ANNUAL REPORT 2018

MEHILÄINEN

The year in brief

Mehiläinen is a recognised and highly regarded private provider of social and healthcare services in Finland. Now 109 years old, Mehiläinen is a rapidly developing and growing forerunner in its sector. For Mehiläinen, 2018 was an eventful year of strong growth and development.

KEY FIGURES IN 2018

Revenue (EUR million) **915.9**

Number of personnel and private practitioners over **18,800**

Total number of customers at Mehiläinen over **1.2** million

Revenue growth **21.2%**

Physician visits produced by Mehiläinen over **2.8** million

Number of units over **440**

Number of beds in care services over **6,000**

The mehilainen.fi website received approximately **11** million visits

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MEHILÄINEN IN 2018

JANUARY
Mehiläinen harnesses artificial intelligence to enhance occupational healthcare services - launching the Wellbeing Radar operating model.

FEBRUARY
Mehiläinen acquires the Eloranta residential care home to complement its services for the disabled. We invest strongly in expanding our services for people with disabilities. Altogether 39 new residential care homes are opened or acquired and integrated into Mehiläinen during the year.

MARCH
A milestone for Mehiläinen's digital development – digital tools for the management of working ability receive a patent.

APRIL
Cooperation with LocalTapiola is functioning excellently. Together we improve the services provided for our customers and develop new digital services.

MAY
Mehiläinen is considered the most highly valued and successful employer in the private healthcare service sector according to a survey of physicians by Mediuutiset.

JUNE
Mehiläinen Länsi-Pohja Oy is launched. Porvoon Lääkärikeskus becomes part of Mehiläinen.

JULY
Two new Oma Lääkärisi health centres open in City of Tampere. The Oma Lääkärisi network expands strongly during the year.

AUGUST
CVC, LocalTapiola, Varma, Ilmarinen, the State Pension Fund of Finland, Pharmacy Pension Fund and the Valion Eläkekassa pension fund buy Mehiläinen together with the current management.

NOVEMBER
Mehiläinen starts cooperation with the Alpine Ski Team Finland, Freestyle Ski Team Finland and the cross-country skiing Olympic gold medalist Iivo Niskanen.

DECEMBER
We open an outpatient clinic in City of Mikkeli. During the year, nine new outpatient clinics are opened or acquired and integrated as part of Mehiläinen.

Healthcare and social care services everywhere in Finland

Mehiläinen provides its customers with comprehensive social care and healthcare services in over 440 units all over Finland. We provide services for private, insurance, corporate and municipal customers.

MEHILÄINEN SERVICES

Private Healthcare Services

- Physician Services
- Diagnostics
- Operations
- Dental Care
- Working Life Services

Public Healthcare Services

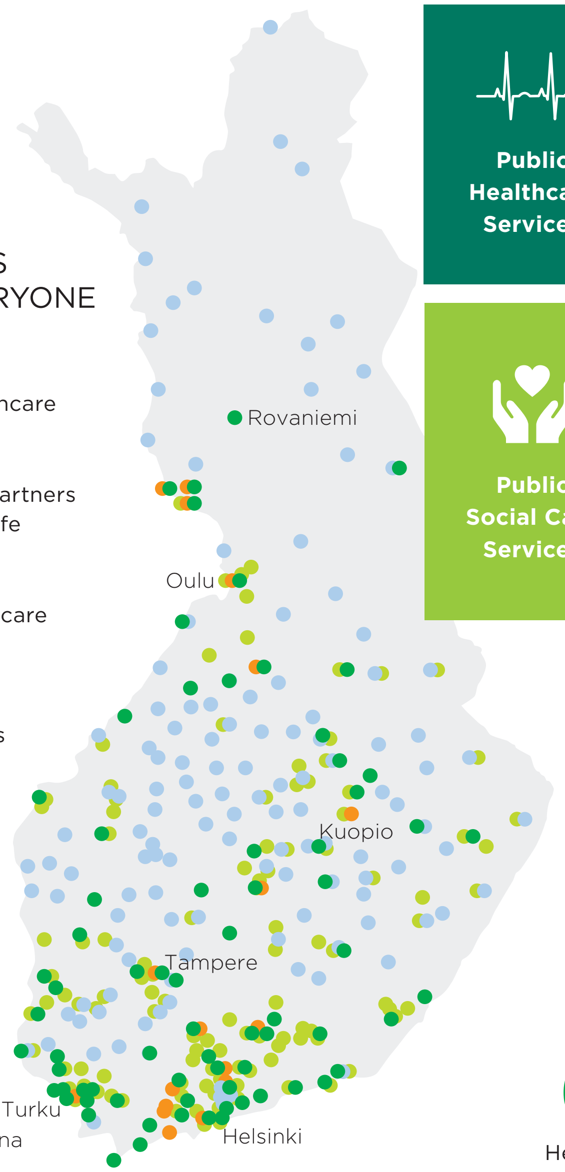
- Health Centres with Customers' Freedom of Choice
- Outsourced Services
- Public Dental Care
- Emergency Care Services and Staffing
- Home Care Services

Public Social Care Services

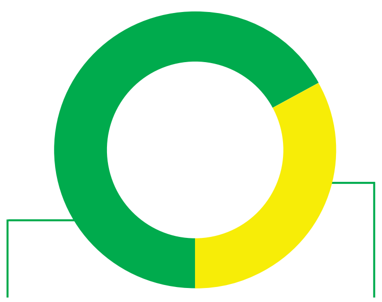
- Residential Care Services for the Elderly
- Residential Care Services for the Disabled
- Mental Health Rehabilitation
- Child Welfare Services
- Non-Institutional Services within Child Welfare Services

OUR SERVICES ARE FOR EVERYONE IN FINLAND

- Private Healthcare Services
- Network of Partners in Working Life Services
- Public Healthcare Services
- Public Social Care Services



MEHILÄINEN GROSS SALES MIX 2018



67% Healthcare Services

33% Social Care Services

Mehiläinen's basic task is to create more health and wellbeing in Finland together with our customers and partners. High quality, excellent customer experience, effectiveness and continuous improvement are based on our values and on our customer promise.

OUR VALUES

- Skills and knowledge
- Caring and responsibility
- Partnership and entrepreneurship
- Growth and development

OUR CUSTOMER PROMISE

- Ease of interaction
- Holistic service offering
- Personalised service

WITH OVER 100 YEARS OF EXPERIENCE

Mehiläinen's history of 109 years provides the foundation for our expertise. Everything began in 1909 with the establishment of Sairaala O.Y. Mehiläinen hospital in Helsinki. The name Mehiläinen ('Bee') was inspired by a mythical creature with the power of healing in the Finnish national epic Kalevala. Mehiläinen moved to the current premises in Töölö, Helsinki, in the 1930s, establishing its role as a promoter of the health and wellbeing of Finns.

The company became a nationwide operator at the beginning of the 2000s through a number of acquisitions and a broader range of services. In addition to providing private healthcare services, Mehiläinen has become a quality leader and forerunner in areas such as social care services and freedom of choice health centre services. Mehiläinen modernises healthcare services by developing new digital services as well as effectiveness-based agreement models.

Janne-Olli Järvenpää

"Our customer experience remained in an excellent level during 2018. We continued to invest on quality work.

CEO'S SUMMARY

An important year of development for Mehiläinen

Mehiläinen had an eventful year in 2018. In August 2018, Mehiläinen carried out a new ownership arrangement. The private equity investment firms KKR and Triton sold their ownership, and the global private equity firm CVC Capital Partners became the new principal owner. This considerably increased Finnish ownership in Mehiläinen. In addition to Varma, Ilmarinen and LocalTapiola, the State Pension Fund of Finland, the Pharmacy Pension Fund and the Valion Eläkekassa pension fund became owners of Mehiläinen. The ownership share of the management and personnel also increased.

Strong financial performance and positive outlook

Revenue of Mehiläinen Group continued to grow, exceeding the targets set for the year. Revenue for 2018 amounted to EUR 915.9 million, a 21.2 per cent increase year-on-year. EBITDA was EUR 108.1 million, a 16.5 per cent increase compared with 2017. At the end of December 2018, Mehiläinen's personnel consisted of over 18,800 employees and private practitioners. The outlook for 2019 is also positive for Mehiläinen. As a result of the completed growth projects, we expect our revenue to exceed one billion euros for the first time.

Excellent customer experience and continuous development of quality

In accordance with our customer promise, we meet our customers as individuals, providing holistic service and continuously improving the quality and customer experience. We were successful in achieving this in 2018. In the corporate image survey carried out by Taloustutkimus, Mehiläinen received the best ratings in its industry for the quality of treatment and the professional expertise of doctors and other personnel. The NPS (Net Promoter Score) of our outpatient and dental clinics stayed on an outstanding level, 88, in 2018.

During the year, we introduced a corporate responsibility programme throughout the company and developed preparedness to meet the requirements of the European General Data Protection Regulation and the requirements set for the management of a listed company. We developed and introduced a comprehensive quality index for care services with the objective of promoting customer-driven everyday work. In healthcare services, we introduced new indicators for effectiveness and quality assurance, the results of which can be used by professionals through a smart phone application.

We launched the artificial intelligence-based Wellbeing Radar operating model for our occupational healthcare customers and developed further treatment paths for the OmaMehiläinen online and mobile service. The Digital Clinic, which is part of OmaMehiläinen application, is now found in the pocket of an increasing number of Finns: there are over 270,000 registered users with their family members. In addition to privately funded services, we included digital services also in our public healthcare services. During the year, we invested in the promotion of our professionals' knowledge and skills through training and learning at work.

Growth and development throughout the businesses

Revenue from Mehiläinen's privately provided and funded healthcare services grew by more than ten per cent year-on-year. Most of the growth was organic. Factors contributing to the growth included, in particular, the strong growth of Mehiläinen's Working Life Services and the excellent strategic cooperation with the most important insurance companies. In addition, our dental care services grew through revenue from comparable units as well as new units. We developed new digital services and streamlined treatment chains in cooperation with the insurance companies. In addition, we made significant investments and increased the number of our outpatient clinics by nine new units, upgraded existing premises and introduced new MRI equipment.

Mehiläinen's publicly funded healthcare services increased very strongly as a result of new important agreements. Responsibility for primary healthcare in the Meri-Lappi region and most of the functions of the Länsi-Pohja central hospital was transferred to us in summer 2018. We also launched the first alliance model-based wellbeing centre in Tesoma, City of Tampere.

Mehiläinen's social services continued to grow strongly through organic growth and acquisitions alike. In 2018, we added over 700 new beds for the elderly, disabled and mental health rehabilitees, which is the highest number in company history. We also expanded the service network of Hoiva Mehiläinen by nearly 600 beds through numerous smaller acquisitions. Familar, which provides child welfare and family services, carried out five acquisitions and opened three new units.

Thank you!

I want to thank all our customers, partners and Mehiläinen's employees and private practitioners for the great year 2018.

Janne-Olli Järvenpää

Quick access to good care

Mehiläinen outpatient clinics and hospitals provide high-quality healthcare services for customers of all ages. The services are continuously developed to respond to customers' changing needs and the future trends of healthcare.

Healthcare services are in transition. Digital services available round the clock are increasingly replacing traditional visits to the physician. People want to access treatment quickly instead of queuing. The focus is increasingly shifting from reactive treatment to prevention of illness and promotion of health and wellbeing. At the same time, a customer-oriented approach and the individual's personal role are emphasised in the prevention and successful treatment of illnesses.

Today, more attention is also paid to the quality and effectiveness of healthcare services. Increasingly often, artificial intelligence assists the physician to ensure uniform quality of the work with patients. Indicators of quality and customer experience, such as the NPS (Net Promoter Score) are openly shown. This enables customers to choose between different service providers on the basis of measured data.

Mehiläinen as a forerunner in service development

Mehiläinen is a forerunner in developing and providing high-quality healthcare services that respond to customers' wishes and changing needs.

Interaction with us is easy. At our outpatient clinics and hospitals around Finland, customers have access to comprehensive services close to home. Our customers' everyday life is made easier by the OmaMehiläinen online service and mobile application as well as the included Digital Clinic service. Through the Digital Clinic, healthcare professionals can be quickly reached round the clock, regardless of location. It is easy for customers to manage their own health data through OmaMehiläinen, as it provides access to test results, treatment information and any related X-ray and MRI images. In connection with 11 Mehiläinen outpatient clinics there is also a Hammas Mehiläinen dental care clinic.

We continuously invest in the development and expansion of our service range. In 2018, for instance, we introduced new MRI units in Pori and Jyväskylä and a CT scanner in Mehiläinen NEO in Turku. Our laboratory services promote, among other things, the use of high-quality gene tests. For instance, We are the first in Finland to offer our customers the Fertify™ fertility test.

You and your family at the core of our work

Customers coming for appointments at Mehiläinen receive comprehensive service. We provide good care and treatment for all family members of all ages. In a Mehiläinen blog entry, **Tero Kontiokari**, a paediatrician at Mehiläinen, summarises the importance of meeting and listening to the individual during an appointment as follows:

'Listening is important for many reasons. Children and their parents feel that they can trust that their needs are taken into account. We are all individuals; it is impossible to guess in advance what kind of support a customer coming for an appointment needs. Therefore, I must keep my eyes and ears open and be agile in reading the situation.'

2018 was full of highlights

The year 2018 was a year of growth for Mehiläinen's private healthcare services. During the year, there were around 1.8 million visits to the physician in outpatient, hospital and working life services. The growth was boosted by factors such as excellent cooperation with the LocalTapiola insurance company. The cooperation has improved customer service, streamlined the treatment chain and enabled the development of new digital services, such as the TerveysHelppi remote physician service for LocalTapiola customers.

We also grew through a number of acquisitions. For instance, Porvoon Lääkärikeskus in Porvoo as well as Vakka-Suomen Lääkärikeskus in Uusikaupunki became part of Mehiläinen during the year. Our service network expanded geographically also through the establishment of completely new units. We opened new outpatient clinics in Järvenpää and Mikkeli, for example. In total, our service network grew by nine new units during the year.

MEHILÄINEN OUTPATIENT CLINICS AND HOSPITALS

- The 57 outpatient clinics and more than 70 occupational healthcare stations provide general practitioner's services, specialist services as well as occupational healthcare services all over Finland.
- OmaMehiläinen and Digital Clinic are accessible on the internet and via mobile devices.
- The 11 hospitals provide surgical services in the fields of orthopaedics, ear, nose and throat diseases as well as general surgery.
- Felicitas Mehiläinen provides infertility treatments.
- Over 750,000 customers in 2018

AS A CUSTOMER AT MEHILÄINEN

Back on the running track after a correct diagnosis

In 2017, Timo Tuuri's run ended in a knee injury, putting the active athlete's life on hold. The cone beam imaging method used by Mehiläinen led to a correct diagnosis and treatment, restoring working capacity faster than expected.

For Physical Therapist **Timo Tuuri**, 42, from Ilmajoki, physical exercise is a way of life. The former World Championship-level wrestler has run marathons; he goes to the gym and participates in Finnish pull-up championships. In December 2017, his daily run on a slippery road ended in a painful fall and twisting of his right knee. The pain would not subside and he had to give up his active lifestyle.

He saw a physician who suggested an extensive ligament repair operation that would involve a long recovery period. Timo decided that he wanted a second opinion. In March 2018, he saw Orthopaedist **Jari Salo** at Mehiläinen's Töölö outpatient clinic.

'Because of my job, I knew that Jari Salo is one of the leading physicians in this specialty and particularly an expert in cartilage injuries. I had also referred my own customers to him,' Timo explains.

Jari Salo and Timo Tuuri

Back on track in a month

At Mehiläinen, Timo was sent to a cone beam imaging examination instead of an MRI scan. Jari Salo has been developing this high-resolution imaging method at Mehiläinen since 2013. The method is used in orthopedic imaging internationally and at central hospitals in Finland.

The examination revealed a meniscal injury that could be repaired with considerably less extensive surgery than the initially suggested operation. The anterior cruciate ligament looked intact and the cartilage of the knee was clean. Mehiläinen's partner insurance company LocalTapiola promptly provided a promissory note, and Timo had surgery in April. He was surprised by the quick recovery.

'Two days after the operation, I was crossing the road and took a couple of running steps by mistake. I was almost frightened by how good the leg felt. I actually had to tell myself to take it easy,' Timo chuckles. He could also return to work almost immediately.

'Six weeks after the operation, I participated in my first running race and it went just great,' Timo says. The pain has not returned.

Comprehensive service

According to Jari Salo, this case is a good example of the importance of an early diagnosis. 'A correct diagnosis saves costs as well as the patient's time and working capacity. It is difficult to afterwards repair damage caused by a single wrong operation,' he explains.

When it comes to meniscal injuries, symptomatic tears caused by an accident should be treated with surgery.

'Modern imaging methods can more accurately distinguish them from degenerative changes. This means that treatment can be better targeted and the patient can return to an active life,' Jari says.

Timo Tuuri says that he is very happy with the result and the efficiency of the treatment. 'As a busy entrepreneur, I appreciate Mehiläinen's comprehensive service. I travelled 400 kilometres to City of Helsinki and only needed to visit the outpatient clinic once – I saw the orthopaedist, the imaging examination was performed and I received a decision on surgery. In fact, I cannot think of a smoother treatment process.'

The Digital Clinic is always open

Hello, My problem is an eye inflammation. I think I need antibiotic drops. The camera on my phone is so bad that the photo is probably not useful. My eye is red and it waters. It also feels like I have something in my eye and it itches.

Anna Sipilä
D.Med.Sc., Occupational Healthcare Physician

Hello, When did your symptoms begin? Can you see normally? Do your eyes hurt or are they excessively sensitive to light?

It started yesterday. My child had an inflammation last week, so I guess that's how I got it. I can see normally. There's no pain or sensitivity to light.

Anna Sipilä
D.Med.Sc., Occupational Healthcare Physician

It seems that you have an early-stage eye inflammation, so it's best to start you on antibiotic drops. I have written an electronic prescription (Oftan Akvakol). You can pick up your medication at any pharmacy using your Kela card. If the drops don't help, you should go to see a doctor.

OK, thank you. Is the strength of the drops the same for adults and children? If one of my other children gets this, can I start treating them with the same drops?

Anna Sipilä
D.Med.Sc., Occupational Healthcare Physician

OK. Yes, the strength is the same. It's perfectly alright to use the same drops.

OK, I'll go to the pharmacy now. Thanks a lot for the good service and have a nice day!

Anna Sipilä
D.Med.Sc., Occupational Healthcare Physician

You are welcome!

The conversation took place in the Digital Clinic in the OmaMehiläinen mobile application.

Occupational healthcare moving forward

Changes at the working life also change the occupational healthcare operating models. We need a proactive approach, new service channels and analytics to accompany the traditional solutions.

The Finnish occupational healthcare model is unique. We support workplaces to promote healthy and safe work, and we are in charge of services supporting the personnel's ability to work as well as treating their illnesses. Reactivity is a challenge to current operating models. We often do not take measures until something has already happened.

While working life is changing, the supporting services also must change. The modern occupational healthcare services provided by Mehiläinen emphasise engagement and the individual's active role, digital services, management by data, quality, effectiveness, cost-efficiency as well as joint evaluation of the results.

Technology is a catalyst for change

Technological development provides new means for efficient screening of working ability and health risks as well as earlier forecasting of changes in the situation of the individual or the workplace, using algorithms that combine different factors. This provides opportunities for offering more targeted support. Mehiläinen's new operating model Wellbeing Radar, which utilises artificial intelligence and predicts working ability, is based on this idea. It provides occupational healthcare services with a new way of identifying risks to working ability and offers personal support for the improvement of health and wellbeing.

Effectiveness through cooperation

In 2018, Mehiläinen built a totally new service package combining data-based anticipation with modern services that promote health, working ability and wellbeing at work, including digital treatment and coaching paths. However, they do not remove the importance of personal contact and encounter. At best, digital solutions help to analyse and transform information, so that there is more time left for encounters that may trigger a change enabling the achievement of one's goals. One of the most important cornerstones of success is always the individual's personal or company's own activity and responsibility as well as participation in the change.

MEHILÄINEN WORKING LIFE SERVICES

- Services to support management, workplace community and individuals
- More than 14,000 employers as customers, occupational healthcare services cover more than 390,000 people
- Nearly 10% organic growth in 2018
- Key development projects: Wellbeing Radar operating model, coach training for occupational health nurses, digital treatment paths in OmaMehiläinen as well as account management

IN COOPERATION WITH MEHILÄINEN

Stadium values an active partner

The mission of the Stadium sports chain is to inspire people to adopt an active life. The cooperation between Mehiläinen Working Life Services and Stadium focuses on preventive healthcare.

Energy, courage and team spirit are the cornerstones that have helped Stadium to grow from a small family business into a leading Nordic sports chain. In Finland, Stadium has approximately 900 employees, whose average age is 26 years.

'Our employees are energetic and active. All of them have access to the same services for wellbeing and promotion of working ability,' explains **Heidi Lehto**, HR Manager at Stadium Finland.

Mehiläinen provides Stadium with statutory occupational healthcare. In addition to occupational health-focused medical care, the services also include digital services, such as the Superior's Clinic service for supervisors, the WorkAbilityCompass service and the OmaMehiläinen service with the included Digital Clinic.

'Mehiläinen's digital services and modern way of working continuously provide us with new solutions, which in my opinion is one of Mehiläinen's greatest strengths. Mehiläinen focuses on areas that are the most important for us: working ability and wellbeing,' Lehto says.

Preventive measures are emphasised in the cooperation between Mehiläinen and Stadium.

'Our objective is a satisfied customer company whose employees are healthy and have a good working ability,' says **Kristiina Karelo**, the physician in charge of Stadium's nationwide services at Mehiläinen.

The cooperation between the partners has included coaching supervisors in applying the operating models for early support and return to work. Stadium also offers the option of modified work, and occupational healthcare negotiations have been actively conducted.

'Fruitful occupational healthcare cooperation requires close dialogue and commitment to the joint goals. In my opinion, we have really succeeded in this together,' Karelo finishes.

Heidi Lehto

High-quality dental care for all

The increasing number of dental care clinics and the strong expertise of personnel guarantee high-quality Hammas Mehiläinen dental care services all around Finland.

Hammas Mehiläinen is the only player in the field that covers all the areas of oral healthcare: private dentist and dental laboratory services as well as public personnel, outsourcing and emergency care services. The operating model of Hammas Mehiläinen is based on the utilisation of the best expertise of professional teams as well as close cooperation with experts representing different fields of healthcare. In this way, we ensure the achievement of our quality targets and make our customers' treatment path smoother.

Hammas Mehiläinen dental clinics are mainly located in connection with Mehiläinen outpatient clinics. This means that we can provide our customers with comprehensive healthcare services conveniently under one roof. Today, an increasing number of corporate customers pay for their employees' dental care, which has become a recruitment asset.

The year 2018 was once again a year of quality and growth for Hammas Mehiläinen.

We established a clinical practice steering group to promote our quality work and our personnel's high level of knowledge and skills. In addition, we launched Current Care Guidelines training collaboration with the Finnish Dental Society Apollonia. With the Hammas Mehiläinen quality programme, we can better ensure our environmental responsibility.

During the year, the network of Hammas Mehiläinen dental clinics was expanded with new units. We opened new dental clinics in connection with Mehiläinen outpatient clinics in Pori and in January 2019 in Lahti. Our services also expanded in the Helsinki area, as Stoma Klinikat became part of Hammas Mehiläinen.

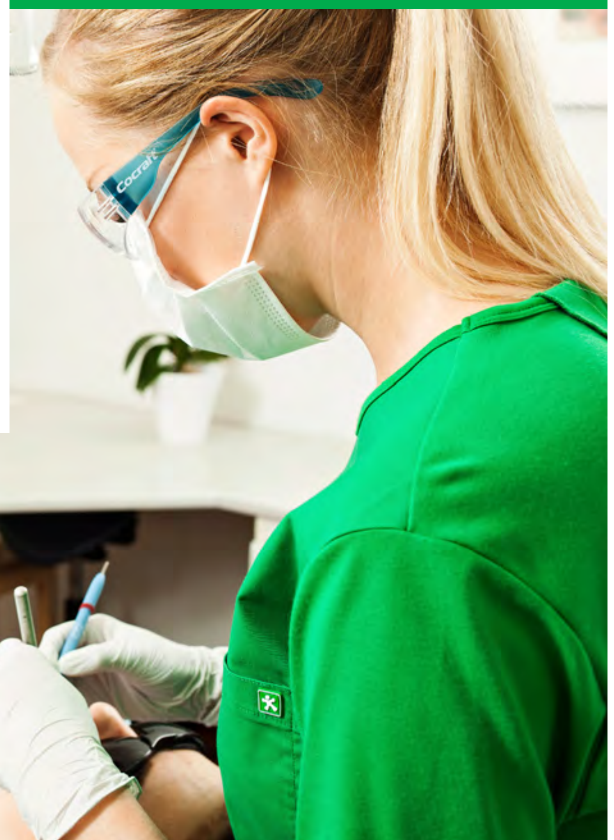
Broader cooperation with the public sector

Hammas Mehiläinen aims to provide private dental care services to all as well as attractive job opportunities for professionals around Finland. At the same time, we believe that it is important to ensure strong and long-lasting partnerships with providers of public dental care services.

We have actively expanded Mehiläinen's dental care business in the public healthcare service sector. New achievements in 2018 include establishing the wellbeing alliance in Tesoma, in City of Tampere and taking over dental care services in Länsi-Pohja as well as launching the freedom of choice pilots.

HAMMAS MEHILÄINEN

- Provides high-quality dental care services ranging from preventive care by dental hygienists to demanding specialised dental care
- 32 dental care clinics and 9 dental laboratories
- The number of customers in private dental care increased by 11% in 2018



Iivo Niskanen

Viivi Lehikoinen

For Urheilu Mehiläinen, everyone is a top athlete

Urheilu Mehiläinen provides services for sports enthusiasts, athletes and sports associations to prevent, treat, rehabilitate and research sports injuries.

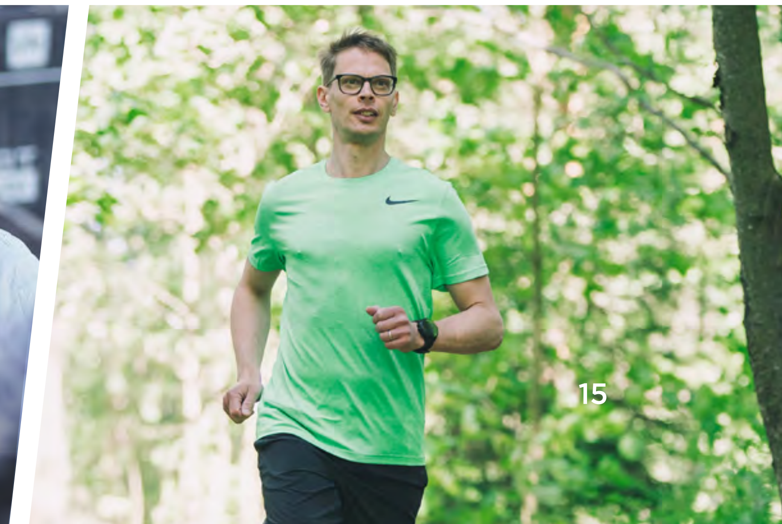
Urheilu Mehiläinen employs leading Finnish experts. Services are provided for customers by leading orthopaedists and sports medicine specialists as well as physiotherapists and therapeutic dietitians specialising in the health of athletes. Their strong expertise is based on specialisation, team work, learning from the masters, experience and practical skills. Research also has an important role.

At Urheilu Mehiläinen appointments, we provide high-quality services and effective treatment for customers. Prevention and treatment of injuries as well as the athlete's return to sports take place under the guidance and cooperation of a medical team. Mehiläinen's extensive nationwide network of clinics and digital services ensure that athletes have access to the services every day, whenever they need them.

Urheilu Mehiläinen has received international recognition for its excellence. Famous athletes and sports associations rely on the skills and knowledge of the experts at Urheilu Mehiläinen. Over the years, Urheilu Mehiläinen has treated many international top athletes, including football players, ice-hockey players and athletics stars. For instance, sports club FC Barcelona relies on the expertise of Urheilu Mehiläinen in the treatment and rehabilitation of sports injuries.

Urheilu Mehiläinen cooperates with the cross-country skiing Olympic gold medalist **Iivo Niskanen**, the Alpine Ski Team Finland, the Freestyle Ski Team Finland, hurdler **Viivi Lehikoinen** and the Helsinki Rockettes synchronised skating team. We promote athletes' health by cooperating with numerous teams, associations and athletes around Finland.

Mathilda Lassenius, Nella Korpio and Kia-Emilia Hakala



Public Healthcare Services

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

Quality and freedom of choice for public healthcare services

Mehiläinen is the forerunner in customer-driven and effective public healthcare services and a developer of the industry. Freedom of choice in public healthcare services is enabled to customers through the Oma Lääkärisi health centres and freedom of choice pilots.

Mehiläinen's public healthcare services provide a broad range of solutions for the needs of the public sector's social and healtcare service production. We provide comprehensive social care, primary healthcare and specialised healthcare services throughout Finland.

Our primary healthcare services rely on the Oma Lääkärisi operating model developed by us, which ensures customer-driven and effective local services. The operating model combines the best features of private and public services for the municipality and its residents alike: direct access to care without long queues, freedom of choice, high quality and cost-efficiency. The Oma Lääkärisi health centres constitute part of the public network of health centres.

We continuously develop our primary healthcare services to meet our customers' needs. For instance, we offer similar digital services as in private healthcare, such as Mehiläinen's Digital Clinic. Development is carried out in cooperation with our customers. We report the results and practices openly, while mentoring our customers to achieve better results in their own service production.

We help to ensure local services

Mehiläinen's public healthcare services help to ensure local services throughout Finland by, for example, providing public healthcare services in accordance with the Oma Lääkärisi operating model during the 10–15-year agreement period. Local services are also supplemented by our digital services. In addition, we can help our customers with various challenges related to premises used for providing social care and healthcare services.

Mehiläinen helps its customers to ensure the availability of personnel at emergency care centres and in rural areas. Through our extensive recruitment organisation, we can always ensure the availability of personnel representing any group of social or healthcare professionals.

A year of important projects

In 2018, Mehiläinen carried out many important public healthcare service projects.

Mehiläinen Länsi-Pohja Oy was launched in the Meri-Lappi region in June, and the Oma Lääkärisi health centres expanded greatly. Altogether, we established 12 new public health centres in 2018. During the year, we also participated in all the six freedom of choice pilots, maintaining our leading market position. Over 10,000 people have already registered as Mehiläinen customers through the freedom of choice pilots.

In addition, Kotipalvelu Mehiläinen, present in over 150 municipalities, grew strongly in 2018, particularly in services for the disabled.

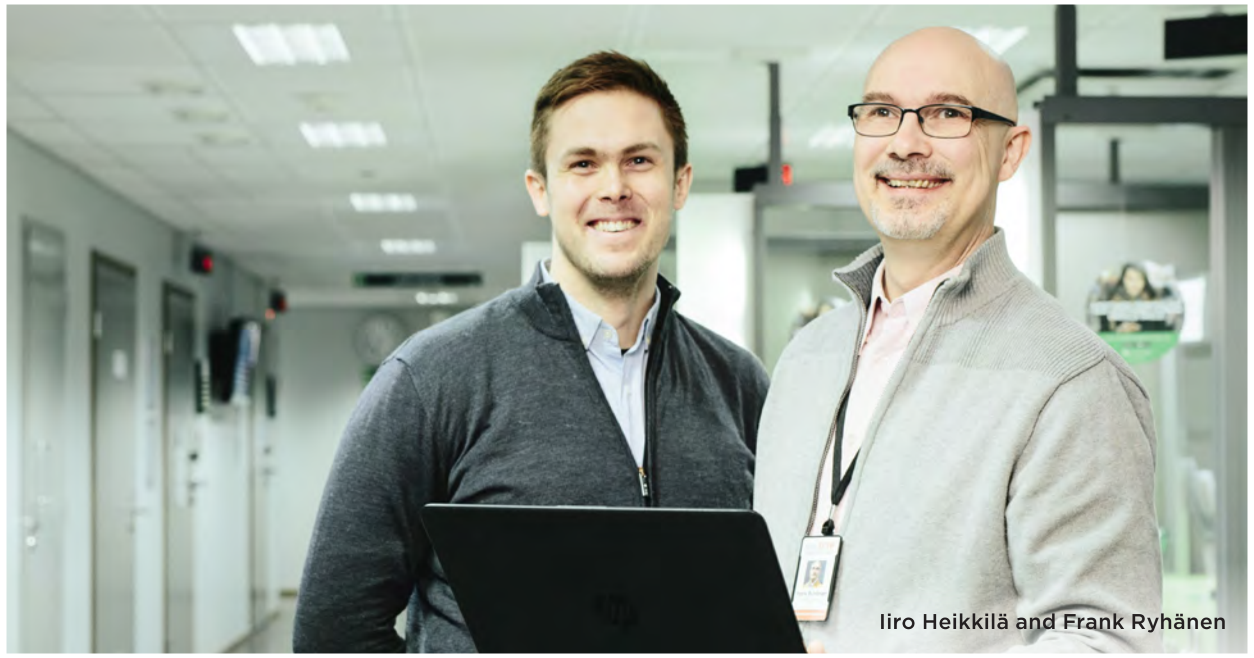
For instance, Medicum Services, a company providing home care and assistance services, joined us in 2018, bringing over 800 new employees to Mehiläinen. By combining the strengths of Kotipalvelu Mehiläinen and Medicum, we can develop an even more extensive service network and raise the quality of services for our customers.

MEHILÄINEN'S PUBLIC HEALTHCARE SERVICES

- **Primary healthcare:** 24 public service health centres in 13 locations, population coverage over 250,000
- **Staffing services:** physician and nurse staffing services for municipalities, joint municipal authorities and hospital districts
- **Mehiläinen Länsi-Pohja Oy:** a joint venture with the municipalities of the Meri-Lappi region, includes Finland's only outsourced central hospital as well as primary healthcare and rehabilitation services
- **Kotipalvelu Mehiläinen:** services provided in the home for the elderly, disabled and families, including meal, shopping and safety phone services, home care and treatment services as well as special services for the disabled and families
- Mehiläinen participates in the freedom of choice pilots at seven outpatient clinics.

IN COOPERATION WITH MEHILÄINEN

Faster access to healthcare services


Iiro Heikkilä and Frank Ryhänen

Mehiläinen participates in the freedom of choice pilots, in which patients may choose the health centre service provider they want. In the Keski-Uusimaa region, the experiment has promoted dialogue and improved access to services.

The objective of the pilots is to study the effects of freedom of choice on the quality of social and healthcare services. The residents of the six experiment areas may choose the health centre services of a public, private or third sector provider. Seven Mehiläinen outpatient clinics have an Oma Mehiläinen health centre that provides publich healthcare services and is participating a pilot. Over 10,000 Finns have already registered as their customers.

Accessibility is the decisive factor

In the Keski-Uusimaa region, Mehiläinen engages in freedom of choice cooperation with the Keusote joint municipal authority. The health centres in Hyvinkää and Järvenpää provide primary healthcare services ranging from physician appointments to laboratory tests and X-ray examinations. Launched in 2017, feedback on the experiment has been positive.

'Patients have been particularly satisfied with the shorter queues,' says **Frank Ryhänen**, project manager for the Uusimaa regional freedom of choice pilot. Better access to physician services has been the most important reason for patients to participate in the pilot. Other factors affecting their choices include the location and quality of services.

'The experiments have shown us that freedom of choice enables highly accessible high-quality services to be provided close to the people. Customers are familiar with the physicians and nurses, and our Digital Clinic adds to the service range,' explains **Iiro Heikkilä**, chief physician for freedom of choice services at Mehiläinen.

> ” Patients are satisfied with shorter waiting times.

Smoother treatment paths help to prevent problems. The experiment has also increased the interaction between healthcare professionals.

'Barriers between the private and public sector are dissolving, and dialogue is increasing,' Heikkilä adds. At the same time, the importance of reliable data networks and consistent indicators is emphasised.

The most extensive healthcare outsourcing in Finland

Mehiläinen Länsi-Pohja was launched in June 2018. The joint-venture firm is responsible for providing the majority of public healthcare services in the region.

In the largest ever healthcare outsourcing in Finland, the joint venture owned by Mehiläinen and the municipalities of the Meri-Lappi region are responsible for providing primary healthcare services in Kemi and Tornio and most of the specialised care services of Länsi-Pohja Central Hospital.

The planning and building of the new organisation of the joint venture was a considerable effort. Numerous experts participated in the launching project, which continued throughout the spring. The objective was to ensure smooth transfer of service production and over 900 employees to Mehiläinen Länsi-Pohja. The project was carried out in a positive atmosphere, as the long-lasting fear of losing healthcare services was removed.

Importance of the continuous development of services

Mehiläinen Länsi-Pohja has one integrated organisation which consists of six service lines and does not distinguish between primary healthcare and specialised care. The operations focus strongly on the development of services. Employees were also invited to join the planning work in the autumn to further improve the quality of services and customer-driven approach. The positive feedback from customers has been received with joy.

Mehiläinen Länsi Pohja has taken a fearless start on the 15-year outsourcing period. Its vision is to become Finland's best customer-driven healthcare service provider.

MEHILÄINEN LÄNSI-POHJA OY

- A joint-venture firm owned by Mehiläinen and the municipalities of the Meri-Lappi region
- Provides services for approximately 60,000 residents in the region.
- Has over 900 employees, of whom over 100 are physicians
- The outsourcing continues for 15 years.

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

Good life at Hoiva Mehiläinen's residential care homes

Hoiva Mehiläinen adapts the assistance, support and care provided through residential care services to the customer's individual needs and situation in life. Ensuring a good life for the customers and providing customer-driven, high-quality care are our first priorities.

Hoiva Mehiläinen provides elderly, disabled and mental rehabilitation customers with individual and collaborative solutions for residental care homes. The work at our residential care homes is governed by our quality promise. Its primary objective is to enable an individual good life for each resident.

OUR QUALITY PROMISE

1. Safety
2. Individual care and support
3. Comfortable personal home
4. Tasty and healthy food
5. Sense of community and participation

We use our quality index to actively collect feedback on our residential care homes from employees, customers and family members. On the basis of the feedback, we cotinuously improve the operations and quality of the homes.

New solutions for collaborative living in residential care homes

In Finland, the dialogue on elder care is dominated by the opinion that living at home as long as possible is the best solution. Home care works well when the customer does not need a lot of services and home care services can support the customer's living at home and ability to function. However problems start to appear when the customer's need for regular home care increases to a high level.

At Hoiva Mehiläinen, we have developed new collaborative solutions for residential care homes. These solutions combine living at home with a safe living environment that takes the customer's needs into account.

Collective residential care housing is a great humane housing solution. The customers live in their own apartments located in connection with the residential care home, so that they have quick access to support, safety and social contacts round the clock. Services can be tailored to the customer's service needs. The collectivity of the housing solution means that customers can meet each other in the shared areas of the home and participate in joint activities.

Hoiva Mehiläinen's example of collective residential care housing is Villa Luoto, opened in Pori in 2018. It was the most interesting house in last summer's Housing Fair.

Strong expertise in the treatment of memory diseases

Memory diseases are increasing among the ageing Finnish population. Mehiläinen has a long experience and broad expertise in the treatment of these disorders. A progressive memory disease breaks the feeling of safety for the elderly as well as their family members. When the memory disease advances, a residential care home is a good and safe choice. Safety is promoted by designing the houses to suit people with a memory disease and by promoting a good life and participatory everyday life. Living in a residential care home makes living easier and provides safety also for the family members who are worried about their loved one's condition.

The customers decide

At our residential care homes, customers may participate in new activities or continue to engage in their existing important leisure activities. The customers of our homes form communities in which they can find good company if they want. The customers decide. We focus on ensuring a good and happy life.

MEHILÄINEN RESIDENTIAL CARE HOMES

- Hoiva Mehiläinen has over 170 residential care homes with over 6,000 beds around Finland.
- We offer residential care services for the elderly, disabled and mental health rehabilitees.
- In 2018, Hoiva Mehiläinen opened altogether 39 new residential care homes through acquisitions or opening of completely new homes.
- In 2018, Hoiva Mehiläinen focused particularly on developing services for the disabled.

AS A CUSTOMER AT MEHILÄINEN

Active everyday life on the residents' terms

At Mehiläinen's Omakoti Suomalainen, the residents live in a way that suits them. Activities planned together, everyone's personal leisure activities and household chores are supported by familiar instructors. Nina Hyvönen likes horses the best.

Nina Hyvönen

Nina Hyvönen, 28, is gently brushing Vikke, a Norwegian Fjord horse. She starts from the mane and finishes by cleaning the hooves together with instructor **Jaana Pursiainen**. Horses have always played an important role for this young woman with learning difficulties. It is evident when you see Nina give a kiss to her favourite horse.

Mehiläinen's Omakoti Suomalainen provides supported, guided and intensified residential care services for people with learning difficulties and others in need of cognitive support. Some of Omakoti Suomalainen residential care homes are located on a farm in Savulahti, Kuopio. Nina lives in Omakoti Suomalainen closer to the centre of Kuopio, but she comes to the farm many times a week. Horse riding gives her joy and maintains and improves body control at the same time.

For the residents, taking care of the animals is a natural part of everyday life. At the stable, everyone knows their duties: one person takes care of water, another one is packing hay in bags and a third one is taking animals out to the pasture. Daily chores also include feeding the animals and cleaning the stalls. There is a lot of work to do: in addition to Vikke, the farm animals include horses, cats, pigs, sheep, rabbits and two Shetland ponies.

'Each resident has a different personality,' smiles Jaana, social pedagogical horse activity instructor.

Close to nature

Nina lives at Omakoti Suomalainen together with five other young adults. The residents have their own rooms that they may decorate as they please.

'Nina tells me what she would like for her room. Now there are horse paintings on the list,' says Nina's mother, **Aira Hyvönen**.

Evenings at home are also spent in shared spaces: the residents watch TV, make pizza and attend to household chores, among other things. Every Monday night, the residents get together to plan the daytime activities of the following week. Physical exercise is an important activity: the residents go to the gym and spend time outdoors every day. Sometimes they go bowling or see a hockey game when KalPa is playing. The instructors also apply their special skills ranging from horses to music, photography and art therapy.

Omakoti Suomalainen applies Green Care thinking, which is based on a nature-oriented approach. In addition to taking care of animals, the residents engage in planting and working in the yard, for instance. In the summer, they may go swimming and bathe in the sauna by the lake; in winter they may roast sausages outdoors.

After the daytime activities, the willing residents cook dinner and clean, after which many of them engage in their leisure activities. Nina plays floorball and it turns out that she is a talented singer. She has participated in music theatre plays and sung at a residential care home.

> **"Here Nina has a place in life and she receives care that is just right for her.**

Sometimes the residents also take trips together. Now they are looking forward to a winter trip to Vuokatti.

'I'd love to go on a husky safari,' Nina says dreamily.

Own home, own life

At Omakoti Suomalainen, instructors are present round the clock. Household chores are performed together with the residents: everyone participates in cleaning, cooking and other tasks.

'The residents are given the opportunity for independent activity, doing and experimenting. Nobody feels stressed, if something takes a little longer, and not everything has to be so perfect. This is their home and their life,' explains **Kalle Pakarinen**, the Unit Manager at Omakoti Suomalainen.

'An instructor's most important tasks are caring for the residents, arranging interesting activities for them and supporting them. Not doing their work for them but being there for them, ready to help. Nina, for instance, has problems with clothes, trying to figure out which side comes to the front,' Jaana Pursiainen continues.

Instructors also become friends of the residents, sharing their everyday life and knowing everyone's individual needs. The instructors describe Nina as an empathetic person who loves animals and takes care of other people.

'In my opinion, this has been a good community to Nina, as they do things together a lot. Here Nina has a place in life and she receives care that is just right for her. The instructors can be easily contacted, and we exchange news,' explains Nina's mother Aira. You can also visit anytime.

When her mother, now retired, considers whether her daughter could return to live with her parents, Nina's reply comes quickly:

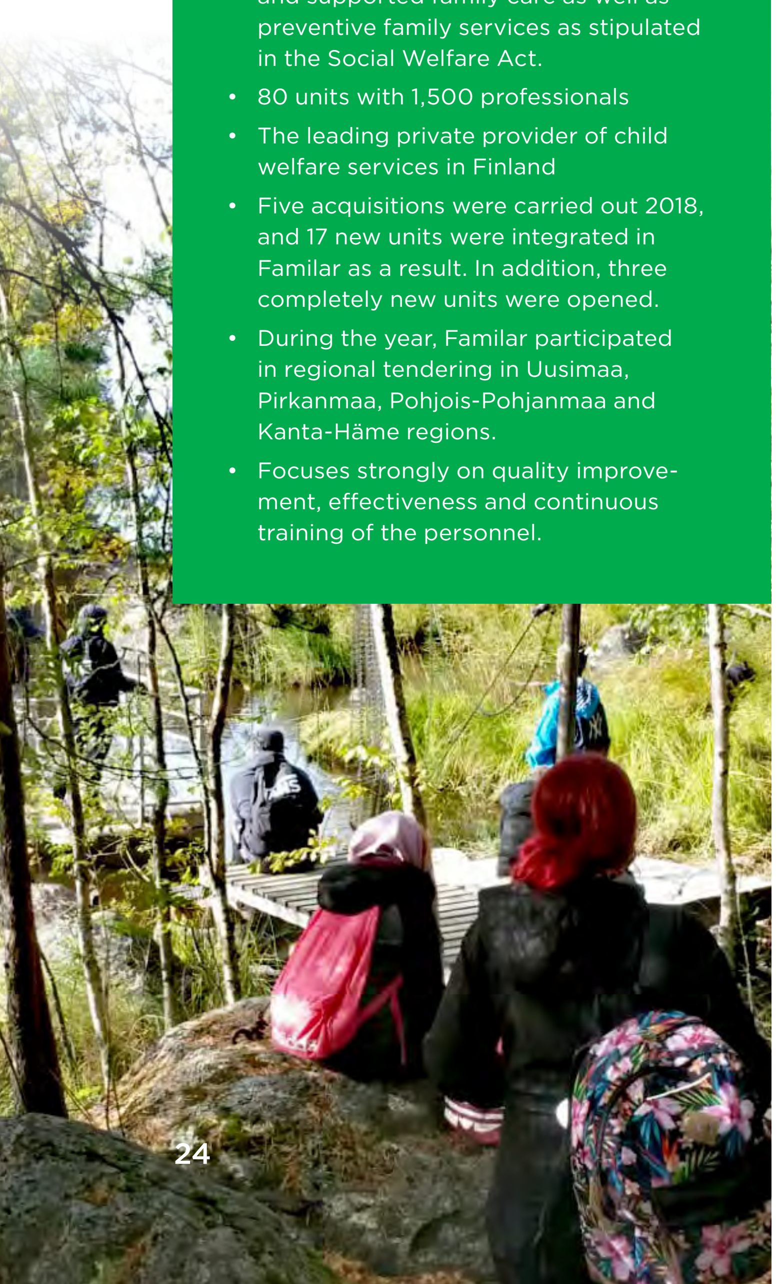
'No.' Her home is here.

Child welfare and family services for a better future

The objective of the child welfare and family service provider Familar is to build a better future by advancing the wellbeing of children and families together with them. Familar is part of Mehiläinen Group.

FAMILAR

- Provides child welfare services including institutional and non-institutional care, family rehabilitation and supported family care as well as preventive family services as stipulated in the Social Welfare Act.
- 80 units with 1,500 professionals
- The leading private provider of child welfare services in Finland
- Five acquisitions were carried out 2018, and 17 new units were integrated in Familar as a result. In addition, three completely new units were opened.
- During the year, Familar participated in regional tendering in Uusimaa, Pirkanmaa, Pohjois-Pohjanmaa and Kanta-Häme regions.
- Focuses strongly on quality improvement, effectiveness and continuous training of the personnel.



BLOG TEXT

”Motivation is the key”

Motivation for rehabilitation does not come in the blink of an eye. It is also often a sum of many factors.

At Familar Ilmaria in Lapinlahti, the rehabilitation of young people is strongly based on an active everyday life, which relies on the engagement and collective spirit of the young. We believe that by reorganising everyday life we can make rehabilitation possible even in difficult situations in life. We aim to find an interesting leisure activity for everyone to make everyday life more organised. Activity and participation also promote the development of healthy self-esteem.

Our personnel are committed to supporting the young in their leisure activities and acting as their personal instructors. The personal instructor provides mentoring and encouragement. External sources of motivation, such as various rewards, are used to create personal inner motivation. These sources of motivation provide opportunities for participation; the young receive immediate feedback and can monitor their progress.

For the third time now, Ilmaria is arranging an activity contest for the young, in which they receive activity points by participating in joint activities. At Ilmaria, activation of the young can be concretely seen in everyday life, as nearly everyone has a regular leisure activity. These activities include, for instance, going to the gym, outings, swimming halls, bowling halls as well as riding stables.

Through engagement and activation, many young people have been able to leave behind people who have a harmful effect on their life, stop substance abuse and create new content in life. Positive experiences feed a positive atmosphere and objectives feed motivation – or is it the other way around?

– Erja Hiltunen, Senior Instructor, Familar Ilmaria

Career opportunities for professionals – jobs all across Finland

Mehiläinen's expertise relies strongly on skilled personnel as well as on continuous development and revision of the operations. Mehiläinen both provides opportunities for professionals all along their career path and creates new jobs.

Strongly Finnish, responsible and modern Mehiläinen is one of Finland's largest employers. At the end of December 2018, Mehiläinen had over 18,800 employees and private practitioners. In 2018, we integrated 34 new companies into Mehiläinen and recruited nearly 1,500 social and healthcare professionals all over Finland. The number of personnel increased during the year by more than 4,000 professionals. With these figures, we rank among the Finnish companies that created the largest number of jobs.

In addition to creating new jobs, Mehiläinen provides its personnel with great opportunities for growth and development. In addition to social and health care professionals, in 2018 we hired many people for business management and development tasks and supportive operations, enabling our professionals' success in their work with customers and patients on every day of the year. Furthermore, Mehiläinen is already an important player in the IT and technology field, employing approximately 70 programmers and other IT professionals.

Employee satisfaction at an excellent level

In 2018, the response rate to the annual personnel survey was higher than before. Nearly every professional answering the survey finds that their work is meaningful and their work can influence the customer experience. Mehiläinen employees like to come to work, they are inspired by their work and they find that the objectives of work are clear. More than 90 per cent of our personnel find that the values of Mehiläinen as well as helping colleagues and allowing differences are observed at the workplace.

A strong customer orientation could also be seen in the answers: over 90 per cent of the respondents said that they know what their customers expect and that Mehiläinen develops the operations according to the customer feedback received. According to more than 90 per cent of the respondents, Mehiläinen is a developing and dynamic company. Faith in Mehiläinen's future success is also strong. →

> **According to the personnel survey, Mehiläinen's professionals are happy to come to work. They are excited about their meaningful work and feel that the goals are clear.**

Investments in the development of personnel

Mehiläinen continuously trains and coaches its personnel to ensure a high quality of services as well as its position as a trailblazer in the field of social and healthcare services. Most of the annual training is additional, further or refresher education for healthcare professionals. In addition to training events that are based on attendance, an increasing number of training courses are also provided online, taking into account the environmental and efficiency aspects.

A considerable proportion of annual training at Mehiläinen focuses on leadership and supervisory work. Towards the end of 2018, we took a new step in this area: we decided to launch a supervisor coaching programme in co-operation with Aalto Executive Education. The programme will run throughout 2019 and it may be the most extensive supervisor coaching programme in Finland yet. Approximately 500 supervisors will be trained to ensure a consistent management policy that is based on professional skills, values and Mehiläinen's strategy. The coaching will also help to convey the high-quality Mehiläinen experience to employees and our customers alike.

Respecting the environment

The cornerstones of our corporate responsibility are responsible business operations, increased employment and the provision of high-quality value-added services to our private, corporate and municipal customers as well as our insurance company partners. Mehiläinen acts responsibly and ecologically, paying attention to raw material and energy consumption in its operations and favouring recyclable materials. In 2018, we improved our preparedness for more accurate measurement of raw material and energy consumption. The objectives of this are improved cost-efficiency and responsible conduct that takes environmental aspects into account.

ANNIVERSARY CELEBRATIONS

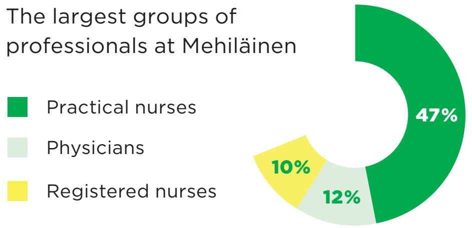
Mehiläinen keeps taking steps towards future social and healthcare. However, we keep our long tradition in mind, valuing commitment and long service. The average duration of employment at Mehiläinen is approximately 5.6 years. Each year, Mehiläinen rewards employees and private practitioners who have stayed with the company for decades. In the latter half of 2019, Mehiläinen will celebrate its 110 years of success.

PROFESSIONALS AT MEHILÄINEN

Over
18,800
employees and private practitioners

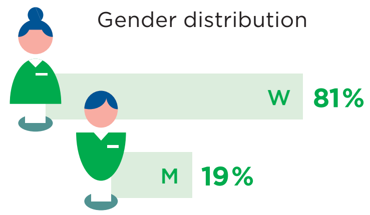
Over
5,400
physicians, of whom
3,300 are private practitioners

The largest groups of professionals at Mehiläinen

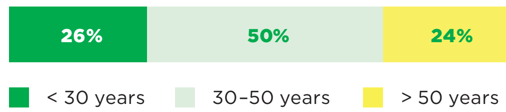


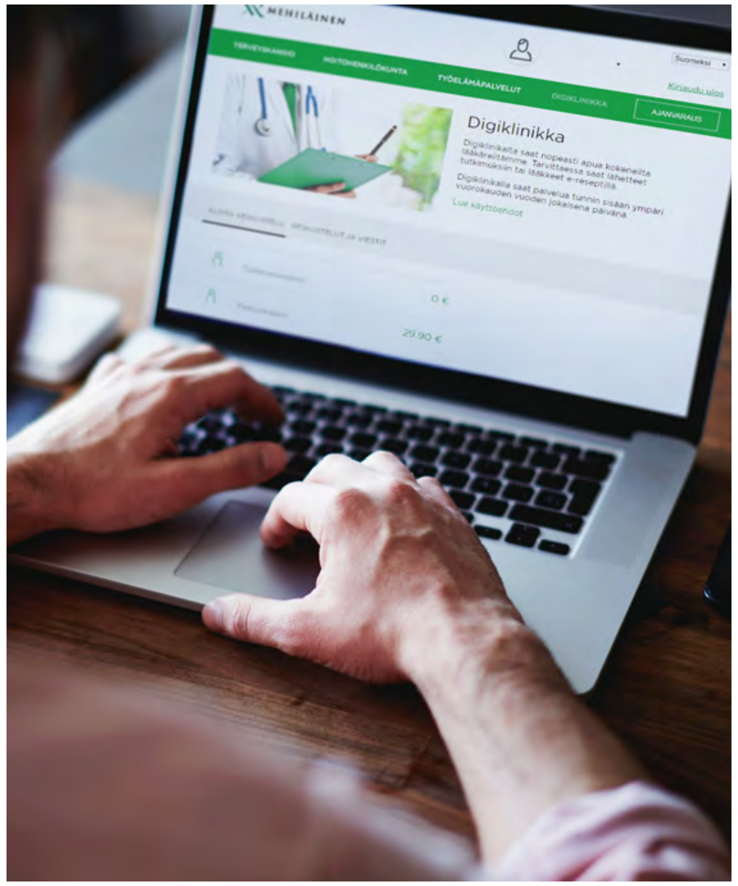
46 medical specialities represented.
In Finland, there are 50 specialities in use overall.

Gender distribution



Age distribution





Quality with responsibility

Continuous development of quality and commitment to quality standards are at the core of Mehiläinen's operations.

Mehiläinen develops the quality of its services, products and processes applying the principle of continuous improvement. Everyone working at Mehiläinen participates in the quality improvement work. Our customers are also actively involved in the development of quality. Mehiläinen aims to be a forerunner in the industry, setting an example for providers of public and private healthcare and care services and encouraging them to develop a customer-driven approach and improve the effectiveness of care. We carry out our quality work responsibly, respecting the environment. As a demonstration of meeting the quality requirements, Mehiläinen has been awarded the ISO 9001, ISO 14001 and ETJ+ management, environmental and energy efficiency certificates. The fulfilment of the requirements of these standards is annually monitored through external audits.

Digitalisation and utilisation of data bring effectiveness and quality also to healthcare services. The benefits of digitalisation are indisputable. For example, Mehiläinen's new quality monitoring tools use the data of 1.8 million annual physician visits to promote a reduction in the use of antibiotics. Our objective is to achieve consistent quality in the work with patients. New ways of using data and analytics in healthcare services provide opportunities that have not been available to this extent in the industry.

MONITORED QUALITY INDICATORS AT MEHILÄINEN

PATIENT SAFETY

Examples:

- Responsible X-ray imaging
- Responsible use of antibiotics

PREVENTION

Examples:

- Systematic monitoring of structured logging (smoking and body mass index, for instance)

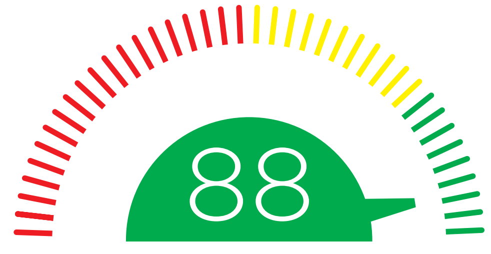
EFFECTIVENESS

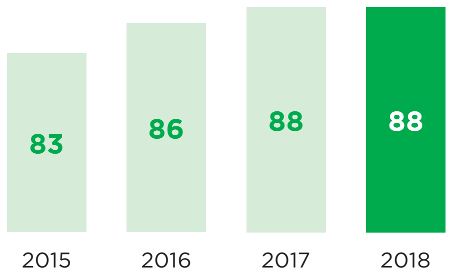
Examples:

- Diabetes and cardiovascular disease control

Customer experience on an outstanding level

Mehiläinen is a forerunner among private healthcare services in the development and measuring of customer experience. Again in 2018, the customer experience score for Mehiläinen stayed at an excellent level (88).





Mehiläinen uses the well-known and widely used NPS (Net Promoter Score) to measure customer experience in healthcare services. The NPS provides information on customer loyalty and can range from -100 to +100. An NPS over 50 is considered excellent. The NPS measurement is part of Mehiläinen's quality assurance system.

The customer experience measurement is carried out in real time and automatically. A random sample of customers whose previous visit was at least six months ago receive an NPS survey two hours after their visit. The SMS survey asks to evaluate the probability of recommendation on a scale of 0–10 on the basis of the service the customer received.

Systematic processing of feedback

The quality contact persons are responsible for the processing of customer feedback at their respective clinics. Regular training and tests ensure that feedback is processed in a consistent manner. Every day, the quality contact persons also call customers whose visit did not go as expected. Even though only a small minority of customers responding to the NPS survey give low scores, it is always critically important to know the reason.

The NPS results are updated once a day, and they have always been openly accessible on Mehiläinen and Hammas Mehiläinen websites. Customer evaluations and recommendations concerning individual experts are also shown on the websites. Each expert can monitor their NPS and customer feedback as part of their everyday work management.

MEHILÄINEN'S NPS-INDEX

Total

88 Outpatient clinics, hospitals and Felicitas Mehiläinen

94 Hospitals

88 Hammas Mehiläinen

Digitalisation and artificial intelligence transform healthcare services – Mehiläinen in the vanguard

Mehiläinen is a forerunner in the development of digital services in its sector. The objective is to provide high-quality healthcare services that seamlessly fit the customer's everyday life. Artificial intelligence enables, for instance, early anticipation of working ability risks.

Digital services as well as the use of data and artificial intelligence constitute a material part of Mehiläinen's vision of healthcare services.

Customers appreciate having choices, and new service channels introduce desired flexibility to support traditional services. In addition to treating illnesses, digital services can provide more individual support for customers' well-being and independent healthcare. In addition, the use of technology improves the customer experience by giving the physician more time for customer encounters and more efficient monitoring of the success of treatment.

Mehiläinen's digital services ensure consistent quality of our work with customers. For instance, the symptom survey of the OmaMehiläinen's Digital Clinic ensures the quality of the appointment, as the customer's symptoms are systematically surveyed before meeting a healthcare professional. The Current Care Guidelines-based treatment plan templates provided for customers engage them in a completely new way in the monitoring of treatment and promoting its success.

Artificial intelligence as physicians' assistant

The development of artificial intelligence enables new ways of identifying health problems and responding more accurately to changes during treatment. In addition, it combines exponentially increasing volumes of data for the benefit of the customer. Mehiläinen is among the first in the world to use artificial intelligence for the identification of working ability risks before they are realised.

In addition to customer's benefits and consistent service quality, digital services enable better efficiency. When treatment paths are efficiently built and data-based tools such as symptom surveys and treatment plans are available, it is possible in some disorders to achieve up to 50 per cent cost savings across the entire treatment path.

OMAMEHILÄINEN – YOUR ONLINE HEALTH INFORMATION

OmaMehiläinen is Mehiläinen's free-of-charge online and mobile service through which you can easily see up-to-date health information of yourself and your family.

- At OmaMehiläinen you will see your appointment history at Mehiläinen as well as your examination results, open referrals and prescriptions.
- You receive reminders of, for example, scheduled appointments and new test results.
- You can find the information of the experts who have treated you and book appointments.
- Digital Clinic is there to help you with health-related matters 24/7, wherever you are.
- If we are not able to help you, we will not charge for the service.

The OmaMehiläinen service has more than 570,000 registered users, of whom more than 270,000 have registered on the mobile application. The Digital Clinic was used more than 100,000 times in 2018.

WELLBEING RADAR USES ARTIFICIAL INTELLIGENCE – A RISK-BASED SITUATION ANALYSIS

Mehiläinen is the first in the industry to develop a new occupational healthcare model in which an artificial intelligence-based innovation, Wellbeing Radar, provides early forecasts of working ability risks. The new operating model represents the future of occupational healthcare. It comprises an artificial intelligence-based algorithm and engagement of the individual as well as digital coaching and treatment paths.

- The objective is to prevent reduction of working ability, sickness absences and incapacity for work.
- With Wellbeing Radar, occupational healthcare can respond earlier and provide targeted support for the individual to maintain working ability and health.

MEHILÄINEN'S COMPASS TOOLS HELP THE EMPLOYER

Mehiläinen has developed a set of digital tools for companies for the management of working ability. Tools include CorporateMehiläinen, WorkAbilityCompass and Superior's Compass.

The Compass tools:

- Make the identification of risks related to working ability and the follow-up of occupational accidents easier by giving real-time information to superiors, HR and the occupational healthcare team to support them in working ability management.
- Primarily intended for large- and medium-sized customer companies of Mehiläinen.
- Enable automatisation of the working ability management processes, access to correctly timed information to support decisions and improvement of the efficiency of persons in charge.

From left to right and from top to bottom: Markku Näreneva, Johanna Asklöf, Janne-Olli Järvenpää, Anssi Hartiala, Antti Miettinen, Niklas Härus, Erkki Virta, Harri Pomell

From left to right and from top to bottom: Herkko Soininen, Ove Uljas, Kalle Alppi, Kaisla Lahdensuo, Sami Koski, Tatu Tulokas

Mehiläinen management

CEO

Janne-Olli Järvenpää

M.Sc. (Econ.), MBA (INSEAD), Born 1971

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

M.D., MBA, Born 1972
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

M.Sc. (Tech.), Born 1979
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

M.Sc. (Econ.), Born 1986
Residential care services

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

Antti Miettinen

M.Sc. (Econ.), Born 1976
Occupational healthcare services

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

Markku Näreneva

M.D., Born 1980
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

DI, s. 1974
Child welfare services

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

Erkki Virta

D.M.D, Born 1966
Dental care services

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

SUPPORT FUNCTIONS MANAGEMENT

Kalle Alppi

B.Eng., Born 1976
CIO

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

Kaisla Lahdensuo
(former Joutsenniemi)

Psychiatrist and Public health specialist, Docent, eMBA
Born 1979
Chief Medical Officer, Quality

Over 10 years of experience in leadership and professional tasks in healthcare services. Previous experience e.g. HUS Deputy Chief Physician and from GlaxoSmithKline and THL. Kaisla has worked at Mehiläinen since 2017.

Sami Koski

LL.M. with court training, Born 1968
Legal affairs

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

Herkko Soininen

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

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

Tatu Tulokas

M.Sc. (Econ.), Officer
Born 1977
HR

Vast leadership experience in business, human resources and financial administration. Experience from e.g. Diacor, Finnair and Silta Ltd. Tatu has worked at Mehiläinen since 2018.

Ove Uljas

M.Sc. (Econ.), Born 1966
Marketing, communications and customer service

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

” Management in Mehiläinen: culture of cooperation, culture of openness, culture of actions, culture of quality.

New ownership of Mehiläinen

The reorganisation of the ownership of Mehiläinen was carried out on 9 August 2018. Funds administered by CVC Capital Partners became the new principal owner of Mehiläinen. LocalTapiola Group, Varma, Ilmarinen and the company management continue as owners with a higher ownership share. The new Finnish institutional investors are the State Pension Fund of Finland, the Pharmacy Pension Fund and the Valion Eläkekassa pension fund.

Pension funds of over 2.5 million Finnish private sector and government employees are now invested in Mehiläinen – that is the majority of Finnish employees. In addition, Mehiläinen is indirectly owned by approximately 1.6 million owner-customers of LocalTapiola Group.

CVC CAPITAL PARTNERS 57%

LOCALTAPIOLA 20%

VARMA 8%

VER VALTION ELÄKERAHASTO STATENS PENSIONSFOND I FINLAND THE STATE PENSION FUND OF FINLAND 5%

ILMARINEN 4%

APTEEKKIEN ELÄKEKASSA APOTEKENS PENSIONSKASSA 0.6%

VALION ELÄKEKASSA 0.4%

Management and other private persons 5%

MEHILÄINEN KONSERNI OY

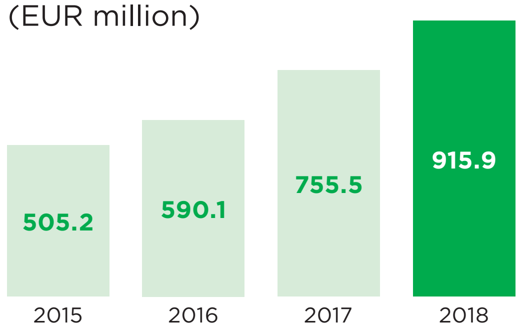
MEHILÄINEN OY

SUBSIDIARIES

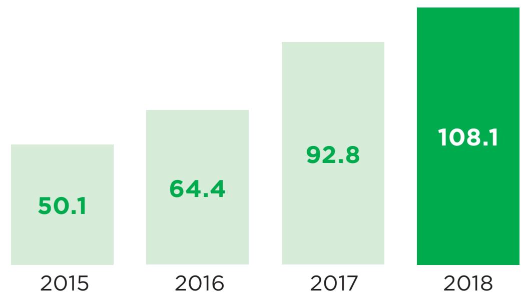
Structure simplified.

Key indicators

REVENUE
(EUR million)



UNDERLYING EBITDA*
(EUR million)



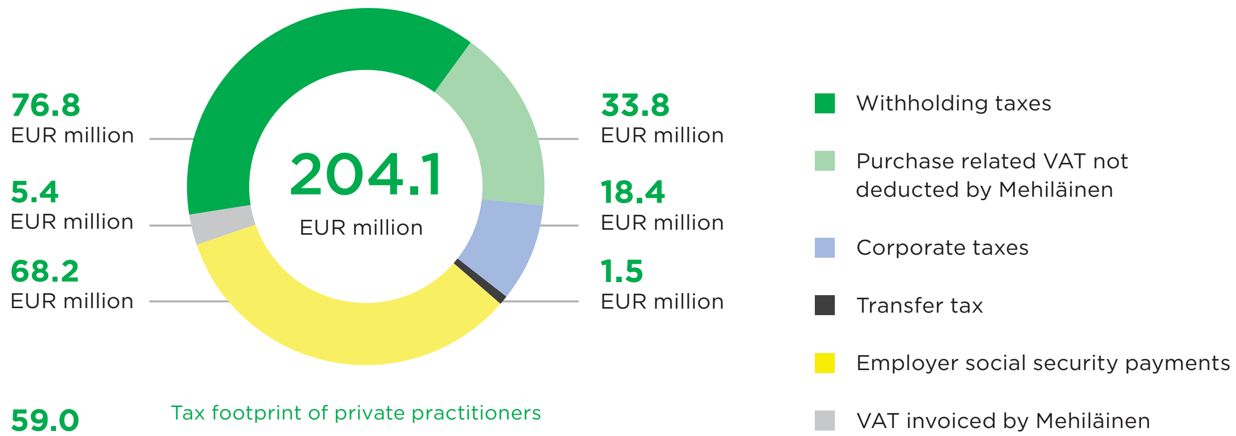
KEY INDICATORS* (EUR million)

	2016	2017	2018
REVENUE	590.1	755.5	915.9
UNDERLYING EBITDA	64.4	92.8	108.1
UNDERLYING EBITA	47.1	73.3	84.8
PROFIT FOR THE YEAR	13.2	37.4	27.3

	2016	2017	2018
REVENUE GROWTH %	16.8	28.0	21.2
UNDERLYING EBITDA %	10.9	12.3	11.8
UNDERLYING EBITA %	8.0	9.7	9.3

* 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.

Tax footprint



59.0
EUR million

Tax footprint of private practitioners
Estimate. Comes on top of the Mehiläinen tax footprint.

Detailed financial statements are published on page 37.

Mehiläinen Oy Financial Statements and Report of the Board of Directors

1 January –
31 December
2018

MEHILÄINEN

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Report of the Board of Directors 1 January – 31 December 2018

Mehiläinen's revenue growth was strong for the fourth consecutive year. Mehiläinen Group's revenue grew 21.2% from the previous year, reaching EUR 915.9 (755.5) million. The growth was profitable, adjusted operating profit improved 16.5% and was EUR 108.1 (92.8) million.

The positive business development was reached both organically via customer acquisitions and new unit openings as well as through acquisitions. Growth was supported by the positive development of the strategic partnership signed with the LähiTapiola Group in June 2017, the launch of Länsi-Pohja's service production in the summer of 2018, and the strong growth of social services both organically and through acquisitions.

Mehiläinen's customer base includes private customers, companies, insurance companies and municipalities, as well as other public organizations. Mehiläinen Group's healthcare services include Mehiläinen outpatient clinics, working life 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 2018. The number of visits by private customers in both the outpatient clinics and dental care clinics developed positively. Another significant factor impacting the number of customers was the cooperation and partnership with LähiTapiola launched in 2017, which increased the number of insurance-based customers also in 2018.

The network of the Mehiläinen Medical Center services was expanded by connecting five medical centers from all over Finland and opening four new Mehiläinen medical centers. Mehiläinen has total 58 outpatient clinics and more than 50 occupational healthcare stations serving more than 750 000 customers in 2018. The number of customers covered by Mehiläinen's occupational healthcare services grew for the fourth consecutive year and exceeded 390 000 at the end of 2018. The number of customers increased to 14 000 employer customers.

In public health services, Mehiläinen successfully started the largest outsourcing in Finland, when the operations of Mehiläinen Länsi-Pohja Oy started in Meri-Lappi. The joint venture owned by Mehiläinen and the municipalities of the Meri-Lappi region are responsible for providing primary healthcare services in Kemi and Tornio and most of the specialised care services of Länsi-Pohja Central Hospital. As part of the outsourcing agreement, more than 800 employees were transferred to Mehiläinen. In 2018, new personal health clinics were opened in Pusula, Sammatti and Karjalohja, as well as in the center of Tampere, Tesoma, and Hervanta.

The growth of Mehiläinen's social services continued to be strong also in 2018. Growth was supported by both organic growth and acquisitions. During the financial year, 11 new residential care homes became part of Hoiva Mehiläinen through acquisitions. In addition, 15 completely residential care homes were opened during the year. For example, collective residential care house Villa Luoto was completed in the residential fair area of Pori in 2018 as the first service home in the history of the housing fair. Hoiva Mehiläinen has about 170 residential care homes across Finland with over 6,000 beds. In 2018, a quality index was introduced in almost all of Mehiläinen's residential care homes. The quality index was presented to municipal customers as well as the to residents, with lot of positive feedback.

During the financial year, Mehiläinen invested heavily in growth. Net cash flow used in acquisitions increased to EUR 81.9 (65.5) million from last year. Porvoon Lääkärikeskus Oy and Vakka-Suomen Lääkärikeskus Oy in Uusikaupunki, among others, joined part of Mehiläinen during the year. Mehiläinen opened new units and invested in new and old buildings especially on the social care services. Gross investments during the financial year without acquisitions were EUR 34.6 (20.6) million.

Group key indicators

EUR 1 000	2018	2017	2016
Revenue	915 922	755 544	590 090
Revenue growth %	21.2	28.0	16.8
Underlying EBITDA [1]	108 083	92 797	64 358
% of revenue	11.8	12.3	10.9
EBITDA	97 300	84 954	55 942
% of revenue	10.6	11.2	9.5
Underlying EBITA [1]	84 755	73 254	47 057
% of revenue	9.3	9.7	8.0
EBITA	73 972	65 411	38 641
% of revenue	8.1	8.7	6.5
Operating profit	68 364	59 440	33 103
% of revenue	7.5	7.9	5.6
Profit for the year	27 304	37 406	13 190
Net cash flow from operating activities [2]	87 330	75 930	50 942
Return on equity %	23.0	43.0	37.0
Return on investment %	14.7	14.0	9.7
Equity ratio %	19.7	18.3	13.7
Gearing %	275.2	300.2	419.8
Interest-bearing net debt	363 194	316 840	287 012
Assets total	669 766	576 396	498 089
Average number of personnel	7 310	5 888	4 502
Employee benefit expenses	399 391	319 075	250 519

[1] 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 ownership change related costs, startup costs outside ordinary outsourcing contracts, 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.

[2] Presentation has changed in 2018: Interest and other financial expenses paid are presented in cash flow from financial activities instead of operation activities.

More key indicators are presented in section 'Group key indicators'.

Parent Company key indicators

EUR 1 000	2018	2017	2016
Revenue	486 649	416 440	379 496
Revenue growth %	16.9	9.7	0.9
EBITDA	58 782	41 781	33 783
% of revenue	12.1	10.0	8.9
Operating profit	40 996	27 306	19 950
% of revenue	8.4	6.6	5.3
Profit for the year	7 834	11 199	4 170
Return on equity %	9.8	15.9	11.7
Return on investment %	9.3	6.6	6.1
Equity ratio %	14.0	14.3	13.5
Interest-bearing net debt	380 287	353 806	302 872
Assets total	596 533	536 614	471 838
Average number of personnel	2 406	2 094	2 004
Employee benefit expenses	141 588	125 335	120 705

Revenue

The revenue of Mehiläinen Group increased to EUR 915.9 (755.5) million in the financial year 2018. The revenue growth of 21.2 % was supported by both organic growth through acquisition of new clients and opening of new units as well as business acquisitions. Both healthcare and social care services grew steadily. Revenue growth without acquisitions was 11.4%. The revenue of parent company Mehiläinen Oy grew by 16.9% to EUR 486.6 (416.4) million.

	Group	
EUR 1 000	2018	2017
Revenue		
Healthcare services	610 722	502 110
Social care services	305 201	253 434
Total	**915 922**	**755 544**

The revenue growth in healthcare services was affected by the start of Länsi-Pohja hospital district concerning primary healthcare in summer 2018. Sales in the financial year were also positively impacted by the first alliance model-based wellbeing centre launched in the Tesoma area of Tampere and cooperation with LähiTapiola launched in summer 2017 and continued positively in 2018 which increased the number of insurance customers and supported the expansion of the medical and hospital services network during the financial year.

The revenue growth in social care services is mainly due to the significant growth in the volume of business after the acquisitions. The growth in net sales of social services was explained by acquisitions carried out both in the previous year and the financial year. In addition, net sales were increased by the opening of new units in housing services for the elderly, mental health and disability services and child welfare. During the financial year, Mehiläinen built more than 700 new residences for the elderly, disabled and mental health.

Profit

Expenses from material and services grew proportionally with the sales and were EUR 261.7 (215.4) million. Employee benefit expenses grew to EUR 399.1 (319.1) million mainly due to head count increase.

EBITDA for the financial year increased 14.5 % and was EUR 97.3 (85.0) million. EBITDA was equivalent to 10.6 (11.2) % of revenue. EBITDA includes items affecting the comparability of EUR -10.8 (-7.8) million, mainly expenses related to ownership change, 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 108.1 (92.8) million with a growth of EUR 15.3 million. The significant growth of the EBITDA was supported by growth generated by new customer acquisition and opening of new units, as well as higher operational efficiency in healthcare services and the successful integration of acquired businesses. Underlying EBITDA was equivalent to 11.8 (12.3) % of revenue.

Depreciation, amortization and impairment losses amounted to EUR -28.9 (-25.5) million. Out of this, the share of tangible assets was EUR -21.7 (-17.8) million. The increase is mainly due to higher investments.

Operating profit for the year increased to EUR 68.4 (59.4) million and the share from the sales declined to 7.5 (7.9) %.

The Group's profit for the year was EUR 27.3 (37.4) million. Finance income and expenses amounted to EUR -21.3 (-14.3) million. The income taxes for Mehiläinen Group were EUR -19.7 (-7.7) million. Profit for the year was affected negatively by the EUR -13.8 million taxes related to 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 parent company Mehiläinen Oy's EBITDA was EUR 58.8 (41.8) million and operating profit EUR 41.0 (27.3) million. Profit for the year declined to EUR 7.8 (11.2) million.

Cash flow

Mehiläinen Group's net cash flow from operating activities in the financial year 2018 was EUR 87.3 (75.9) million. Change in working capital was EUR +12,1 (-1.6) million. Trade Receivables grew less compared to sales increase mainly due to improved collection. Paid taxes amounted EUR -24.6 (-7.3) million.

Group's cash flow from investing activities EUR -111.4 (-85.3) million. The net cash used for the acquisition of subsidiaries and businesses amounted to EUR -81.9 (-65.5) million. Investments in property, plant and equipment, and intangible assets was EUR -34.6 (-20.6) million mainly due to investments in equipment and premises of medical clinics and social care properties.

Group's net cash flow from financing activities was EUR 12.8 (1.7) million and out of this, paid interest expenses were EUR -14.3 (-13.4) million. Long-term interest-bearing liabilities increased to EUR 385.3 (344.2) million.

Financial position

Mehiläinen Group's equity at the end of the financial year 2018 amounted to EUR 132.0 (105.6) million.

As a consequence of the ownership structure change, the old credit syndicate was terminated, and a new loan facility agreed under Mehiläinen Yhtymä Oy. As part of the facility, Mehiläinen Yhtymä Oy has financing facility arrangement (EUR 125 million due in February 2025) and out of this EUR 17.5 million was used by Mehiläinen Oy at the year end.

The Group's cash and cash equivalents at the end of the financial year 2018 was EUR 20.7 (32.0) million. The Group's interest-bearing net debt at the end of the financial year amounted to EUR 363.2 (316.8) million.

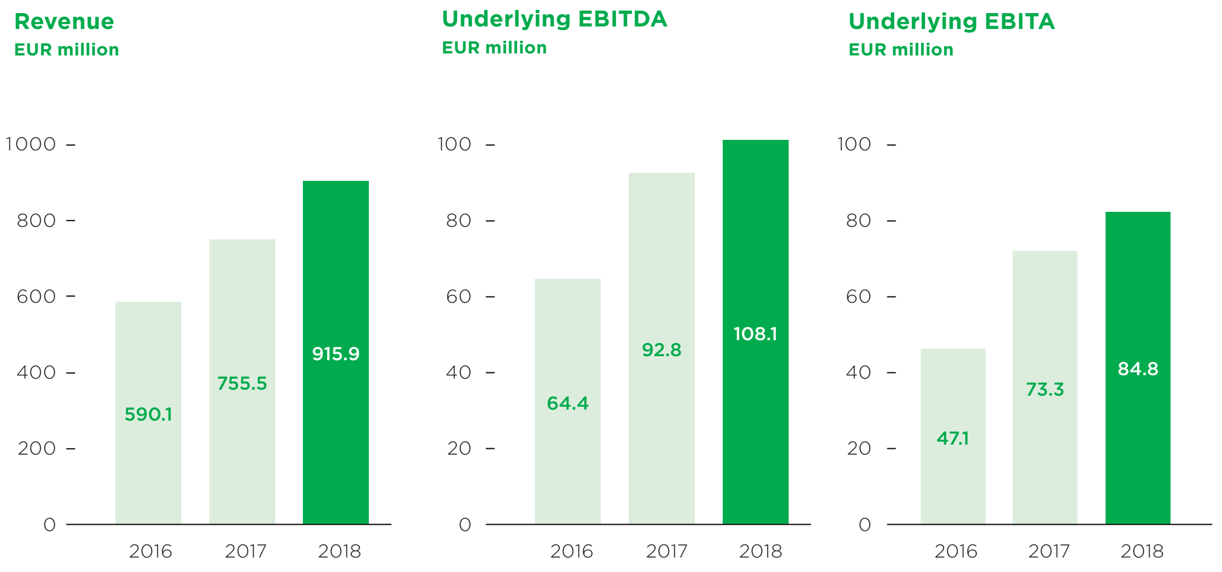
Mehiläinen Group's total assets at the end of financial year 2018 were EUR 669.8 (576.4) million. Group's gearing at the end of the financial year 2018 was 275.2 (300.2) %. The return on investment in the financial year 2017 reached 14.7 (14.0) % and the return on equity 23.0 (43.0) %.

Mehiläinen has applied the IFRIC 12 Service Concession Arrangements to its outsourcing agreements where Mehiläinen can obtain, free of charge, the public infrastructure or part of it operating in the outsourcing service. In this case, Mehiläinen is not considered to have the control over the assets received free of charge, and thus has not recorded the assets in the balance sheet.

Changes in the group structure during the financial year

Mehiläinen ownership change was effective as of 9 August 2018. The new ultimate shareholders of the company are limited partnerships with CVC Capital Partners VII Limited acting as General Partner. In addition LähiTapiola-ryhmä, Varma, Ilmarinen and management continue as owners with higher share than before. The State Pension Fund of Finland (VER), Pension Fund of Valio and Pharmacies Pension Fund invested in Mehiläinen as new institutional investors. The new owner of Mehiläinen Oy is Mehiläinen Yhtiöt Oy. The new structure is described more detailed in the notes to the consolidated financial statements.

Group



Healthcare services

Acquiree	Acquisition date	Industry sector
L. ja A. Köpman Oy's Tohtoroi outpatien clinic business	1 March 2018	Private medical services, Rovaniemi
VITA Lääkäriasema Oy, 100 % of the shares	31 May 2018	Private medical services and occupational healthcare services, Helsinki
Vakka-Suomen Lääkärikeskus Oy, 100 % of the shares	15 June 2018	Private medical services and occupational healthcare services, Uusikaupunki
Porvoon Lääkärikeskus Group, 100 % of the shares (consists of Porvoon Lääkärikeskus Oy and Kiinteistö Oy Porvoon Lääkäritalo from which the first mentioned owns 67%)	6 July 2018	Private medical services and occupational healthcare services, Porvoo
Porvoon Röntgen Oy, 100 % of the shares	6 July 2018	Medical imaging services, Porvoo
Koillismaan Terveys Oy, 100 % of the shares	1 August 2018	Private medical services and occupational healthcare services, Kuusamo
Oy Medicum Services Ab, 100 % of the shares	24 August 2018	Personal assistance and home based services, Uusimaa, Pirkanmaa, Jyväskylä and Päijät-Häme
Kouvolan Meditiimi Oy's business	17 September 2018	Private medical services, Kouvola
HKScan Finland Oy's occupational healthcare services business	1 November 2018	Occupational healthcare services, Forssa, Rauma and Vantaa
Jokilinna Oy's business	1 December 2018	Work coaching services, Helsinki, Joensuu, Jyväskylä, Kokkola, Kuopio, Lappeenranta, Oulu, Tampere, Turku and Vaasa

Dental care

Acquiree	Acquisition date	Industry sector
Amfident Oy's business	1 January 2018	Dental care services, Espoo
Pantomo Oy's business	1 January 2018	Dental imaging business, Helsinki
Keskus-Tapiolan Hammaslääkäri Päivi Pyykkönen's business	16 April 2018	Dental care services, Espoo
HammasMarket Oy's business	1 August 2018	Dental care services, Helsinki
Stoma Klinikat Oy, 100 % of the shares	1 September 2018	Dental care services, Helsinki

Care services

Acquiree	Acquisition date	Industry sector
Recare Oy, 100 % of the shares	18 January 2018	Residential care services for the disabled, Kankaanpää and Merikarvia
Palvelukoti Eloranta Oy, 100 % of the shares	31 January 2018	Residential care services for the disabled, Pielavesi
Invalidiliiton Asumispalvelut Oy's business	1 February 2018	Residential care services for the elderly, Hämeenlinna, Kuopio and Vantaa
Oulun Palvelukoti Oy, 100 % of the shares	29 March 2018	Mental rehabilitation services, Oulu
Kuntoutumiskoti Meininki Oy, 100 % of the shares	12 April 2018	Mental rehabilitation services, Joutseno
JP-Työpaja Oy, 100 % of the shares	12 April 2018	Mental rehabilitation and rehabilitation services for the disabled, Joutseno
Palvelukoti Huvikumpu Group, 100 % of the shares (consists of Palvelukoti Huvikumpu Oy and Kuivannon Kotosa Oy)	8 June 2018	Mental rehabilitation services, Loppi and Orimattila
Pihlajakoti Oy, 100 % of the shares	11 June 2018	Mental rehabilitation services, Espoo and Kirkkonummi
Kaunummen Koti Oy, 100 % of the shares	14 June 2018	Residential care services for the disabled, Eurajoki
Enonkosken Hoiva Oy, 100 % of the shares	1 September 2018	Mental rehabilitation and residential care services for the disabled, Enonkoski
Perhekoti Jääskeläinen Oy, 100 % of the shares	28 September 2018	Mental rehabilitation and residential care services for the disabled, Hämeenlinna
Kalasataman Asumispalvelut Oy, 100 % of the shares	1 October 2018	Residential care services for the elderly, Helsinki
Onnikoti Oy's business	1 December 2018	Residential care services for the disabled, Jämijärvi
Hoitokoti Poppeli Oy, 100 % of the shares	1 December 2018	Residential care services for the disabled, Suonenjoki

Child welfare services

Acquiree	Acquisition date	Industry sector
Pienryhmäkoti Venla Oy's business	1 March 2018	Child welfare services, Hollola
Huoltsikka Oy, 100 % of the shares	22 March 2018	Child welfare services, Hämeenlinna, Jyväskylä, Kouvola and Mikkeli
Fosigma Holding Group, 100 % of the shares (consists of Fosigma Holding Oy and Jatkopolut Oy)	9 April 2018	Child welfare services, Kuopio and Varkaus
Pienryhmäkoti Havumäki Oy, 100 % of the shares	2 May 2018	Child welfare services, Tuusula and Hyvinkää
Tahtokodit Group, 100 % of the shares (consists of Tahtokodit Oy, Simikaaren Perhekoti Oy, Sosiaalipalvelut Jussila Oy, Sosiaalipalvelut Leenala Oy and Sosiaalipalvelut Tahtoranta Oy)	3 September 2018	Child welfare services, Alavieska, Haapajärvi, Isokyrö, Oulu and Ylivieska

During the financial year 2018 Mehiläinen sold the following business operations:

Care services

Sold unit	Date of sale	Industry sector
Mainiokoti Purola's business	1 February 2018	Residential care services for the elderly, Kemi
Home-based care services business in Jyväskylä region	1 February 2018	Home-based care services, Jyväskylä

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

Company	Merged / dissolved	Merger / dissolving date
SAP-Care Oy	Merged into Mehiläinen Hoivapalvelut Oy	31 January 2018
MilaPro Oy	Merged into Familar Oy	28 February 2018
Väestöliiton klinikat Oy	Dissolved	20 March 2018
Joutsan Kartanokoti Oy	Merged into Mehiläinen Oy	31 March 2018
Kouvolan Lääkärikeskus Oy	Merged into Mehiläinen Oy	31 March 2018
Elämäntalo Oy	Merged into Mehiläinen Hoivapalvelut Oy	30 April 2018
Hoivakoti Atzalea Oy	Merged into Mehiläinen Hoivapalvelut Oy	30 April 2018
Hämeen Tukikoti Oy	Merged into Mehiläinen Hoivapalvelut Oy	9 July 2018
Palmukoti Oy	Merged into Familar Oy	30 September 2018
Fosigma Holding Oy	Merged into Familar Oy	31 October 2018
VITA Lääkäriasema Oy	Merged into Mehiläinen Oy	30 November 2018

Administration

BOARD OF DIRECTORS, ANNUAL GENERAL MEETING, AND AUDITORS

The Annual General Meeting was held in Helsinki, on 12 June 2018. The meeting approved the financial statement and discharged the responsible parties from liability for the financial period 1 January – 31 December 2017.

The members of the Board of Directors of Mehiläinen Oy were, up to 9 August 2018, Mikael Aro (Chairman), Anders Borg, Eveliina Huurre, Young Kim, Petri Parvinen, Jan Pomoell, Arja Talma and Hans Årstad. With this 62.5% of the members of the Board were male and 37.5% female. As part of the ownership change external board of Mehiläinen was selected on Mehiläinen Konserni Oy level 9 August 2018 onwards. From this on Mehiläinen Oy board members were Janne-Olli Järvenpää (chairman), Sami Koski and Herkko Soininen.

The Board of Directors has appointed three committees: the Audit Committee, the Remuneration Committee and the Contracts Committee. After the ownership change on 9 August 2018, these committees are operating on Mehiläinen Konserni Oy level. The members of the Audit Committee between 1 January – 9 August 2018 were Arja Talma (chairman), Hans Arstad and Young Kim. The members of the Remuneration Committee were Mikael Aro (chairman), Anders Borg and Jan Pomoell. The members of the Contracts Committee were Eveliina Huurre (chairman), Hans Årstad and Jan Pomoell.

As decided by the General Meeting on 8 June 2017 and 12 June 2018, the remuneration to the members of the Board of Directors between 1 January – 9 August 2018 in relation to days 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. Board fees were not paid to board members employed by the Mehiläinen Group.

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

Mehiläinen expects all employees and partners to follow the Code of Conduct and other policies. Purposes of these policies is to guide all employees and private practitioners operating to face each other and customers as professionals according to high quality standards. The most important policies are 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 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, standardized 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, analyzing 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 audit 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. Survey was conducted in 125 units all over the Finland. In 2018 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 88. Total 141 353 responses were given at Mehiläinen outpatient clinics, 4 887 in the hospitals and 19 726 at Hammas Mehiläinen dental care clinics.

The satisfaction of the decision-maker customers at Mehiläinen's working life 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 2018 a total of 1 894 replies were collected using these methods.

Customers are involved in developing Mehiläinen's operations and services via the Asiakasraati customer online panel. Total 8 583 customers took part in the panel during 2018, and 47 009 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 organization. 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 organization'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 kind 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.

Effectiveness

Mehiläinen invests in quality and effectiveness of treatment with the principle of continuous improvement. All employees in Mehiläinen are involved in quality work. Our customers are also actively involved in the quality development through feedback systems and customer loyalty.

Digitalization and data utilization also improve effectiveness and quality to health services. The benefits of digitalization are undeniable – as an example Mehiläinen's new quality monitoring tools that utilize data from over 1.8 million annual medical visits to reduce the use of antibiotics. Our target is to ensure that patient work is done consistently. The other quality indicators of clinical work that were followed in Mehiläinen in 2018 are responsible X-ray imaging and responsible CNS medicines prescribing. Regarding the effectiveness of treatment, the balance of treatment for diabetes and cardiovascular disease is monitored. From a prevention point of view, the practices of structured recording in the patient information system is systematically followed, among others smoking and weight index.

In Mehiläinen, research and development focused on developing digitalization of health services. The focus was on developing digital channels such as OmaMehiläinen service, Mehidoc service for doctors, online booking, web pages and digital services for corporate customers. The purpose is to create added value for the users, improve customer experience, enhance service processes, and improve the safety and effectiveness of health services. One of the most important digital services developed by the company is the Wellbeing Radar, an algorithm for predicting the risk of disability, which makes it possible to intervene earlier in occupational health services based on early warning signals.

A comprehensive training trail was developed as a tool for absenteeism, from which Mehiläinen coaches can activate coaching programs in OmaMehiläinen related to lifestyle and life management to the people identified by the Wellbeing Radar. In support of coaching programs, individuals can communicate with their Mehiläinen coach about their progress. Mehiläinen's investments in R&D amounted to EUR 3.8 (1.9) 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 unauthorized use and altering of data and information systems and to minimize 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 European Union General Data Protection Regulation (GDPR) is effective in all EU countries as of 25 May 2018 and in principle, applied in all processing of personal data. During 2018 Mehiläinen has continued preparation work in order to fulfil requirements set by the regulation. Project was completed during the first half in 2018. Chief Medical Officer 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 working life 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 440 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. As an example Mehiläinen launched group level executive training program which will continue in 2019.

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 7 510 (5 888) and the parent company an average of 2 406 (2 094) 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 8 637 (6 393). Additionally, there were 3 296 private practitioners operating in Mehiläinen Group's units during the financial year. The increase in the number of Group's personnel is mainly due to acquisitions. The Group employs a total of 18 809 employees and private practitioners, including part-time employees.

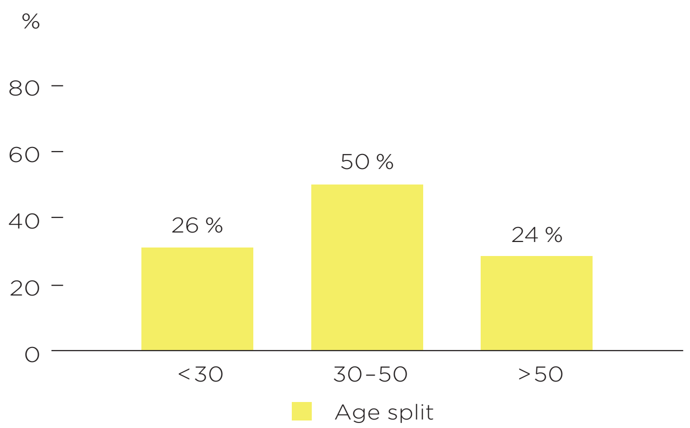
Due to investments and organic growth Mehiläinen estimates to recruit approximately 1 000 new healthcare and social care services professionals during the year 2019. This way Mehiläinen will on its part contribute to the positive development of the employment situation in different parts of Finland.

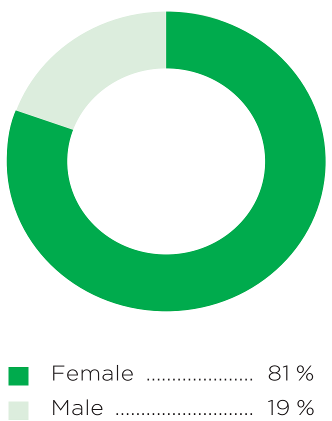
Group's employee benefit expenses for 2017 totalled EUR 399.4 (319.1) million.

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.

Age and gender split in the Group in 2018





Safety at work

	2018	2017
Total number of occupational accidents	574	476
Number of critical occupation accidents	0	0
Compensated absence days from occupational accidents	2 774	2 728
Compensated absence days from occupational accidents/ work days %	0.16	0.18

The amount of accidents ended up to same level as previous year despite of the head count increase. None of the accidents occurred were critical, as they resulted in for example superficial wounds and strains.

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 prioritize 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 further strengthened 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. 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 amortization of intangible assets arisen from acquisitions) to improve during the year 2019.

Events after the reporting period

Mehiläinen acquired Hoivakoti Kultarusko Oy, a provider of residential care services for the elderly On 1 February 2019.

Mehiläinen acquired Lääkärikeskus Wiljami's occupational healthcare business operations on 15 February 2019.

Mehiläinen sold its shares in Orton Oy on 25 February 2019.

Mehiläinen has signed an agreement to acquire Alkdent Oy's dental care business on 25 February 2019. The transaction is planned to be closed on 1 May 2019.

Mehiläinen sold its shares in Kiinteistö Oy Porvoon Lääkäritalo on 28 February 2019.

Mehiläinen acquired Tuusulan Kerttuli Oy, a provider for residential care services for mental health rehabilitation, eldery and disabled on 1 March 2019.

Mehiläinen acquired Pienkoti Akseliina residental services for eldery business operations on 1 March 2019.

Mehiläinen acquired the business operations of dental care services providers Hammashoito Timo Kaitemo Oy and Rajatorpan Hammaslääkäriasema Oy on 25 March 2019.

The Group structure was simplified by merging Porvoon Lääkärikeskus Oy and Porvoon Röntgen Oy into their parent company Mehiläinen Oy on 1 January 2019, Pihlajakoti Oy into its parent company Mehiläinen Hoivapalvelut Oy on 28 February 2019 and Stoma Klinikat Oy into its parent company Mehiläinen Oy on 28 February 2019.

Mehiläinen has signed an agreement to acquire Lääkärikeskus Tuma Oy on 28 March 2019. The transaction will be closed on 1 April 2019.

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 2018 the distributable equity in the Group's parent company totaled EUR 57.9 (49.9) million.

Consolidated Statement of Income

EUR 1 000	Note	For the year ended 31 December 2018	2017
Revenue	4	915 922	755 544
Other operating income	4	3 518	2 939
Materials and services	5	-261 712	-215 404
Employee benefit expenses	6	-399 391	-319 075
Depreciation, amortisation and impairment losses	10, 12	-28 935	-25 514
Other operating expenses	7	-161 008	-139 037
Total expenses		**-851 046**	**-699 030**
Share of results in associated companies	13	-30	-14
Operating profit		**68 364**	**59 440**
Finance income		3 412	851
Finance expenses		-24 760	-15 142
Total finance income and expenses	8	**-21 348**	**-14 291**
Profit before tax		**47 016**	**45 148**
Current taxes		-9 117	-7 677
Adjustments to taxes for previous periods		-9 285	200
Deferred tax		-1 312	-265
Income taxes	9	**-19 713**	**-7 742**
Profit for the year		**27 304**	**37 406**
Profit for the year attributable to			
Owners of the parent company		27 044	37 406
Non-controlling interests		260	

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 2018	2017
Profit for the year		**27 304**	**37 406**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Financial assets valued at fair value through other comprehensive income		11	
Cash flow hedging		-1 153	
Related tax		228	
Transferred to statement of income			-44
Other comprehensive income, net of tax		**-914**	**-44**
Total comprehensive income		**26 390**	**37 362**
Total comprehensive income attributable to			
Owners of the parent company		26 130	37 362
Non-controlling interests		260	

The notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

EUR 1 000	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Goodwill	10, 11	429 150	358 806
Other intangible assets	10	18 470	13 760
Property, plant and equipment	12	97 200	72 022
Investments in associated companies	13	244	306
Receivables	17	4 031	3 717
Other financial assets	17	448	756
Deferred tax assets	9	4 966	5 467
Total non-current assets		**554 508**	**454 834**
Current assets			
Inventories	14	5 040	4 353
Trade and other receivables	15	86 958	83 148
Current tax assets		2 571	2 097
Cash and cash equivalents	16	20 689	31 964
Total current assets		**115 258**	**121 562**
Total assets		**669 766**	**576 396**

The notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

EUR 1 000	Note	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital		1 500	1 500
Share premium reserve		25 281	25 281
Invested unrestricted equity reserve		126 375	126 375
Fair value reserve		9	
Hedging reserve		-923	
Retained earnings		-20 562	-47 606
Total equity attributable to owners of the parent company	18	**131 681**	**105 551**
Non-controlling interests		298	
Total equity		**131 979**	**105 551**
Non-current liabilities			
Interest-bearing liabilities	17	385 277	344 240
Other non-current liabilities	17	3 438	1 051
Provisions	22	1 870	2 127
Deferred tax liabilities	9	5 411	3 127
Total non-current liabilities		**395 996**	**350 545**
Current liabilities			
Interest-bearing liabilities	17	2 751	9 323
Trade and other payables	19	134 162	106 996
Current tax liabilities		1 681	2 002
Provisions	22	3 197	1 979
Total current liabilities		**141 791**	**120 301**
Total liabilities		**537 787**	**470 845**
Total equity and liabilities		**669 766**	**576 396**

The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

EUR 1 000	Note	Equity attributable to owners of the parent company: Share capital	Share premium reserve	Invested unrestricted equity reserve	Fair value reserve	Hedging reserve	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Equity 1 January 2017	18	**1 500**	**25 281**	**126 375**	**44**		**-84 833**	**68 369**		**68 369**
Comprehensive income										
Profit for the year							37 406	37 406		37 406
Other comprehensive income, net of tax										
Available-for-sale financial assets					-44			-44		-44
Total comprehensive income for the period					-44		37 406	37 362		37 362
Other movements										
Other adjustments							-179	-179		-179
Equity 31 December 2017		**1 500**	**25 281**	**126 375**			**-47 606**	**105 551**		**105 551**
Equity 1 January 2018	18	**1 500**	**25 281**	**126 375**			**-47 606**	**105 551**		**105 551**
Comprehensive income										
Profit for the year							27 044	27 044	260	27 304
Other comprehensive income, net of tax										
Financial assets valued at fair value through other comprehensive income					9			9		9
Cash flow hedging						-923		-923		-923
Total comprehensive income for the period					9	-923	27 044	26 130	260	26 390
Change in ownership interests										
Share issue (no change in control)									38	38
Equity 31 December 2018		**1 500**	**25 281**	**126 375**	**9**	**-923**	**-20 561**	**131 682**	**298**	**131 979**

The notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

EUR 1 000	Note	For the year ended 31 December 2018	2017
Cash flow from operating activities			
Profit for the year		27 304	37 406
Adjustments			
Depreciation, amortisation and impairment losses	10, 12	28 935	25 514
Dividends for business operations [1]		6 890	5 391
Change in impairment losses on trade receivables	15	877	692
Change in provisions		961	-1 133
Share of results in associated companies		41	48
Gains and losses on disposal of non-current assets		-199	-279
Unrealised exchange gains and losses		317	
Other non-cash transactions		-486	-267
Finance income and expenses		21 031	14 291
Taxes		19 713	7 742
Changes in working capital			
Change in trade and other receivables		-124	-11 312
Change in inventories		-579	-476
Change in trade and other payables		12 767	10 147
Dividends paid for business operations [1]		-5 851	-4 672
Dividends received from business operations		60	
Interest and other finance income received		250	153
Taxes paid [2]		-24 576	-7 314
Net cash flow from operating activities		**87 330**	**75 930**
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		-81 908	-65 470
Investments in property, plant and equipment and intangible assets		-34 631	-20 594
Investments in associated companies		21	-166
Investments in other financial assets		15	
Sale of subsidiaries, net of cash disposed of			-24
Granted loan receivables		-40	-359
Repayment of loan receivables		1 398	541
Sale of other financial assets		3 336	222
Disposal of property, plant and equipment and intangible assets		385	593
Net cash flow from investing activities		**-111 426**	**-85 257**
Cash flow from financing activities			
Escrow accounts (acquisition of subsidiaries and businesses)		53	710
Payments into invested unrestricted equity reserve		38	
Proceeds from loans	17	45 764	30 000
Repayment of loans	17	-8 712	-14 452
Interest expenses paid [3]		-14 293	-13 422
Other financial expenses paid [3]		-10 028	-1 173
Net cash flow from financing activities		**12 821**	**1 663**
Change in cash and cash equivalents		-11 274	-7 664
Cash and cash equivalents at 1 Jan.		31 964	39 627
Cash and cash equivalents at 31 Dec.	16	**20 689**	**31 964**

[1] The dividends were paid for based on the work conducted by the shareholders of OmaPartners Oy.
[2] Taxes paid include taxes, tax increases and default interests related to the dispute regarding the tax deductibility of the interest expenses allocated to Ambea Finland AB.
[3] Presentation has changed in 2018: Interest and other financial expenses paid are presented in cash flow from financial activities instead of operation activities.

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 2018	2017
Revenue	4	486 649	416 440
Other operating income	4	7 269	4 506
Materials and services	5	-205 536	-175 327
Employee benefit expenses	6	-141 588	-125 335
Depreciation, amortisation and impairment losses	10, 12	-17 787	-14 475
Other operating expenses	7	-88 012	-78 503
Total expenses		**-452 923**	**-393 640**
Operating profit		**40 996**	**27 306**
Finance income		5 241	1 762
Finance expenses		-24 142	-14 825
Total finance income and expenses	8	**-18 901**	**-13 063**
Profit before tax		**22 095**	**14 243**
Current taxes		-4 165	-2 978
Adjustments to taxes for previous periods		-9 113	151
Change in deferred tax		-982	-217
Income taxes	9	**-14 260**	**-3 044**
Profit for the year		**7 834**	**11 199**

Parent Company Statement of Comprehensive Income

EUR 1 000	Note	For the year ended 31 December 2018	2017
Profit for the year		**7 834**	**11 199**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Financial assets valued at fair value through other comprehensive income		11	
Cash flow hedging		-1 153	
Related tax		228	
Transferred to statement of income			-44
Other comprehensive income, net of tax		**-914**	**-44**
Total comprehensive income		**6 920**	**11 155**

The notes are an integral part of these financial statements.

Parent Company Statement of Financial Position

EUR 1 000	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Goodwill	10, 11	222 385	213 046
Other intangible assets	10	5 486	5 139
Property, plant and equipment	12	60 124	53 446
Investments in subsidiaries	3	196 112	171 088
Investments in associated companies	13	305	326
Receivables	17	2 113	1 519
Other financial assets	17	31 123	720
Deferred tax assets	9	817	300
Total non-current assets		**518 465**	**445 585**
Current assets			
Inventories	14	3 934	4 122
Trade and other receivables	15	73 787	65 417
Current tax assets			737
Cash and cash equivalents	16	347	20 753
Total current assets		**78 068**	**91 029**
Total assets		**596 533**	**536 614**

The notes are an integral part of these financial statements.

Parent Company Statement of Financial Position

EUR 1 000	Note	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		1 500	1 500
Share premium reserve		25 281	25 281
Invested unrestricted equity reserve		126 375	126 375
Fair value reserve		9	
Hedging reserve		-923	
Retained earnings		-68 458	-76 437
Total equity	18	**83 785**	**76 720**
Non-current liabilities			
Interest-bearing liabilities	17	401 407	342 910
Other liabilities	17	2 281	1 018
Provisions	22	652	263
Deferred tax liabilities	9	2 101	708
Total non-current liabilities		**406 440**	**344 899**
Current liabilities			
Interest-bearing liabilities [1]	17	3 328	8 009
Trade and other payables [1]	19	101 933	105 536
Current tax liabilities		191	802
Provisions	22	856	648
Total current liabilities		**106 308**	**114 995**
Total liabilities		**512 748**	**459 894**
Total equity and liabilities		**596 533**	**536 614**

[1] Presentation of interest-bearing and non-interest-bearing liabilities in 2017 has been changed to reflect the presentation in 2018.

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	Hedging reserve	Retained earnings	Total equity
Equity at 1 January 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 December 2017		**1 500**	**25 281**	**126 375**			**-76 437**	**76 720**
Equity at 1 January 2018	18	**1 500**	**25 281**	**126 375**			**-76 437**	**76 720**
Comprehensive income								
Profit for the year							7 834	7 834
Other comprehensive income, net of tax								
Financial assets valued at fair value through other comprehensive income					9			9
Cash flow hedging						-923		-923
Total comprehensive income for the period					9	-923	7 834	6 920
Other movements								
Common control transactions							144	144
Equity at 31 December 2018		**1 500**	**25 281**	**126 375**	**9**	**-923**	**-68 458**	**83 785**

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 2018	2017
Cash flow from operating activities			
Profit for the year		7 834	11 199
Adjustments			
Depreciation, amortisation and impairment losses	10, 12	17 787	14 475
Change in impairment losses on trade receivables	15	238	223
Change in provisions		596	237
Gains and losses on disposal of non-current assets		-8	-128
Other non-cash transactions		-16	-219
Finance income and expenses		18 584	13 063
Unrealised losses at fair value valuation, hedging		317	
Taxes		14 260	3 044
Changes in working capital			
Change in trade and other receivables		1 374	-1 880
Change in inventories		271	-141
Change in trade and other payables		658	-152
Interest and other finance income received		2 264	1 059
Taxes paid [1]		-18 260	-2 171
Net cash flow from operating activities		**45 900**	**38 610**
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	3	-35 520	-63 468
Investments in property, plant and equipment and intangible assets		-21 872	-15 575
Investments in associated companies	13	21	-166
Disposal of subsidiaries	3		0
Disposal of other financial assets		3 215	221
Disposal of property, plant and equipment and intangible assets		94	244
Change in interest-bearing receivables		-41 613	-2 448
Net cash flow from investing activities		**-95 675**	**-81 192**
Cash flow from financing activities			
Escrow accounts (acquisition of subsidiaries and businesses)		53	710
Proceeds from loans	17	15 000	30 000
Repayment of loans	17	-4 395	-6 527
Change in current interest-bearing liabilities	17	41 199	20 012
Interest expenses paid [2]		-14 012	-13 309
Other finance expenses paid [2]		-9 934	-1 039
Net cash flow from financing activities		**27 911**	**29 848**
Change in cash and cash equivalents		-21 864	-12 735
Cash and cash equivalents at 1 Jan.		20 753	25 933
Cash and cash equivalents transferred due to merger		1 459	7 555
Cash and cash equivalents at 31 Dec.	16	**347**	**20 753**

[1] Taxes paid include taxes, tax increases and default interests related to the dispute regarding the tax deductibility of the interest expenses allocated to Ambea Finland AB.
[2] Presentation has changed in 2018: Interest and other financial expenses paid are presented in cash flow from financial activities instead of operation activities.

The notes are an integral part of these financial statements.

Accounting principles

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 18 809 full-time and part-time employees and private practitioners.

The restructuring of the ownership of Mehiläinen has been executed on 9 August 2018. The new ultimate shareholders of the company are limited partnerships with CVC Capital Partners VII Limited acting as General Partner. LähiTapiola Group, Varma, Ilmarinen and key management employees continue as shareholders with increased holdings. New domestic institutional investors are The State Pension Fund of Finland (Valtion Eläkerahasto, VER), Pharmacies Pension Fund (Apteekkien Eläkekassa) and Valio Pension Fund.

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 Yhtiöt Oy whose parent company is Mehiläinen Yhtiöt Oy domiciled in Helsinki, Finland. Mehiläinen Yhtiöt Oy, in turn, is a member of a parent Group by the name of Mehiläinen Yhtymä Oy whose parent company is Mehiläinen Yhtymä Oy domiciled in Helsinki, Finland. Mehiläinen Yhtymä Oy is a member of parent Group by the name of Mehiläinen Konserni Oy whose parent company is Mehiläinen Konserni Oy domiciled in Helsinki, Finland. Mehiläinen Konserni Oy's parent company is Finnish Healthcare Services S.à r.l. 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 Oy Group and Mehiläinen Konserni Oy Group are available at Pohjoinen Hesperiankatu 17, 00260 Helsinki, Finland.

The former parent company of Mehiläinen Oy, Mehiläinen Holding AB, has merged with Mehiläinen Yhtiöt Oy on 31 December 2018 in accordance with the merger plan.

These financial statements were adopted by the Board of Directors of Mehiläinen Oy at a meeting held on 29 March 2019. 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 2018. 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 subsection 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.

The presentation of the cash flow statement has been changed for 2018, interest paid and other financial expenses have been transferred from the cash flow from operating activities to the cash flow from financing activities. Comparative data and key figures have been adjusted respectively.

IFRS 15 Revenue from contracts with customers standard has been early adopted in the financial statements of 2017.

As of the beginning of 2018, the Group adopted the following amendment made to the standards:

- IFRS 9 Financial Instruments and amendments thereto. The implementation of the standard has changed the Group's and parent company's principles for the classification and valuation of financial assets presented in the subsection Financial Assets, in the Accounting principles. The classification and valuation of financial liabilities have not changed. The classification of financial assets and liabilities is derived from the businessmodel applied to them by the company. The implementation of the standard has not affected the equity of the Group or the parent company.

For calculating the expected credit losses, the Group and the parent company apply the practical expedient allowed by IFRS 9. The estimated amount of credit losses is based on a provision matrix by which a probability-weighted estimate for credit losses for their expected lifetime is calculated. The provision matrix takes into account the customer-type based risks, the trade receivables' amounts and maturity dates, the time periods since the maturity dates and also realised credit losses on previous accounting periods and expectations on financial circumstances. The credit loss risks and impairment recognitions on loan receivables are estimated by the credit losses expected for the next 12 months, or by the credit losses expected over the term, in case the credit risk connected to the claim has increased.

Mehiläinen Group has renewed its financial arrangement in connection with the acquisition of parent Group in 2018. The financial arrangement includes interest rate hedging which is applied by the hedge accounting criteria of IFRS 9. By the criteria, the hedge accounting is supposed to be consistent with the objectives of the risk management and the company must be able to f.i. show the economic reliance relationship between the object of the hedging and the hedging instrument.

Financial asses and liabilities	IAS 39 classification	IFRS 9 classification
Listed shares	Available for sale	Fair value through other comprehensive income
Unlisted shares	Available for sale	Fair value through profit and loss
Capital loan receivable	Fair value through profit and loss	Fair value through profit and loss
Interest bearing assets	Loans and other receivables	Amortised cost
Trade and other receivables	Loans and other receivables	Amortised cost
Cash and cash equivalents	Loans and other receivables	Amortised cost
Contingent considerations (acquisition related)	Loans and other payables	Fair value through profit and loss
Interest bearing liabilities	Loans and other payables	Amortised cost
Trade and other payables	Loans and other payables	Amortised cost
Derivatives (hedge accounting)	Fair value through other comprehensive income	Fair value through other comprehensive income
Derivatives (not designated as hedges)	Fair value through profit and loss	Fair value through profit and loss

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 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.

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 the acquisition.

The Group's share of the profits earned or losses incurred by associates is presented separately in the statement of income above 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 the 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 as 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 for 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 is presented in the note of Financial assets and liabilities.

- 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 therefore 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 on, for example, 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 the usage. 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.

Related to the outsourcing contracts, the grantor can allow Mehiläinen the use of their goods or services in order to further the service production. In the case of such, Mehiläinen will review the possible control over the goods or services and if Mehiläinen gains the control over the goods or services are they treated as compensation other than monetary received from the grantor.

As part of outsourcing agreements, Mehiläinen Group may obtain, free of charge, the public infrastructure or part of it operating in the outsourcing service. The infrastructure may comprise, for example, buildings, machinery, equipment and equipment. IFRIC 12 Service Concession Arrangements is applied to the recognition of outsourcing contracts if the outsourcing party decides on the scope and pricing of the services provided by Mehiläinen, and Mehiläinen will return the infrastructure free of charge at the end of the outsourcing agreement. In this case, Mehiläinen is not considered to have control over goods received free of charge by the public.

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 2018 and 2017. 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 and net interest expenses. 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 2–10 years, trademarks in 3–5 years and other intangible assets usually in 5–10 years. Expenses arising from IT systems acquired as services 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.

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 assets recognised at cost less accumulated amortisation and assets recognised at fair value through profit or loss and other comprehensive income.

The classification of financial assets depends on the Mehiläinen's operating model related to the controlling of financial assets and on the cash flows based on the contract on financial assets. Financial assets are classified at initial acquiring. 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 financial instrument. 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 to outside of the Group.

Financial assets recognised at fair value through other comprehensive income

Mehiläinen recognises listed shares at fair value through other comprehensive income. These listed shares are measured at fair value, and all changes in fair value are recognised through for the period in which they arise.

Financial assets recognised at fair value through profit or loss

Financial assets recognised at fair value through profit or loss include investments on equity instruments of companies outside of the Group and capital loan receivables which include embedded derivatives. These financial instruments 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. The Group's investments in unlisted companies are minor and if the fair value can't be reliably estimated will the cost be viewed as an estimate for the fair value. 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.

Financial assets measured at amortised cost

Financial assets recognised at cost less accumulated amortisation include customary trade receivables and those loan receivables with contract-based cash flows as payments of capital and interest. Trade and loan receivables are carried at amortised cost less any impairment losses. Trade receivables and loan receivables are measured at amortized cost less any impairment losses. The impairment of trade receivables is estimated based on the expected credit losses on trade receivables for the next 12 months or the expected credit losses over the term, if the credit loss risk has increased. Any impairment loss of trade receivables is recognised in the other operating expenses and any impairment loss of other financial assets is recognised in finance expenses. The transaction costs of financial assets recognised by amortised cost are included in their initial book values. Receivables are classified as long- or short-term receivables based on their maturity dates.

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 either as financial liabilities at fair value through profit or loss or as 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 are recognised at fair value through profit or loss. Changes in their fair values are recognised in the statement of income in the period in which they occur. Transaction costs related to financial liabilities at fair value through profit or loss are recognised in the statement of income when they occur. Financial liabilities recognised at fair value through profit or loss include contingent considerations arisen from acquisitions.

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.

Derivatives used for hedging and hedge accounting

Mehiläinen uses interest rate cap instrument for hedging against the interest risk related to a loan arrangement until September 2021 after which the interest rate risk is hedged with interest rate swap.

Mehiläinen applies hedge accounting and principles of general hedge accounting in accordance with IFRS 9 for the interest rate swap. By the principles, Mehiläinen needs to assure that the hedging relations are aligned with the Group's risk management objectives and that the hedge objective and the derivative used for the hedging have an economic dependency between them. When assessing the efficiency of the hedge accounting Mehiläinen needs to assess the quality factors and future prospects effecting the hedging relationship, and based on the hedging, Mehiläinen will generate efficiency calculations.

The derivatives used to hedge against the interest related cash flow risk are valued at fair value. The changes in fair values are booked through other comprehensive income to the extent the hedges are effective and are presented in equity under hedging reserve. The changes in fair values are booked as expenses in the period in which they are incurred. The changes in fair value of the derivatives not designated as hedges are booked in profit and loss statement.

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

IMPAIRMENT

Impairment of property, plant and equipment, intangible assets and subsidiary shares

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 the 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 specifics 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.

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 assetsis 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 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 of its business premises and some of its other property, plant and equipment. The leasing agreements which meet the new standard's criteria will be recognised in the statement of financial position as lease liabilities and as ROU (right-of-use) assets. Lease payments of the agreements meeting the criteria will be presented as repayments of liabilities and related interest expenses.

Mehiläinen uses the modified retrospective approach (simplified approach) for adopting the standard. In modified retrospective approach the cumulative effect of the standard adoptionis recognised in retained earnings on the transition date. Mehiläinen will apply the new lease agreement criteria for all agreements active on transition date. Mehiläinen will be using the exemptions related to the standard considering the recognition of short-term leases and leases of low-value assets.

Mehiläinen is estimated to recognise approximately EUR 420 million of ROU assets and 420 million euros of long term and EUR 50 million of short-term lease liabilities on lease agreements on the transition date. Comparative information will not be restated, and the cumulative impact of the implementation will be recognised in retained earnings of equity. The payments of leases within the standard, which used to be presented in income statements together, will in the future be recognised in the income statement as interest expense arising from the lease liability and as lease liability repayment. In addition, the ROU asset deprecations are recognised in other comprehensive income. The lease payment reduction arising from the lease agreements effective on the transition date is estimated to be approximately EUR 70 million and the increase of interest expenses is estimated to be approximately EUR 20 million in 2019. Consequently, the deprecations of ROU assets are estimated to increase the deprecation expense by EUR 50 million in other comprehensive income. The overall impact of the new standard on the profit of the Group is minor.

The lease payments related to ROU assets and lease liabilities are no longer presented in the cash flow from operating activities. The interests related to the lease liability and the ROU asset deprecations are presented in the cash flow from financing activities. Lease payments related to short-term and low-value assets, and changing lease payments that are not considered when assessing the lease liability, are continued to be presented in the cash flow from operating activities.

- 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 2018 and 2017, Mehiläinen Group has expanded rapidly due to acquisitions. The acquisitions have diversified the Group's range of services and thus strengthened the Group's market position and expanded the unit network in Finland. In 2018 no individually significant acquisitions were made and instead the amount of separate acquisitions made exceeded the amount of acquisitions made in previous years. The main acquisition was NEO Terveys Group in 2017. The accounting principles applicable to the recognition of business combinations and related management judgement are discussed in the accounting principles. Part of the acquisitions in 2018 and 2017 include contingent considerations the terms of which are discussed in connection with the business combinations below. The contingent considerations are based on the development of each company's revenue, EBITDA or number of inhabitants during the 1-3 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 its residential care services business operations in Mainiokoti Purola and its home-based care services business operations in Jyväskylä region. In 2017 Mehiläinen Group disposed of the shares of MV Partners Oy.

Acquisitions in 2018

EUR 1 000	Note	Acquisitions
Assets		
Trademarks	10	119
Customer relations	10	10 827
Other intangible assets	10	45
Property, plant and equipment	12	13 048
Investments		117
Non-current receivables		337
Deferred tax assets	9	54
Inventories		109
Trade and other receivables		6 783
Cash and cash equivalents		10 140
Total assets		**41 580**
Liabilities		
Loans		2 851
Deferred tax liabilities	9	1 758
Trade and other payables		9 160
Total liabilities		**13 770**
Net assets		**27 810**
Consideration transferred		
Cash consideration		90 747
Acquisition related liabilities		3 798
Contingent considerations		3 624
Total consideration transferred		**98 170**
Goodwill arising from the acquisitions		**70 344**
Cash flow		
Cash consideration		90 747
Cash and cash equivalents of the acquired entities		-10 140
Additional purchase prices paid related to previous years' acquisitions		1 300
Cash flow impact		**81 908**

Acquisitions

Acquisitions by Mehiläinen Oy

Acquiree	Acquisition date	Industry sector
Amfident Oy's business	1 January 2018	Dental care services, Espoo
Pantomo Oy's business	1 January 2018	Dental imaging business, Helsinki
Recare Oy, 100 % of the shares	18 January 2018	Residential care services for the disabled, Kankaanpää and Merikarvia
Palvelukoti Eloranta Oy, 100 % of the shares	31 January 2018	Residential care services for the disabled, Pielavesi
L. ja A. Köpman Oy's Tohtoroi outpatient clinic business	1 March 2018	Private medical services, Rovaniemi
Keskus-Tapiolan Hammaslääkäri Päivi Pyykkönen's business	16 April 2018	Dental care services, Espoo
VITA Lääkäriasema Oy, 100 % of the shares	31 May 2018	Private medical services and occupational healthcare services, Helsinki
Vakka-Suomen Lääkärikeskus Oy, 100 % of the shares	15 June 2018	Private medical services and occupational healthcare services, Uusikaupunki
Porvoon Lääkärikeskus Oy, 100 % of the shares	6 July 2018	Private medical services and occupational healthcare services, Porvoo
Porvoon Röntgen Oy, 100 % of the shares	6 July 2018	Medical imaging services, Porvoo
Koillismaan Terveys Oy, 100 % of the shares	1 August 2018	Private medical services and occupational healthcare services, Kuusamo
HammasMarket Oy's business	1 August 2018	Dental care services, Helsinki
Stoma Klinikat Oy, 100 % of the shares	1 September 2018	Dental care services, Helsinki
Kouvolan Meditiimi Oy's business	17 September 2018	Private medical services, Kouvola
HKScan Finland Oy's occupational healthcare services business	1 November 2018	Occupational healthcare services, Forssa, Rauma and Vantaa
Jokilinna Oy's business	1 December 2018	Work coaching services, Helsinki, Joensuu, Jyväskylä, Kokkola, Kuopio, Lappeenranta, Oulu, Tampere, Turku and Vaasa

Acquisitions by Mehiläinen Hoivapalvelut Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Invalidiliiton Asumispalvelut Oy's business	1 February 2018	Residential care services for the elderly, Hämeenlinna, Kuopio and Vantaa
Oulun Palvelukoti Oy, 100 % of the shares	29 March 2018	Mental rehabilitation services, Oulu
Kuntoutumiskoti Meininki Oy, 100 % of the shares	12 April 2018	Mental rehabilitation services, Joutseno
JP-Työpaja Oy, 100 % of the shares	12 April 2018	Mental rehabilitation and rehabilitation services for the disabled, Joutseno
Palvelukoti Huvikumpu Group, 100 % of the shares	8 June 2018	Mental rehabilitation services, Loppi and Orimattila
Pihlajakoti Oy, 100 % of the shares	11 June 2018	Mental rehabilitation services, Espoo and Kirkkonummi
Kaunummen Koti Oy, 100 % of the shares	14 June 2018	Residential care services for the disabled, Eurajoki
Enonkosken Hoiva Oy, 100 % of the shares	1 September 2018	Mental rehabilitation and residential care services for the disabled, Enonkoski
Perhekoti Jääskeläinen Oy, 100 % of the shares	28 September 2018	Mental rehabilitation and residential care services for the disabled, Hämeenlinna
Kalasataman Asumispalvelut Oy, 100 % of the shares	1 October 2018	Residential care services for the elderly, Helsinki
Onnikoti Oy's business	1 December 2018	Residential care services for the disabled, Jämijärvi
Hoitokoti Poppeli Oy, 100 % of the shares	1 December 2018	Residential care services for the disabled, Suonenjoki

Acquisitions by Familar Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Pienryhmäkoti Venla Oy's business	1 March 2018	Child welfare services, Hollola
Huoltsikka Oy, 100% of the shares	22 March 2018	Child welfare services, Hämeenlinna, Jyväskylä, Kouvola and Mikkeli
Fosigma Holding Group, 100% of the shares	9 April 2018	Child welfare services, Kuopio and Varkaus
Pienryhmäkoti Havumäki Oy, 100% of the shares	2 May 2018	Child welfare services, Tuusula and Hyvinkää
Tahtokodit Group, 100% of the shares	3 September 2018	Child welfare services, Alavieska, Haapajärvi, Isokyrö, Oulu and Ylivieska

Acquisitions by Kotipalvelu Mehiläinen Oy, a member of the Mehiläinen Group

Acquiree	Acquisition date	Industry sector
Oy Medicum Services Ab, 100 % of the shares	24 August 2018	Personal assistance and home based services, Uusimaa, Pirkanmaa, Jyväskylä and Päijät-Häme.

The total consideration paid for subsidiary and business acquisitions was EUR 90.7 million. The amount of tax-deductible goodwill related to business acquisitions was EUR 6.4 million of the goodwill arising from all the acquisitions. Contingent considerations recognised for the acquistions amounted to EUR 3.6 million in total. The contingent considerations concerned the acquisitions of the business operations of L. ja A. Köpman Oy's Tohtoroi outpatient clinic, Jokilinna Oy's work coaching business operations, Amfident Oy's Espoonlahden Hammaslääkäriasema business operations, Stoma Klinikat Oy, Pihlajakoti Oy, child welfare service provider Pienryhmäkoti Venla Oy's business operations and Oy Medicum Services Ab. The contingent considerations are based on the development of the revenue, EBITDA and resident amount in care homes of the relevant businesses during the 1-3 years following the acquisition date. If all the contingent considerations that have no yet been paid on the reporting date, were to be realized at the maximum amount stated in the purchase agreement, the amount of contingent consideration liabilities would be EUR 6.3 million. The asset transfer tax and advisor fees arising from subsidiary and business acquisitions, a total of EUR 3.7 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 effect of the acquisitions on the Group's revenue for the reporting period was EUR 40.2 million and on the profit EUR 4.8 million.

Mehiläinen Group's revenue in 2018 would have been EUR 950.0 million and profit EUR 29.6 million if the subsidiaries and businesses had been consolidated from the beginning of the 2018 reporting period.

Escrow Accounts

Regarding the acquisitions in 2018 the Group has not made payments to escrow accounts. Regarding the acquisitions in 2017 the Group paid EUR 1.3 million to escrow accounts and a contingent consideration corresponding the escrow accounts was recognised. The escrow accounts were released in 2018 and EUR 0.1 million was returned.

Changes in previous year's acquisitions

Resulting from the change in fair value of contingent consideration payments, the Group recognised EUR 0.7 million as income in the statement of income.

Acquistions and disposal of subsidiaries and businesses after the reporting period

Events after the reporting period are presented in note 27.

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

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

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, forster 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.

4. Income

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Revenue				
Healthcare services	610 722	502 110	452 636	386 116
Social care services	305 201	253 434	34 013	30 324
Total	**915 922**	**755 544**	**486 649**	**416 440**

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Revenue				
Corporate customers	262 542	208 368	242 896	195 826
Private customers	234 886	214 426	187 172	174 977
Public customers	418 495	332 751	56 581	45 636
Total	**915 922**	**755 544**	**486 649**	**416 440**

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.

Performance obligations related to Mehiläinen turnover in health care services are mainly related to customer visits by the above mentioned customers and related services. In outsourcing agreements, performance obligations relates to the delivery of contractual obligations. In social care services, performance obligations are related to housing services provided to elderly, disabled and mental health rehabilitators, institutional and out-patient services for child care, separately charged services from individuals, and home services including home care services, meals and security telephone services, and merchant service.

Transaction prices are based on individual customer visits according to the price list and on time-based contracts based on contracts. Performance obligations are mainly realized at a specific moment (eg customer visits, additional services) or over the time (eg housing services, outsourcing agreements).

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Other operating income				
Rental income	1 112	761	599	274
Gains on sale of property, plant and equipment and investments	249	401	9	150
Government grants [1]	95	111	95	111
Management fee			5 775	2 994
Other income	2 062	1 666	791	977
Total	**3 518**	**2 939**	**7 269**	**4 506**

[1] Government grants include Business Finland (former 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.

5. Materials and services

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Raw materials and consumables				
Purchases during the period	39 457	27 022	24 746	20 770
Change in inventories	-576	-476	281	-146
Private practitioners' services	168 159	145 404	162 845	139 508
Other external services	54 671	43 454	17 664	15 195
Total	**261 712**	**215 404**	**205 536**	**175 327**

6. Employee benefit expenses

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Wages and salaries	330 814	262 416	117 059	102 954
Pension expenses, defined contribution plans	57 319	45 078	20 100	17 434
Other social security expenses	11 257	11 580	4 429	4 948
Total	**399 391**	**319 075**	**141 588**	**125 335**

	Group		Parent company	
	2018	2017	2018	2017
Number of personnel at the end of the period	8 637	6 393	2 563	2 317
Average number of personnel	7 310	5 888	2 406	2 094

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 Omapartners Oy 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	2018	2017	2018	2017
Lease expenses	82 086	69 114	38 951	34 444
Premises expenses	19 837	16 669	8 945	7 387
Telephone and telecommunication expenses	16 901	13 047	13 011	10 328
Marketing and communication costs	7 351	6 123	6 464	5 550
Machinery and equipment servicing and operating costs	7 014	5 839	4 280	3 758
Consultant and professional fees	5 664	7 976	4 416	7 071
Other costs	22 156	20 269	11 944	9 965
Total	**161 008**	**139 037**	**88 012**	**78 503**

Auditor's fees

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Ernst & Young Oy				
Audit fees	452	382	141	131
Tax advisory	342	210	309	260
Other fees	817	726	811	601
Total	**1 611**	**1 318**	**1 260**	**993**
Other audit firms				
Audit fees		37		
Tax advisory	53	95	50	95
Other fees	331	599	311	502
Total	**384**	**732**	**361**	**598**

8. Finance income and expenses

Finance income

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Dividend income	60	9	271	53
Changes in fair value of financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges		550		550
Interest and other finance income on financial assets at amortised cost				
Interest income from others	269	247	168	143
Interest income from Parent company	26		26	
Interest income from Group companies			1 879	973
Other finance income	1	1	1	0
Gain from sale of financial assets at fair value through profit or loss				
Gain from sale of financial assets at fair value through other comprehensive income	3 056		2 896	
Gain from sale of financial assets at fair value through other comprehensive income				
Gain from sale of financial assets at fair value through comprehensive income		43		43
Total finance income	**3 412**	**851**	**5 241**	**1 762**

Finance expenses

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Interest and other finance expenses on financial liabilities at amortised cost				
Interest expenses on loans from financial institutions	17 836	14 149	17 575	14 036
Other interest expenses [1]	4 973		4 973	
Other finance expenses	1 144	993	786	788
Interest expenses to Parent company	362		363	
Other finance expenses to Parent company	49		49	
Interest expenses and changes in fair value of financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges - realised expense	79		79	
Unrealised losses at fair value valuation - change in fair value	317		317	
Total finance expenses	**24 760**	**15 142**	**24 142**	**14 825**
Total finance income and expenses	**-21 348**	**-14 291**	**-18 901**	**-13 063**

[1] 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 ongoing dispute and rejection of Mehiläinen's appeal by the Administrative Court is described in more detail in note 9. The interests related to the disputed case paid in 2018 are presented under other interest expenses.

9. Income taxes

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Statement of income				
Current taxes	9 117	7 677	4 165	2 978
Adjustments to taxes for previous periods	9 285	-200	9 113	-151
Deferred taxes	1 312	265	982	217
Total	**19 713**	**7 742**	**14 260**	**3 044**
Statement of comprehensive income				
Income taxes related to other comprehensive income items	-228		-228	
Total	**-228**		**-228**	

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

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Profit before tax	**47 016**	**45 148**	**22 095**	**14 243**
Tax at the tax rate of the parent company 20%	-9 403	-9 030	-4 419	-2 849
Effect of non-deductible expenses	-1 447	-257	-819	-240
Effect of non-taxable income	98	291	69	61
Share of results in associated companies	-24	-3		
Change in previously unrecognised deferred tax assets		1 130		
Other tax-deductible costs	139	29	36	-215
Taxes from previous periods	-9 285	200	-9 113	151
Deferred taxes not previously recognised				89
Other adjustments	209	-103	-14	-41
Income taxes in the statement of income	**-19 713**	**-7 742**	**-14 260**	**-3 044**

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 32.0 million of interest expenses during tax years 2006–2012. 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. The court rejected the the appeal in June 2018. After this Mehiläinen Oy paid all taxes including tax increases and interest and reported these expenses in its 2018 profit and loss statement. The paid amount, before the acquisition of 9 August 2018, was in total EUR 13.8 million, of which the share of the tax and tax increases was EUR 8.8 million and rest was interests. An appeal has been submitted to Supreme Administrative Court in relation to the decisions. At the time the financial statements have been finalized, the decision is still pending from the court.

Deferred tax assets and liabilities

	Group					
	2018			2017		
EUR 1 000	**Deferred tax assets**	**Deferred tax liabilities**	**Net amount**	**Deferred tax assets**	**Deferred tax liabilities**	**Net amount**
Intangible assets		2 581	-2 581		1 898	-1 898
Fair value measurement	124	51	73	77	54	23
Finance lease liabilities		0	0		8	-8
Provisions	1 017		1 017	826		826
Tax losses	131		131	1 602		1 602
Non-deductible net interest expense	1 745		1 745	1 842		1 842
Fair value of hedging	231		231			
Accrual differences of financial expenses		1 826	-1 826			
Other items	1 719	953	766	1 121	1 167	-46
Total	**4 966**	**5 411**	**-445**	**5 467**	**3 127**	**2 340**

Changes in deferred tax assets and liabilities during the financial year

EUR 1 000	**1 Jan. 2018**	**Business combinations**	**Recognised in the statement of income**	**Recognised in the statement of comprehensive income**	**31 Dec. 2018**
Intangible assets	-1 898	-1 758	1 075		-2 581
Fair value measurement	23	54	-4		73
Finance lease liabilities	-8		8		0
Provisions	826		191		1 017
Tax losses	1 602		-1 471		131
Non-deductible net interest expense	1 842		-97		1 745
Fair value of hedging				228	228
Accrual differences of financial expenses			-1 826		-1 826
Other items	-46		812		766
Total	**2 340**	**-1 704**	**515**	**228**	**-445**

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	-54	86		23
Finance lease liabilities	-8		0		-8
Provisions	1 038		-212		826
Tax losses	3 718	-194	-1 922		1 602
Non-deductible net interest expense			1 842		1 842
Other items	1 046	-291	-801		-46
Total	**2 992**	**-385**	**-265**		**2 340**

As at 31 December 2018, the Group has EUR 0.7 (8.0) million tax losses available for use for which deferred tax assets have been recognised. Losses will expire in 2021-2023.

Due to acquisitions, tax losses of EUR 0.8 million were transferred to the Group where no deferred tax assets were recognised. In 2017 EUR 0.2 million of assets were recognised of the transferred tax losses.

Deferred tax assets and liabilities

Parent company

EUR 1 000	2018 Deferred tax assets	2018 Deferred tax liabilities	2018 Net amount	2017 Deferred tax assets	2017 Deferred tax liabilities	2017 Net amount
Intangible assets		268	-268		276	-276
Fair value measurement		2	-2			
Provisions	302		302	182		182
Fair value of hedging	231		231			
Accrual differences of financial expenses		1 826	-1 826			
Other items	285	5	280	118	432	-315
Total	**817**	**2 101**	**-1 284**	**300**	**708**	**-408**

Changes in deferred tax assets and liabilities during the financial year

EUR 1 000	1 Jan. 2018	Business combinations	Recognised in the statement of income	Recognised in the statement of comprehensive income	31 Dec. 2018
Intangible assets	-276	-124	133		-268
Fair value measurement			-2		-2
Provisions	182		119		302
Fair value of hedging				228	228
Accrual differences of financial expenses			-1 826		-1 826
Other items	-315		594		279
Total	**-408**	**-124**	**-982**	**228**	**-1 284**

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**

10. Intangible assets

Group

EUR 1 000	Goodwill	Trademarks	Customer relations	Other intangible assets	Total
Cost					
Cost at 1 Jan. 2017	**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**
Additions				602	602
Business combinations	70 344	119	10 827	45	81 337
Disposals				-161	-161
Transfers between items				341	341
Cost at 31 Dec. 2018	**429 150**	**6 708**	**33 595**	**12 760**	**482 213**
Accumulated amortisation and impairment losses					
Accumulated amortisation and impairment losses at 1 Jan. 2017		**-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**
Amortisation for the financial year		-185	-5 391	-1 656	-7 232
Accumulated amortisation on disposals				167	167
Accumulated amortisation and impairment losses at 31 Dec. 2018		**-6 575**	**-18 822**	**-9 196**	**-34 593**
Carrying amount					
31 Dec. 2018	**429 150**	**133**	**14 773**	**3 564**	**447 620**
31 Dec. 2017	358 806	198	9 336	4 226	372 566

There is additional information for business combinations in note 3.

	Parent company				
EUR 1 000	**Goodwill**	**Trademarks**	**Customer relations**	**Other intangible assets**	**Total**
Cost					
Cost at 1 Jan. 2017	**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**
Additions				576	576
Business combinations	1 504		1 210		2 714
Common control transactions	7 835	119	646	18	8 618
Disposals				-169	-169
Transfers between items				160	160
Cost at 31 Dec. 2018	**222 385**	**336**	**3 712**	**10 925**	**237 359**
Accumulated amortisation and impairment losses					
Accumulated amortisation and impairment losses at 1 Jan. 2017			**-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**
Amortisation for the financial year		-149	-733	-1 348	-2 231
Accumulated amortisation on disposals		-30	-113	160	18
Accumulated amortisation and impairment losses at 31 Dec. 2018		**-203**	**-1 267**	**-8 017**	**-9 488**
Carrying amount					
31 Dec. 2018	**222 385**	**133**	**2 445**	**2 908**	**227 871**
31 Dec. 2017	213 046	192	1 435	3 511	218 186

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 on goodwill and the intangible assets with an infinite lifetime of the Group and the parent company is performed annually.

Goodwill carrying amounts are allocated as follows

EUR 1 000	2018	2017
Healthcare services	219 039	195 266
Dental care	30 358	26 450
Care services	121 239	93 199
Child welfare services	58 514	43 891
Total	**429 150**	**358 806**

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 1.5%.

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 2019 are based on the budget approved by the Group's 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 2019-2023

	2018	2017
Discount rate %, after taxes		
Healthcare services	6.87	6.64
Dental care	6.75	6.98
Care services	6.56	6.58
Child welfare services	6.47	6.54
Discount rate %, before taxes		
Healthcare services	8.59	8.30
Dental care	8.44	8.73
Care services	8.20	8.23
Child welfare services	8.09	8.18

According to impairment testing, the recoverable amount for the Healthcare services exceeded the carrying amount by EUR 1 123.2 (735.3) million, for the Dental care by EUR 30.4 (54.5) million, for the Care services by EUR 394.6 (351.2) million, and for the Child welfare by EUR 198.0 (139.3) million. On the basis of impairment testing of cash-generating units in the Group, no impairment losses were recognised in 2018 or 2017.

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 half percentage point in the discount rate
- A decrease of 1.5 percentage points 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: from 6.87% to 32.80% (2017: 6.64% to 24,53%)
- Dental care: from 6.75% to 11.44% (2017: 6.98% to 14.88%)
- Care services: from 6.56% to 25.98% (2017: 6.58% to 30.20%)
- Child welfare: from 6.47% to 22.14% (2017: 6.54% to 23.63%)

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	2018	2017
Healthcare services	185 253	177 267
Dental care	24 792	24 470
Care services	12 341	11 310
Total	**222 385**	**213 046**

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 883.6 (499.9) million, for the Dental care by EUR 60.2 (55.5) million and for the Care services by EUR 106.8 (45.4) million. On the basis of impairment testing of cash-generating units in the parent company, no impairment losses were recognised in 2018 or 2017.

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: from 6.87% to 31.44% (2017: 6.64% to 19.85%)
- Dental care: from 6.75% to 18.15% (2017: 6.98% to 15.26%)
- Care services: from 6.56% to 69.04% (2017: 6.58% to 26.66%)

In 2018 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 2018. The projections for 2019-2023 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 2018 or 2017.

12. Property, plant and equipment

EUR 1 000	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. 2017	**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**
Additions	4 215	110	10 477	421		19 406	34 628
Business combinations	10 140	172	1 895	805	19	17	13 048
Disposals	-271		-582		-32	-20	-905
Increase/decrease due to revaluation			133				133
Transfers between items	-334	-19	6 565	5 538	3	-12 098	-344
Cost at 31 Dec. 2018	**21 316**	**1 041**	**138 592**	**53 722**	**185**	**10 281**	**225 137**
Accumulated depreciation and impairment losses							
Accumulated depreciation and impairment losses at 1 Jan. 2017	**-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**
Depreciation for the financial year	-1 061		-15 180	-5 429	-2		-21 672
Impairment losses for the financial year					-32		-32
Accumulated depreciation on disposals	244		19	24	32		320
Accumulated depreciation and impairment losses at 31. Dec. 2018	**-1 169**	**-1**	**-97 407**	**-29 355**	**-7**		**-127 937**
Carrying amount							
31 Dec. 2018	**20 147**	**1 040**	**41 185**	**24 368**	**178**	**10 281**	**97 200**
31 Dec. 2017	7 213	777	37 857	23 009	190	2 975	72 022

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.

EUR 1 000	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. 2017	**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**
Additions	3	7 899	180		13 863	21 945
Business combinations		80				80
Common control transactions		477	45			521
Disposals		-211			-5	-216
Transfers between items		2 984	3 715		-6 859	-160
Cost at 31 Dec. 2018	**1 194**	**113 063**	**47 560**	**168**	**9 572**	**171 558**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses at 1 Jan. 2017		**-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**
Depreciation for the financial year	-60	-10 883	-4 580			-15 523
Impairment losses for the financial year				-32		-32
Accumulated depreciation on disposals		65	-2			63
Accumulated depreciation and impairment losses at 31 Dec. 2018	**-119**	**-84 092**	**-27 190**	**-32**		**-111 434**
Carrying amount						
31 Dec. 2018	**1 075**	**28 971**	**20 371**	**136**	**9 572**	**60 124**
31 Dec. 2017	1 131	28 560	21 012	168	2 574	53 446

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.

Property, plant and equipment leased by finance lease agreements

EUR 1 000	Group: Machinery and equipment	Group: Improvements to leasehold premises
Cost		
Cost at 1 Jan. 2017	**3 460**	
Business combinations	2 758	1 414
Disposals	-2 747	-1 414
Cost at 31 Dec. 2017	**3 471**	
Disposals	-2 932	
Cost at 31 Dec. 2018	**539**	
Accumulated depreciation and impairment losses		
Accumulated depreciation and impairment losses at 1 Jan. 2017	**-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**	
Depreciation for the financial year	-610	
Accumulated depreciation on disposals	2 223	
Accumulated depreciation and impairment losses at 31 Dec. 2018	**-533**	
Carrying amount		
31 Dec. 2018	**6**	
31 Dec. 2017	1 325	

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. In HYKSin kliiniset palvelut Oy and 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

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Shares in associated companies at 1 Jan.	**306**	**176**	**326**	**160**
Additions	4	166	4	166
Disposals	-24		-24	
Share of associated companies' result for the financial year	-30	-14		
Distribution of dividends and capital repayment	-11	-34		
Other changes		11		
Shares in associated companies at 31 Dec.	**244**	**306**	**305**	**326**

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

	2018			2017		
EUR 1 000	HYKSin kliiniset palvelut Oy	Orton Oy [1]	Laser-Porus Oy	HYKSin kliiniset palvelut Oy	Orton Oy	Laser-Porus Oy
Current assets	3 541	1 797	110	4 131	2 485	233
Non-current assets	87	422	106	84	512	141
Current liabilities	2 017	2 517	63	3 027	2 787	52
Non-current liabilities	1 000			1 000		
Equity	520	-298	152	188	211	321
Revenue	7 087	4 213	229	7 684	15 685	368
Net income	310	-1 282	-143	415	-476	-32

	2018			2017		
EUR 1 000	HYKSin kliiniset palvelut Oy	Orton Oy [1]	Laser-Porus Oy	HYKSin kliiniset palvelut Oy	Orton Oy	Laser-Porus Oy
Net assets of associated company	520	-298	152	188	211	321
Ownership by Group %	10.0	10.0	42.7	10.0	10.0	42.7
Group's share of net assets	52		65	19	21	137
Goodwill	81	45		81	45	
Other adjustments	1	-45				2
Carrying amount of associated company in the consolidated statement of financial position	134		65	100	66	139

[1] Group's share of Orton Oy's loss exceeds the carrying amount of investment and has not committed to cover losses. As a result, the value of the investment in the Group balance sheet is not negative.

The figures above are based on unaudited income statement and balance sheet information. The associated companies in the table have been consolidated in the Group's financial statements using equity method.

14. Inventories

EUR 1 000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Materials, supplies and consumables	5 040	4 353	3 934	4 122
Total	**5 040**	**4 353**	**3 934**	**4 122**

15. Trade and other receivables

Current

EUR 1 000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Trade receivables	75 179	68 530	35 249	35 689
Prepaid expenses and accrued income	10 331	11 611	5 017	3 835
Loan receivables	411	851		
Other receivables	325	225		4
Escrow account		1 290		1 290
Receivables from Group companies	713	642	33 521	24 600
Total	**86 958**	**83 148**	**73 787**	**65 417**

See note 17 for additional information 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 additional information on the credit risks related to trade receivables. Receivables from Group companies include receivables from Mehiläinen Oy's parent company.

Impairment losses on trade receivables

EUR 1 000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Impairment losses on trade receivables at 1 Jan.	**-1 520**	**-588**	**-973**	**-488**
Additions	-1 539	-1 360	-823	-860
Disposals	562	318	486	278
Recovery	101	110	99	97
Impairment losses on trade receivables at 31 Dec.	**-2 397**	**-1 520**	**-1 211**	**-973**

Aging of the trade receivables and doubtful accounts, Group

			Overdue			
EUR 1 000	Total	Not yet due	< 30 days	31–60 days	61–180 days	> 180 days
2018	**77 575**	**64 458**	**6 344**	**1 997**	**2 468**	**2 309**
Impairment	-2 397	-65	-33	-21	-225	-2 053
2017	**70 050**	**62 165**	**3 828**	**821**	**957**	**2 278**
Impairment	-1 520	-41	-21	-13	-143	-1 302

The amount of impairment recorded to cover doubtful accounts was EUR 2.4 (1.5) million at the end of the financial period. The estimated effect of IFRS 9 application is approximately EUR 0.2 million, 2017 figures are not restated.

Aging of the trade receivables and doubtful accounts, Parent Company

			Overdue			
EUR 1 000	Total	Not yet due	< 30 days	31–60 days	61–180 days	> 180 days
2018	**36 461**	**30 896**	**3 145**	**633**	**598**	**1 189**
Impairment	-1 211	-25	-14	-7	-68	-1 097
2017	**36 662**	**31 634**	**2 345**	**465**	**605**	**1 613**
Impairment	-973	-20	-12	-5	-55	-881

The amount of impairment recorded to cover doubtful accounts was EUR 1.2 (1.0) million at the end of the financial period. The estimated effect of IFRS 9 application is approximately EUR 0.1 million, 2017 figures are not restated.

Prepaid expenses and accrued income

EUR 1 000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Social security expenses	2 245	815	443	124
Sales not yet invoiced	4 717	7 610	2 670	2 041
Other prepaid expenses and accrued income	3 369	3 186	1 905	1 670
Total	**10 331**	**11 611**	**5 017**	**3 835**

16. Cash and cash equivalents

EUR 1 000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Cash and cash equivalents	20 689	31 964	347	20 753
Total	**20 689**	**31 964**	**347**	**20 753**

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 2018	Group 2017	Parent company 2018	Parent company 2017
Non-current financial assets					
Financial assets at fair value through other comprehensive income					
Listed shares	1	52	40	51	40
Total		**52**	**40**	**51**	**40**
Financial assets at fair value through profit and loss					
Unlisted shares	3	395	716	359	680
Capital loan receivable	3	100	100	100	100
Total		**495**	**816**	**459**	**780**
Financial assets at amortised cost					
Rental security deposit accounts	2	1 002	805	398	328
Loan receivables	2	1 992	2 364	700	659
Other long-term receivables	2	609	448	588	432
Loan receivables from group companies	2			30 713	
Total		**3 603**	**3 617**	**32 398**	**1 419**
Total non-current financial assets		**4 151**	**4 473**	**32 909**	**2 239**
Current financial assets					
Financial assets at amortised cost					
Trade receivables	2	75 179	68 530	35 249	35 689
Loan receivables	2	411	851		
Trade receivables from Group companies	2			837	4 478
Loan receivables from Parent Company	2	640	640	640	640
Loan receivables from Group companies	2			790	1 380
Cash pool receivables from Group companies	2			28 877	17 427
Other receivables	2		132		
Escrow account (non-interest bearing)	2		1 290		1290
Cash and cash equivalents	2	20 689	31 964	347	20 753
Total current financial assets		**96 918**	**103 406**	**66 740**	**81 657**
Total non-current and current financial assets		**101 069**	**107 879**	**99 649**	**83 896**

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 2018	Group 2017	Parent company 2018	Parent company 2017
Non-current financial liabilities					
Financial liabilities at fair value through profit or loss					
Contingent considerations (acquisition related)	3	1 171	1 018	537	1 018
Derivatives not designated as hedges	2	321		321	
Derivatives in effective hedges					
Cash flow hedges	2	1 153		1 153	
Total		**2 645**	**1 018**	**2 011**	**1 018**
Financial liabilities at amortised cost					
Loans from financial institutions	3	356 695	342 910	356 695	342 910
Hire purchase liabilities	2	232	649		
Finance lease liabilities	2	1	681		
Non-current liabilities to others	3	109	33		
Other interest-bearing liabilities to Parent company	2	28 350			
Other interest-bearing liabilities to group companies	2			44 712	
Total		**385 385**	**344 273**	**401 407**	**342 910**
Total non-current financial liabilities		**388 030**	**345 291**	**403 418**	**343 927**

EUR 1 000	Fair value hierarchy	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Current financial liabilities					
Financial liabilities at fair value through profit or loss					
Contingent considerations (acquisition related)	3	3 178	2 055	2 359	2 098
Total		**3 178**	**2 055**	**2 359**	**2 098**
Financial liabilities at amortised cost					
Loans from financial institutions	3	2 158	8 000	2 158	8 000
Pension loans	2		145		
Hire purchase liabilities	2	584	491		9
Finance lease liabilities	2	9	688		
Trade payables	2	22 052	12 017	11 843	7 944
Unpaid private practitioners' services	2	20 011	16 971	19 852	16 813
Other liabilities	2	65			
Acquisition related liabilities	3	3 728	331	183	314
Trade payables to Group companies	2			262	132
Short-term other liabilities to group companies interest-bearing	2			1 170	
Cash pool payables to Group companies	2			36 947	44 174
Total		**48 607**	**38 642**	**72 416**	**77 387**
Total current financial liabilities		**51 785**	**40 697**	**74 775**	**79 485**
Total financial liabilities		**439 815**	**385 989**	**478 193**	**423 412**

The Group's bank loans are included in Loans from financial institutions and they are variable rate loans which are revalued every 3 months using the 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	**2018**	**2017**
Gross finance lease liabilities - minimum lease payments by maturity		
Within one year	9	710
Later than one year but not later than five years	1	692
Total	**9**	**1 402**
Future finance expenses	0	-33
Present value of finance lease liabilities	**9**	**1 369**
Maturity of the present value of finance lease liabilities		
Within one year	8	687
Later than one year but not later than five years	1	682
Total	**9**	**1 369**

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

	Group						
EUR 1 000	**Loans from financial institutions**	**Derivatives**	**Pension loans**	**Hire purchase liabilities**	**Finance lease liabilities**	**Other non-interest bearing liabilities to Parent company**	**Total**
1 January 2017	**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 contracts				631			631
Transaction costs	576						576
Transfers between items				-399			-399
31 December 2017	**350 910**		**145**	**1 140**	**1 369**		**353 564**
Cash flow - financing activities	10 565		-145	-359	-1 359	28 350	37 052
Cash flow - investing activities				-313			-313
Business combinations	2 593			2			2 595
Change in fair value		1 474					1 474
New contracts				345			345
Converted interests	435						435
Transaction costs	-5 650						-5 650
31 December 2018	**358 853**	**1 474**		**815**	**10**	**28 350**	**389 502**

	Parent company						
EUR 1 000	**Loans from financial institutions**	**Derivatives**	**Hire purchase liabilities**	**Other interest-bearing liabilities to group companies**	**Cash pool liabilities to Group companies**	**Other short term liabilities**	**Total**
1 January 2017	**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**
Cash flow - financing activities	13 158		-9	44 712	-7 227	1 170	51 804
Change in fair value		1 474					1 474
Converted interests	435						435
Transaction costs	-5 650						-5 650
31 December 2018	**358 853**	**1 474**		**44 712**	**36 947**	**1 170**	**443 157**

18. Equity related information

	Group						
EUR 1 000	No. of shares	Share capital	Share premium reserve	Invested unrestricted equity reserve	Fair value reserve	Hedging reserve	Total
1 Jan. 2017	1 500	1 500	25 281	126 375	44		153 200
31 Dec. 2017	1 500	1 500	25 281	126 375			153 156
31 Dec. 2018	**1 500**	**1 500**	**25 281**	**126 375**	**9**	**-923**	**152 242**

	Parent company						
EUR 1 000	No. of shares	Share capital	Share premium reserve	Invested unrestricted equity reserve	Fair value reserve	Hedging reserve	Total
1 Jan. 2017	1 500	1 500	25 281	126 375	44		153 200
31 Dec. 2017	1 500	1 500	25 281	126 375			153 156
31 Dec. 2018	**1 500**	**1 500**	**25 281**	**126 375**	**9**	**-923**	**152 242**

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 financial assets through other comprehensive income (2017: changes in the fair value of available-for-sale financial assets). Hedging reserve included changes in the fair value of interest rate swaps.

Common control transactions in 2018 increased the parent company's retained earnings by EUR 0.1 (1.7) million.

Parent company's distributable funds at 31 December

EUR 1 000	2018	2017
Retained earnings from previous periods	-76 292	-87 636
Profit for the year	7 834	11 199
Invested unrestricted equity reserve	126 375	126 375
Total	**57 917**	**49 939**

Profit hasn't been distributed in 2018 or 2017.

19. Trade and other payables

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Trade payables	22 052	12 017	11 843	7 944
Unpaid private practitioners' services	20 011	16 971	19 852	16 813
Contingent considerations (acquisition related)	3 178	2 055	2 359	2 098
Withholding tax liability	6 574	5 051	2 333	2 168
VAT liability	575	2 782	437	615
Social security contribution liability	241	229	80	95
Acquisition related liabilities	3 728	331	183	314
Payroll liabilities	50 914	38 717	20 351	19 093
Non-wage payroll liabilities	15 087	13 080	4 887	6 029
Other	11 436	15 763	1 194	5 931
Liabilities to Group companies	366		38 413	44 436
Total	**134 162**	**106 996**	**101 933**	**105 536**

See Note 17 for additional information on other non-current liabilities.

20. Derivatives

Mehiläinen Yhtiöt Oy uses interest rate derivatives to hedge 75% of Mehiläinen Yhtiöt Group's syndicated loans. There are intra-group derivative contracts between Mehiläinen Yhtiöt Oy and Mehiläinen Oy, these contacts mirror the external derivative agreements. The interest rate derivatives are used to hedge against the interest related cash flow risk arising from changes in the reference rate of variable rate loans. The main conditions (capital, interest rate, interest period and date of interest rate determination) of the loan and the interest rate derivative agreements are similar. The minimum interest rate is 0% and there is a corresponding interest rate floor in the interest rate derivatives. The interest rate CAP that is valid until autumn 2021 is not under hedge accounting, the interest rate SWAP valid from autumn 2021 until autumn 2023 is under hedge accounting. See Note 21 for further details on hedging.

	Group		Parent company	
EUR 1 000	2018	2017	2018	2017
Net fair values				
Non current derivative liabilities				
Derivatives in effective hedges				
Interest rate swap, cash flow hedge	1 153		1 153	
Derivatives not designated as hedges				
Interest rate CAPs	317		317	
Total	**1 470**		**1 470**	
Nominal value of derivatives in effective hedges	274 076		274 076	
Nominal value of derivatives not designated as hedges	274 076		274 076	
Total	**548 152**		**548 152**	

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 derives from the financing arrangement. In connection with the acquisition of Mehiläinen Holding AB Group in august 2018, the old loan agreement was terminated and a new agreement was established. The financing arrangement includes a syndicated floating-rate loan, the interest rate risk of which is hedged from end of August 2018 onwards until end of September 2021 with an intra-group interest rate CAP agreement, after which the risk is hedged by converting the floating rate into a fixed one through an intra-group interest rate swap until the end of September 2023. Interest rate CAP agreements and interest rate SWAP agreement are in Mehiläinen Yhtiöt Oy and there are internal hedging agreements (mirror agreements) between Mehiläinen Yhtiöt Oy and Mehiläinen Oy. With the hedging arrangements, 75 % of Mehiläinen Oy's EUR 365.4 million syndicated loan is hedged. The loan arrangement has an interest rate floor of 0%, which is also included in the interest rate CAP and interest rate SWAP agreements. According to the interest rate CAP, Mehiläinen Oy pays approximately EUR 56 thousand on a quarterly basis (13 installments) and the interest rate CAP is 0.4%. According to the interest rate SWAP commencing in 2021, Mehiläinen will pay a fixed interest of 0.8742% p.a. and receive a floating rate which is tied to the three-month Euribor, plus the interest margin. The average interest rate of the Group's interest-bearing liabilities was, taking interest rate hedging into account, approximately 3.9% (4.0%).

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. Considering the loan amount and the interest rate in effect at the end of the financial year, interest rate CAP taken into account, an increase of one percentage point in the market interest rate would affect the Group's interest expenses and profit by EUR -1.7 million.

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 the 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 20.7 million (EUR 32.0 million) of cash and cash equivalents in the Group and EUR 0.3 million (EUR 20.8 million) in the parent company. Any cash and cash equivalents investments are made in interest-bearing, liquid and low risk instruments.

In August 2018, the old loan agreement was terminated and a new agreement was established. Mehiläinen Oy's syndicated loan amount was increased to EUR 365.4 million. The loan matures in August 2025. The current revolving credit facility (EUR 125 million, matures in February 2025) is in Mehiläinen Yhtiöt Oy and as per 31 December 2018, EUR 17.5 million was allocated to Mehiläinen Oy. EUR 3.9 million of the revolving credit facility allocated for the guarantee facilities and EUR 2.2 million of the overdraft facility was in use at the end of the financial year period. The maturity of liabilities is presented in the following maturity table.

Maturity of the Group's financial liabilities

2018

	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	10 010	7 981	16 471	18 024	19 575	422 507	494 567
Interest rate CAP payments, intra-group	112	112	224	168			617
Other interest-bearing liabilies to Parent Company			28 350				28 350
Finance lease liabilities	9	0	0	0			10
Hire purchase liabilities	292	292	116	116			815
Contingent considerations (acquisition related)	1 858	1 305	127	1 050			4 340
Trade payables	22 052						22 052
Unpaid private practitioners' services	20 011						20 011
Other liabilities	65						65
Acquisition related liabilities	3 728						3 728
Total	**58 137**	**9 690**	**45 288**	**19 358**	**19 575**	**422 507**	**574 554**

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**

Maturity of the parent company's financial liabilities

2018

	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	10 010	7 981	16 471	18 024	19 575	422 507	494 567
Interest rate CAP payments, intra-group	112	112	224	168			617
Other interest-bearing liabilities to group companies			44 712				44 712
Contingent considerations (acquisition related)	1 054	1 305	127	400			2 886
Trade payables	11 843						11 843
Unpaid private practitioners' services	19 852						19 852
Acquisition related liabilities	183						183
Trade payables to Group companies	262						262
Other short-term liabilities to Group companies, interest-bearing	1 170						1 170
Cash pool payables to Group companies	36 947						36 947
Total	**81 434**	**9 398**	**61 534**	**18 592**	**19 575**	**422 507**	**613 040**

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	**81361**	**11 053**	**24 064**	**26 972**	**336 278**		**479 728**

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 current loan agreement does not include covenants if 40% or less of the revolving credit facility is allocated to loans. If this limit is exceeded, a First Lien Net Leverage Ratio covenant becomes effective. This covenat test will be made on Mehiläinen Yhtymä Oy Group level. Until the termination of the previous loan agreement, the Group's loan agreement included, as determined in the agreement, a covenant based on the ratio of net debt to adjusted EBITDA, which also affeced the interest margins in the loan arrangement. In addition, the loan agreement included 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 reported 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 2018. 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 due to municipalities, insurance companies and corporate customers which are 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, therefore the foreign exchange risk related to operations is insignificant. All loans taken by the Group are euro-denominated.

22. Provisions

	Group			
EUR 1 000	Restructuring provision	Onerous contracts	Other provisions	Total
1 January 2017	**248**	**4 724**	**230**	**5 202**
Additions		1 820	137	1 957
Provisions used	-83	-2 811	-160	-3 054
31 December 2017	**165**	**3 733**	**207**	**4 106**
Additions		3 840	277	4 118
Provisions used	-165	-2 728	-263	-3 156
31 December 2018		**4 852**	**221**	**5 067**

EUR 1 000	2018	2017
Current provisions	3 197	1 979
Non-current provisions	1 870	2 127
Total	**5 067**	**4 106**

	Parent company			
EUR 1 000	Restructuring provision	Onerous contracts	Other provisions	Total
1 January 2017		**363**	**124**	**487**
Additions		744	30	774
Business combinations		150	27	177
Provisions used		-432	-96	-528
31 December 2017		**825**	**85**	**910**
Additions		1 609	221	1 829
Provisions used		-1 027	-205	-1 232
31 December 2018		**1 407**	**101**	**1 508**

EUR 1 000	2018	2017
Current provisions	856	648
Non-current provisions	652	263
Total	**1 508**	**910**

Restructuring provision

The restructuring provision primarily includes the costs associated with the termination of the Turun Hoiva -business. The provision was realised in 2018.

Onerous contracts

Onerous contracts include rents for unused leased premises, rents for services acquisitions of an onerous contract, rents for an onerous customer agreement assumed in a business combination and rents for onerous emergency care contracts. The provisions are expected to be realised by 2025.

Other provisions

Other provisions include costs related to terminated employment contracts. Provisions are expected to be realised during 2019.

23. Capital management

Capital management is based on the equity reported in the consolidated statement of the financial position. 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.

Gearing ratio

EUR 1 000	2018	2017
Interest-bearing financial liabilities	388 028	353 564
Interest-bearing receivables	4 145	4 760
Cash and cash equivalents	20 689	31 964
Interest-bearing net debt	363 194	316 840
Total equity	131 979	105 551
Gearing %	275.2	300.2

24. Related parties

Before the restructuring the Group's related parties included Mehiläinen Holding AB, 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.

After the restructuring in 9 August 2018 the related parties, belonging to the same Group with Mehiläinen Oy, are parent companies Finnish Healthcare Services S.à.r.l., Mehiläinen Konserni Oy, Mehiläinen Yhtymä Oy and Mehiläinen Yhtiöt Oy. Considering the structures of the ownership, also the following companies are rewieved as related parties; Asclepios Luxembourg S.à.r.l., Asclepios Holdings S.à.r.l., Asclepios Management 2 S.à.r.l. and Asclepios Management 3 S.à.r.l. The parties that own directly or indirectly more than 20% of Mehiläinen Oy are also considered as related parties. At 31 December 2018 these companies were; CVC Capital Partners and holdings and funds that it has control over.

The Group's related parties also include key management employees, which are 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 over. Also the members of the Board of Directors of Finnish Healthcare Services S.à.r.l. and their immediate family members are considered as Group's related parties.

Additionally, the Group's related parties include subsidiaries as well as associated companies Laser-Porus Oy, HYKSin kliiniset palvelu Oy and Orton Oy. Mehiläinen Konserni Oy - Group parent company's related parties include its subsidiaries and associated companies under 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	Receiv-ables	Loan receivables	Purchases	Other costs	Liabilities	Interest and dividends received	Interest and other finance expenses paid
2018								
Associated companies	329	70	100	2			11	
Owners		73	640		227	28 716		807
Others						34 023		
Total	**329**	**144**	**740**	**2**	**227**	**62 739**	**11**	**807**
2017								
Associated companies	90		100				14	
Owners		2	640	47	65			
Total	**90**	**2**	**740**	**47**	**65**		**14**	

Loans from others include loans from funds operated by CVC Capital Partners. The terms of the loans are market-based and similar as with other creditors. In addition, loans from others include liability related to derivatives to Mehiläinen Yhtiöt Oy.

Loans from owners include loans from Mehiläinen group companies above Mehiläinen Oy group.

	Parent company							
EUR 1 000	Sales	Receivables	Loan receivables	Purchases	Other costs	Liabilities	Interest and dividends received	Interest and other finance expenses paid
2018								
Subsidiaries	10 930	32 018	31 503	1 739		54 742	2 105	1
Associated companies	329	70	100	2			11	
Owners		73	640			28 716		807
Others						34 023		
Total	**11 260**	**32 161**	**32 243**	**1 742**		**117 481**	**2 116**	**808**
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**	

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 3 million of bank guarantees for subsidiaries. Mehiläinen Oy also guarantees liabilities of its parent company. For further information see Note 25.

Key management employee benefits

	Group		
EUR 1 000	CEO	Executive committee [1]	Total
2018			
Salaries and other short-term employee benefits	600	2 222	2 822
Post-employment benefits	75	43	221
Remuneration to members of the Board of Directors			253
Total	**675**	**2 265**	**3 296**
2017			
Salaries and other short-term employee benefits	594	2 074	2 667
Post-employment benefits	75	43	221
Remuneration to members of the Board of Directors			352
Total	**669**	**2 117**	**3 241**

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

Salaries and other short-term employee benefits include salaries and benefits, incentive bonuses and performance bonuses. Key management employee benefits and other short-term emplyee benefits include CEO salaries amounting to EUR 300.5 (308.4) thousands. CEO's bonus paid in 2018 totalled EUR 300.0 (280.0) thousands accruing from the year 2017.

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 2018, 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
Enonkosken Hoiva Oy [1]	Enonkoski	100	100
Familar Oy	Helsinki	100	100
Haapajärven Kimppakoti Oy	Haapajärvi	100	100
Hoitokoti Poppeli Oy [1]	Suonenjoki	100	100
Hoiva Mehiläinen Oy	Helsinki	100	100
Hoivakoti Auringonnousu Oy	Myrskylä	100	100
Huoltsikka Oy [1]	Mikkeli	100	100
ISH-Kiinteistöt Oy	Joensuu	100	100
Itä-Suomen Hoitokodit Oy	Joensuu	100	100
Itä-Uudenmaan Palvelukoti Oy	Loviisa	100	100
Jatkopolut Oy [1]	Kuopio	100	100
JP-Työpaja Oy [1]	Joutseno	100	100
Kalasataman Asumispalvelut Oy [1]	Helsinki	100	100
Kaunummen Koti Oy [1]	Eurajoki	100	100
Kiikan Palvelukoti Oy	Sastamala	100	100
Koillismaan Terveys Oy [1]	Kuusamo	100	100
Kormel Oy	Kouvola	100	100
Kotipalvelu Mehiläinen Oy	Espoo	100	100
Kuivannon Kotosa Oy [1]	Riihimäki	100	100
Kuntoutumiskoti Meininki Oy [1]	Lappeenranta	100	100
Kymen Nuorten Asema Oy	Iitti	100	100
Lapin Lääkärikeskus Oy	Rovaniemi	100	100
Lappeenrannan Palvelukoti Oy	Lappeenranta	100	100
Lastensuojelulaitos Eemeli Oy	Harjavalta	100	100
Mainio Care Oy	Helsinki	100	100
Mehiläinen Arwola Oy	Akaa	100	100
Mehiläinen Eesti OÜ	Tallinna	100	100
Mehiläinen Hoivapalvelut Oy	Helsinki	100	100
Mehiläinen Länsi-Pohja Oy	Kemi	81	81
Mehiläinen Raija Oy	Hausjärvi	100	100
Mehiläinen Terveyspalvelut Oy	Helsinki	100	100
OIVA Riihi Oy	Kuopio	100	100
OmaPartners Oy	Helsinki	5.9	55.4
Oulun Palvelukoti Oy [1]	Oulu	100	100
Oy Medicum Services Ab [1]	Espoo	100	100
Palvelukoti Eloranta Oy [1]	Pielavesi	100	100
Palvelukoti Huvikumpu Oy [1]	Riihimäki	100	100
Palvelutalo Kotiranta Oy	Eno	100	100
Perhe- ja Palvelukodit Suomalainen Oy	Kuopio	100	100
Perhekoti Jääskeläinen Oy [1]	Hämeenlinna	100	100
Pienryhmäkoti Havumäki Oy [1]	Mikkeli	100	100
Pihlajakoti Oy [1]	Espoo	100	100
Porvoon Lääkärikeskus Oy [1]	Porvoo	100	100
Porvoon Röntgen Oy [1]	Porvoo	100	100
Recare Oy [1]	Merikarvia	100	100
Riekkomäen Palvelu Oy	Rauma	100	100
Simikaaren Perhekoti Oy [1]	Ylivieska	100	100
SM Amiprix Oy	Raahe	100	100
Sosiaalipalvelut Jussila Oy [1]	Haapajärvi	100	100
Sosiaalipalvelut Leenala Oy [1]	Haapajärvi	100	100
Sosiaalipalvelut Tahtoranta Oy [1]	Haapajärvi	100	100
Stoma Klinikat Oy [1]	Helsinki	100	100
Tahtokodit Oy [1]	Haapajärvi	100	100
Toivonlahti Oy	Joensuu	100	100
Vakka-Suomen Lääkärikeskus Oy [1]	Uusikaupunki	100	100
Viitasaaren Ruustinna Oy	Viitasaari	100	100

Subsidiaries merged in 2018	Domicile
Elämäntalo Oy	Espoo
Fosigma Holding Oy	Helsinki
Hoivakoti Atzalea Oy	Vantaa
Hämeen Tukikoti Oy	Hämeenlinna
Joutsan Kartanokoti Oy [2]	Jyväskylä
Kouvolan Lääkärikeskus Oy [2]	Kouvola
MilaPro Oy	Lieto
Palmukoti Oy	Helsinki
SAP-Care Oy	Kaarina
VITA Lääkäriasema Oy [2]	Helsinki

Subsidiaries dissolved in 2018	Domicile
Väestöliiton Klinikat Oy	Helsinki

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

[1] Acquired in 2018
[2] Merged with parent company

See note 3 for additional information 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	**2018**	**2017**	**2018**	**2017**
Within one year	75 633	65 404	33 475	31 539
Between two and five years	245 578	201 294	98 866	81 861
More than five years	305 846	253 823	93 126	71 423
Total	**627 057**	**520 521**	**225 466**	**184 823**

Other lease expenses

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Within one year	1 195	1 526	619	1 046
Between two and five years	971	1 308	489	857
Total	**2 165**	**2 834**	**1 108**	**1 903**

Group as a lessor

	Group		Parent company	
EUR 1 000	**2018**	**2017**	**2018**	**2017**
Within one year	718	973	450	490
Between two and five years	799	1 321	799	1 123
More than five years	196	294	196	294
Total	**1 713**	**2 588**	**1 446**	**1 907**

The Group has leased nearly all of its premises. The amount of lease obligations has increased significantly as a result of acquisitions and expansions. The lease obligations relate to new assisted residential 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.

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. Additionally, at the end of the financial year, Mehiläinen Group had committed on investing in renovations and unit openings, off-balance sheet liability related to this amounted to approximately EUR 4.5 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	**2018**	**2017**	**2018**	**2017**
Guarantees given on behalf of the Company and others				
Business mortgages [1]	8 463 037	975 630	1 410 500	795 600
Pledged subsidiary shares [1]		46 785	72 881	210 043
Pledged receivables from Mehiläinen Yhtymä Oy Group Companies	713		64 234	
Pledged bank accounts [1]	163		98	
Rental deposit accounts	1 002	805	398	328
Other pledged shares [2]	449			
Mortgage of office and business premises [3]		1 800		
Total	**8 465 364**	**1 025 021**	**1 548 111**	**1 005 971**

[1] Pledged subsidiary shares as well as EUR 8 463 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 0.04 (0.6) 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. EUR 3.9 million of the revolving credit facility allocated for the guarantee facilities and EUR 2.2 million of the overdraft facility was in use at the end of the financial year period. At the end of 2017, pledged subsidiary shares as well as EUR 975 million of the Group's business mortgages were as collaterals in respect of Group's previous loan facilities.

[2] Collateral to Pihlajakoti Oy's rental guarantees (EUR 0.42 million) and to Palvelukoti Eloranta Oy's loans that were repaid during 2018 (EUR 0.03 million). Collateral related to Palvelukoti Eloranta Oy has been returned in February 2019.

[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, 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 2018	2017
Acquisition related income	777	199
Acquisition related expenses	-1 847	-2 268
Integration and restructuring related and other expenses	-9 713	-5 774
Impairment losses		-453
Total	**-10 783**	**-8 296**

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. Integration and restructuring related and other expenses in 2018 include EUR 1.5 million startup costs outside ordinary outsourcing contracts.

EUR 1 000	Group 2018	2017
Other operating income	777	199
Materials and services	-272	-239
Employee benefit expenses	-373	-160
Depreciation, amortisation and impairment losses		-453
Other operating expenses	-10 915	-7 642
Total	**-10 783**	**-8 296**

27. Events after the reporting period

Mehiläinen acquired Hoivakoti Kultarusko Oy, a provider of residential care services for the elderly On 1 February 2019.

Mehiläinen acquired Lääkärikeskus Wiljami's occupational healthcare business operations on 15 February 2019.

Mehiläinen sold its shares in Orton Oy on 25 February 2019.

Mehiläinen has signed an agreement to acquire Alkdent Oy's dental care business on 25 February 2019. The transaction is planned to be closed on 1 May 2019.

Mehiläinen sold its shares in Kiinteistö Oy Porvoon Lääkäritalo on 28 February 2019.

Mehiläinen acquired Tuusulan Kerttuli Oy, a provider for residential care services for mental health rehabilitation, eldery and disabled on 1 March 2019.

Mehiläinen acquired Pienkoti Akseliina residental services for eldery business operations on 1 March 2019.

Mehiläinen acquired the business operations of dental care services providers Hammashoito Timo Kaitemo Oy and Rajatorpan Hammaslääkäriasema Oy on 25 March 2019.

The Group structure was simplified by merging Porvoon Lääkärikeskus Oy and Porvoon Röntgen Oy into their parent company Mehiläinen Oy on 1 January 2019, Pihlajakoti Oy into its parent company Mehiläinen Hoivapalvelut Oy on 28 February 2019 and Stoma Klinikat Oy into its parent company Mehiläinen Oy on 28 February 2019.

Mehiläinen has signed an agreement to acquire Lääkärikeskus Tuma Oy on 28 March 2019. The transaction will be closed on 1 April 2019.

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.

SIGNATURES FOR THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS REPORT

Helsinki, 29 March 2019

Janne-Olli Järvenpää
Chair of the Board of Directors, CEO

Sami Koski
Member of the Board of Directors

Herkko Soininen
Member of the Board of Directors

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, 29 March 2019

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 on 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, 2018. The financial statements comprise the consolidated and parent company's 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.

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 material 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 material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 information

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 also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 29 March 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

Group Key Indicators

	2018	2017	2016
Revenue. EUR 1 000	915 922	755 544	590 090
Underlying EBITDA. EUR 1 000 [1)]	108 083	92 797	64 358
% of revenue	11.8	12.3	10.9
EBITDA. EUR 1 000	97 300	84 954	55 942
% of revenue	10.6	11.2	9.5
Underlying EBITA. EUR 1 000 [1)]	84 755	73 254	47 057
% of revenue	9.3	9.7	8.0
EBITA. EUR 1 000	73 972	65 411	38 641
% of revenue	8.1	8.7	6.5
Operating profit. EUR 1 000	68 364	59 440	33 103
% of revenue	7.5	7.9	5.6
Profit for the year. EUR 1 000	27 304	37 406	13 190
Return on equity (ROE) %	23.0	43.0	37.0
Return on investment (ROI) %	14.7	14.0	9.7
Assets total. EUR 1 000	669 766	576 396	498 089
Equity. EUR 1 000	131 979	105 551	68 369
Investments. EUR 1 000	35 230	22 122	17 971
% revenue	3.9	2.9	3.0
Equity ratio %	19.7	18.3	13.7
Gearing %	275.2	300.2	419.8
Interest-bearing net debt. EUR 1 000	363 194	316 840	287 012
Average number of personnel	7 310	5 888	4 502
Revenue/average number of personnel. EUR 1 000	125	128	131

[1)] Adjustments included in the underlying EBITDA and EBITA are presented in the note 26 of the financial statement.

Calculation of key indicators

RETURN ON EQUITY (ROE) % = $\frac{\text{Profit for the year}}{\text{Total equity (average of opening and closing)}}$ x 100

RETURN ON INVESTMENT (ROI) % = $\frac{\text{Result before taxes + finance expenses}}{\text{(Assets total - non-interest-bearing debt) (average of opening and closing)}}$ x 100

EQUITY RATIO % = $\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$ x 100

GEARING % = $\frac{\text{Interest-bearing debt - (interest-bearing receivables + cash and cash equivalents)}}{\text{Total equity}}$ 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	2018	2017
Return on investment (ROI) %		
Result before taxes	47 016	45 148
Finance expenses	24 760	15 142
Assets total 1 Jan.	576 396	498 089
Non-interest-bearing debt 1 Jan.	-117 282	-98 696
Assets total 31 Dec.	669 766	576 396
Non-interest-bearing debt 31 Dec.	-149 759	-117 282
Return on investment (ROI) %	**14.7**	**14.0**
Equity ratio %		
Total equity	131 979	105 551
Assets total	669 766	576 396
Advances received	-286	-957
Equity ratio %	**19.7**	**18.3**
Gearing %		
Interest-bearing debt	388 028	353 564
Interest-bearing receivables	-4 145	-4 760
Cash and cash equivalents	-20 689	-31 964
Interest-bearing net debt	363 194	316 840
Total equity	131 979	105 551
Gearing %	**275.2**	**300.2**
Items affecting comparability		
Acquisition related income	777	199
Acquisition related expenses	-1 847	-2 268
Integration and restructuring related and other expenses	-9 713	-5 774
Items affecting EBITDA and EBITA comparability	**-10 783**	**-7 843**
Impairment losses		-453
Items affecting EBIT comparability	**-10 783**	**-8 296**
EBITDA and underlying EBITDA		
Operating profit	68 364	59 440
Depreciation, amortisation and impairment losses	28 935	25 514
EBITDA	**97 300**	**84 954**
Items affecting EBITDA comparability	10 783	7 843
Underlying EBITDA	**108 083**	**92 797**
EBITA and underlying EBITA		
EBITDA	97 300	84 954
Depreciation and amortisation	-28 903	-25 058
Depreciation and amortisation arisen from business combinations	5 576	5 516
EBITA	**73 972**	**65 412**
Items affecting EBITA comparability	10 783	7 843
Underlying EBITA	**84 755**	**73 255**