	=	Profit for the year / Total equity (average of opening and closing)	x 100
RETURN ON INVESTMENT (ROI) %	=	Result before taxes + finance expenses / (Assets total - non-interest-bearing debt) (average of opening and closing)	x 100
EQUITY RATIO %	=	Total equity / Balance sheet total - advances received	x 100
GEARING %	=	Interest bearing debt - (interest-bearing receivables + cash and cash equivalents) / Total equity	x 100
EBITDA	=	Operating profit + depreciation, amortisation and impairment losses	
UNDERLYING EBITDA	=	Operating profit + depreciation, amortisation and impairment losses + items affecting EBITDA comparability	
EBITA	=	EBITDA - (Depreciation and amortisation - depreciation and amortisation arisen in business combinations)	
UNDERLYING EBITA	=	EBITDA - (Depreciation and amortisation - depreciation and amortisation arisen from business combinations) + items affecting EBITA comparability	
INTEREST-BEARING NET DEBT	=	Interest-bearing debt - (interest-bearing receivables + cash and cash equivalents)	
NON-INTEREST-BEARING DEBT	=	Total debt - interest-bearing debt	
AVERAGE NUMBER OF PERSONNEL	=	Calculated as average of monthly number of personnel (full-time equivalent)	

Reconciliation of key indicators to IFRS

EUR 1 000	2017	2016
Return on investment (ROI) %		
Result before taxes	45 148	16 509
Finance expenses	15 142	17 659
Assets total 1 Jan.	498 089	384 712
Non-interest-bearing debt 1 Jan.	-98 696	-77 584
Assets total 31 Dec.	576 396	498 089
Non-interest-bearing debt 31 Dec.	-117 282	-98 696
Return on investment (ROI) %	**14.0**	**9.7**
Equity ratio %		
Total equity	105 551	68 369
Assets total	576 396	498 089
Advances received	-957	-50
Equity ratio %	**18.3**	**13.7**
Gearing %		
Interest-bearing debt	353 564	331 024
Interest-bearing receivables	-4 760	-4 385
Cash and cash equivalents	-31 964	-39 627
Interest-bearing net debt	316 840	287 012
Total equity	105 551	68 369
Gearing %	**300.2**	**419.8**
Items affecting comparability		
Acquisition related income	199	
Acquisition related expenses	-2 268	-2 773
Integration and restructuring related and other expenses	-5 774	-5 643
Items affecting EBITDA and EBITA comparability	**-7 843**	**-8 416**
Impairment losses	-453	-731
Items affecting EBIT comparability	**-8 296**	**-9 147**
EBITDA and underlying EBITDA		
Operating profit	59 440	33 103
Depreciation, amortisation and impairment losses	25 514	22 839
EBITDA	**84 954**	**55 942**
Items affecting EBITDA comparability	7 843	8 416
Underlying EBITDA	**92 797**	**64 358**
EBITA and underlying EBITA		
EBITDA	84 954	55 942
Depreciation and amortisation	-25 058	-22 838
Depreciation and amortisation arisen from business combinations	5 516	5 538
EBITA	**65 411**	**38 641**
Items affecting EBITA comparability	7 843	8 416
Underlying EBITA	**73 254**	**47 057**



MEHILÄINEN

Pohjoinen Hesperiankatu 17 C, 00260 Helsinki, Finland. mehilainen.fi