PIHLAJALINNA Group









coving through life







Enabling well-being

Pihlajalinna is one of the leading providers of social and healthcare services in Finland.

Extensive range of social and healthcare services offered to both private and public sector customers



Nationwide actor: Strong presence in Helsinki Metropolitan Area and Tampere region



Extensive range of social and healthcare services offered to both private and public sector customers



Founded in 2001 The CEO is the founder, Mikko Wirén



Company is headquartered in Tampere

2015 in figures

revenue

213.3

EUR million

EBIT*

EUR million

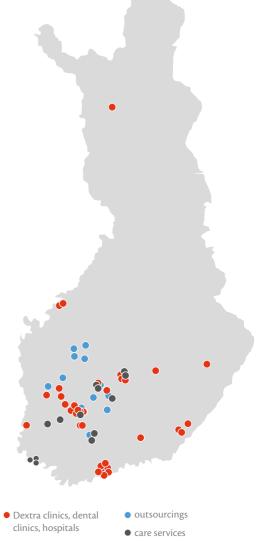
earnings per share

EBITDA*

12.5

EUR million

personnel 31.12.2015



* Excluding NRI's

During the first quarter of 2015 long prepared social and healthcare law tumbled to constitutional issues and was moved after the elections for the next government.



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Customer oriented, efficient and sustainable way of operating guarantees high quality services



"What if the market model would not be the swearword of sote reform. It is not rocket science or lack of services but management, organising, setting objective and following them."

Teija Sutinen, Helsingin Sanomat, excerpt of editorial 12.11.2015

CEO Mikko Wirén

Strong growth continued 20155

The revenue of the whole year grew 43% to EUR 213.3 (148.9) million. The majority of the organic growth was brought by the social and healthcare total outsourcings in Parkano, Kihniö and Jämsä. Investments in future growth affected the profitability: strengthening of the administration and support fuctions and developing the ERP system. I'm pleased that the profitability developed more positively compared to the beginning of the year during the last quarter.

Year of the large projects

Financial year 2015 has been a year of the significant, future growth building projects. The company was listed in the Nasdaq Helsinki main list in June 2015 and started three major social and healthcare total outsourcing contracts. The second largest social and healthcare outsourcing take over in the company history was realized during the financial year in Kuusiokunnat and the service production started in 1 January 2016 at the same time when Jämsä outsourcing expanded significantly. We did also several acquisitions during the year. I want to warmly thank the Pihlajalinna personnel and all our partners for the good and successful cooperation.

Growth continues to be an objective

One of the most significant projects during the financial year 2016 is securing the positive profitability development and realization of the long term growth strategy. Our objective is to grow via acquisitions and organically via public sector outsourcings. We want to effectively utilize the possibilities of health and care technology and digitalization in our business operations.

Social and healthcare reform progression is important to Finland

It is absolutely essential to whole Finnish society that we ensure the success of the social and healthcare reform. Pihlajalinna actively participates in the preparation of the social and healthcare legislation with other actors. Transparency of the financing and costs, clear and equal quality criteria and developing customer oriented operations according to the patients' freedom of choice are important to all actors.

Jobs and taxes to Finland

We are a Finnish company that employs thousands of social and healthcare professionals around the country. We produce health and wellbeing, effective care, taxes and jobs and through that better tomorrow.

Public and private together

The cornerstone of the Pihlajalinna success has been the good cooperation of public and private social and healthcare. We hope that we can expand and develop this approach now also on the national level as part of the preparation of the social and healthcare reform.

The projects of 2015 build the ground for future growth

Steadily growing market

The social and healthcare market has grown quite steadily in recent years, regardless of economic cycles.

The Finnish social and healthcare market has grown quite steadily in recent years, regardless of economic cycles, with an average annual growth of 6 per cent. The market volume is approximately EUR 28 billion (2013). Health services include basic healthcare, specialised care, dental care and occupational healthcare. Social services include support and housing services for the elderly and persons with mental or substance abuse problems, as well as day care services and services for children, young people and families, for example.

The healthcare market can be divided into private and public healthcare services and other healthcare expenses, such as medicine and medical equipment. The growth rate of private services outperforms that of public services. This is due to the outsourcing of healthcare services and the increased demand for privately funded healthcare services, for example. The private sector produces approximately one-fifth of all healthcare services.

In Finland, social services are provided by the public sector, foundations and private enterprises. The role of the private sector has also increased in social services; around 17 per cent of these services are privately produced. Municipalities have increased their cooperation with private service providers due to their weak financial situation. Social and healthcare costs are the largest individual component of municipal expenditure.

Municipality and joint authorities finances 2015

Social and healthcare

49%

Education and culture

28%

Other

17%

Financing activities and other costs

6%

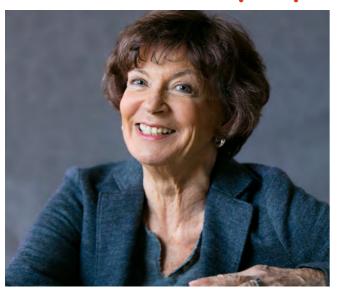
Source: The Local Government Finance Programme/ Association of Finnish Local and Regional Authorities







people of all ages need our services







Megatrends boost growth

Many trends globally and in Finland will increase the demand of social and healthcare services in the long term.

The population is ageing fast

Finland's population is ageing faster than any other country in Europe. According to the population forecast of Statistics Finland, the number of citizens over 65 will total almost 1.3 million by 2020 and exceed 1.5 million by 2030. Those over 65 also use the majority of social and healthcare services. The increasing number of elderly people is expected to increase the demand for social and healthcare services in the long run.

Medical expenses insurance on the increase

The number of voluntary medical expenses insurance policies has clearly increased in recent years: approximately one million Finns hold private health insurance. The reasons behind this include concern

about the availability of public services and the need to ensure rapid access to treatment in all situations.

Municipalities in transition

The economic situation of municipalities has deteriorated in recent years. Municipalities have been forced to increase their borrowing to cope with their expenses, of which social and healthcare services account for an average of 49 per cent. Many municipalities have been forced to increase their tax rate to finance the growth in spending. Many municipalities have made efforts to increase their efficiency by outsourcing healthcare and social service provision to the private sector. Another option has been a weakening in the level and availability of services, which in turn has increased waiting times for treatment.







Occupational health care plays an important role

Employers are paying more attention to employees' health, work ability and well-being at work. Instead of the treatment of diseases, the focus is on their prevention in order to extend careers and prevent disability at work. According to the reimbursement data of Kela (the Social Insurance Institution of Finland) for 2013, a total of 1,858,400 employees had access to occupational health services organised by the employer, 1,748,000 of whom were covered by medical care and other health care services. From 2005 to 2013, the number of employees covered by occupational health care has increased by 5.5 per cent. (Source: Kela)

Good health and well-being is important

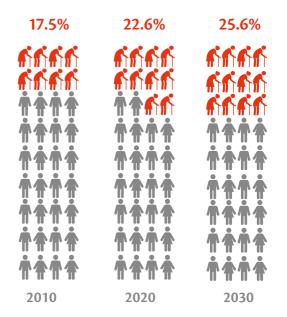
Finns smoke less and eat more healthily than before, and many of us also exercise in our leisure time. Wellness trends also drive consumer habits. This has been reflected in the trend for healthy food, and consumption of "superfoods" is on the rise. People also expect healthcare services to be more effective. We want to recover quickly from illnesses and get back to work, everyday life and exercise.

Health technology is gaining ground

The emergence of health technology and digital solutions has begun. This entails numerous benefits, such as more effective diagnosis and treatment. New smart devices are able to measure personal health in many different ways. Various digital remote services can facilitate and bring safety and security to the everyday lives of the elderly and families with children. Mobile solutions that enhance smooth customer experiences are also key to successful health service design.

Democraphic dependency ratio weakens

The share of over 65 year olds of the population is estimated to increase from current 19,9% to 26 % by 2030 and 29 % by 2060.



Source: Population and Justice Statistics, Statistics Finland (10/2015) Source: Federation of Finnish Financial Service

"Netcost decline as they changed to Pihlajalinnan model was unusually significant during the first year of the joint venture. The cooperation of the public and private is currently discussed a lot. Joint venture can be one way to get the good things from both parties."

Timo T. Seppälä, department head, THL

Municipality social and healtcare cost rise in check

Municipalities have a statutory duty to organise social and healthcare services for their residents, either independently or in cooperation with other municipalities. Most municipalities provide these services through public resources, but since 2000 the outsourcing of services to private service providers has rapidly increased. The most common reason for outsourcing is municipalities' dissatisfaction with the constant increase in social and healthcare spending. Another key objective of outsourcing stated by municipal decision-makers is to safeguard the availability of local services to residents.

Pihlajalinna model is proved effective

Pihlajalinna's SYKKI development project – the growth and internationalisation project of a Finnish social and healthcare services company – was implemented during the period 1 August 2012–30 June 2015. The purpose of the project was to create an optimal and cost-efficient model for public social and healthcare services. The project developed the content, organisation and management of services in response to the changing operating environment.

The project involved close research cooperation with the National Institute for Health and Welfare (THL). The aim of the project was to evaluate, by means of research, the profitability of operations and the cost-efficiency of public healthcare outsourcing arrangements. The study examined how the

complete outsourcing of services in Mänttä-Vilppula affected the total cost of municipal social and healthcare services and the use of services. In addition, the effects of outsourcing on the use and expenditure of specialised care were examined. The study analysed the effects of outsourcing through a beforeand-after comparison and by comparing the use of primary care services and care for the elderly in Mänttä-Vilppula to the comparison municipalities (in particular, Ruovesi-Virrat).

In Mänttä-Vilppula, total social and healthcare net expenditure decreased by 8.2 per cent at nominal cost (-9.9% in real terms), while net expenditure in Ruovesi-Virrat increased by 4.0 per cent (2.2%). The aggregate change of the comparison municipalities amounted to 5.1 per cent (3.3%).

The financial and operational effects of Pihlajalinna's operating model were already evident in Mänttä-Vilppula in the first year of operation. In 2013, the savings made by the City of Mänttä-Vilppula amounted to approximately two million euros, compared to the previous operating model and cost developments. The vacancies of a physician and a dentist were filled, and waiting lists for dental care were eliminated. The 8.2 per cent decline in nominal net expenditure achieved in Mänttä-Vilppula by introducing the Pihlajalinna operating model was exceptionally large, considering that the number of staff increased slightly and the interval of analysis was 12 months.

Public-private joint venture effects



Joint venture creates jobs



Local companies get service contracts



Joint venture produces taxes

49%

of the dividents to the municipality if the joint venture company produces profit

Strategy is based on broad service offering

Pihlajalinna's strategy and objectives

Pihlajalinna's strategy is based on a wide range of services, both in private and public social and healthcare markets. A wide range of services provides growth opportunities in several business areas and allows for the diversification of business risks and the achievement of operational benefits. Pihlajalinna's goal is to grow profitably into a leading nationwide social and healthcare operator and a responsible industry pioneer that provides rapid access to care for its customers. Pihlajalinna wants to be the

preferred service provider, employer and partner in the social and healthcare sector.

Strategic growth paths

Pihlajalinna aims to strengthen its position in both of its business segments. In the Private Clinics and Specialised Care (C&S) segment, Pihlajalinna strives to expand geographically in Finland, both through acquisitions and by opening new clinics. Pihlajalinna also aims to expand its service offering and develop new service concepts.

Pihlajalinna is seeking significant growth potential through new complete outsourcing agreements in social and healthcare services, primarily in its present areas of operation and their surroundings, so that synergies can be effectively utilised. In addition, the municipalities involved in the existing outsourcing agreements (Jämsä, Parkano and



offers

many growth opportunities

diversifies

business risks

enables

significant operative synergies

Kuusiokunnat) may exercise their contractual options to extend the agreements to cover a wider population base.

Private Clinics and Specialised Care

In this segment, Pihlajalinna's strategic objective is to expand operations into a nationwide private clinic and occupational healthcare network, particularly in university cities and important regional centres. It implements this strategy primarily through acquisitions and outsourcing agreements and by establishing new clinics. Pihlajalinna's nationwide network supports its partnerships with the

Pihlajalinna aims to grow its private clinic network

and occupational healthcare services nationwide

especially in the university cities and important

insurance companies Fennia and Local Tapiola, as well as the growth of its national occupational healthcare business.

Primary and Social Care

Pihlajalinna's main growth potential in this segment lies in the complete outsourcing agreements for social and healthcare services. In addition to the outsourcing business, the company aims to strengthen the regional offering of care services and the care chain through targeted acquisitions.

Long term financial targets

Operating profit (EBIT) exceeding

of revenue

Net debt to EBITDA below

FBITDA

Private Clinics and Specialised Care

regional towns



Primary and Social Care



Pihlajalinna aims to strenghten its market share in its current geographical areas and to carefully consider expanding to chosen regions.



The year of new openings 2015

Pihlajalinna grew in 2015 via several acquisitions and by establishing new units. In January a new Dextra dental clinic was opened in Stockman department store in Helsinki. In February Pihlajalinna strenghtened dental care operations with acquisition of Suomen Keinojuuriklinikka Oy in Espoo and Wiisuri Oy in Jyväskylä. In March Pihlajalinna acquired three care homes in Turku region.

New openings

In May Pihlajalinna Board made a decision of the IPO and the company was listed in the Helsinki Stock Exchange main list in June. During the autumn Pihlajalinna grew its business to reception center operations and opened five reception centers to asylum seekers. At the end of the year a significant Dextra and Fennia long term cooperation agreement was published. According to the agreement Dextra becomes Fennia's national main partner and produces healthcare services to Fennia customers. The cooperation has begun at the beginning of 2016. In Decemeber Pihlajalinna acquired Koskiklinikka in Tampere. Koskiklinikka became part of Dextra in the beginning of 2016.

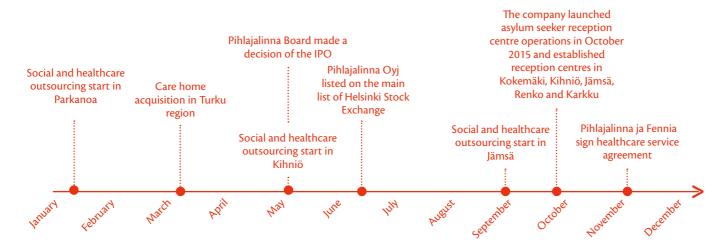
revenue

213.3

million euros

43%

revenue growth





"Pihlajalinna's five reception center have received over 500 asylum seekers. In our reception centers we put effort especially to activating the inhabitants: food is cooked self, commong spaces are cleaned together and Finnish language tutoring has been started in all reception centers within two weeks of opening. The more they have something to do the better the asylum seekers assimilate to Finnish society."

Seppo Rantanen, Director, Pihlajalinna reception centers

Full service Pihlajalinna

Private Clinics and Specialised Care (C&S)

Private Clinics and Specialised Care segment produces general and specialised care services, diagnostics and surgical services as well as occupational healthcare and dental care services in Dextra private clinics, dental clinics and hospitals. Segment offers services to consumers, companies, insurance companies, cities, municipalities and other public organisations.

Primary and Social Care (P&S)

Primary and Social Care segment produces complete outsourcing, hospital outsourcing, health center outsourcing, staffing and care services. Services include for instance primary care services in health centers, dental care, elderly care home services, mental health services. Segment offers services to public organisations and also consumers in care services.

Private Clinics and Specialised Care (C& S)

- Private clinics, surgery and public specialised care, dental care and occupational healthcare
- Services to consumers, companies, insurance companies and public organisations

Part of revenue

55%

Primary and Social Care (P & S)

- Social and healthcare total outsourcings, health center outsourcings, staffing and care services
- Services to public organisations

Part of revenue

45%



"I hurt my knee in the father-son basketball game. I turned to Dextra where I quickly got an appointment – next week I was on my way to recovery from an operation and doing physical therapy. Reception, MRI and operation were handled seamlessly and insurance cooperation was outstanding. Now I'm back in the game."

Mikko Sauramo Dextra customer

Private Clinics and Specialised Care



Private Clinics

The private Dextra clinics provide various primary and specialised care services. Dextra's medical specialists work in areas such as orthopaedics and hand surgery, neurology, dermatology, and ear, nose and throat diseases. Dextra's diagnostic services include MRI, X-ray and ultrasound imaging and laboratory services.

The Dextra chain consists of 32 private clinics.

Surgical Operations and Public Specialised Care

Surgical services are produced by Dextra's private hospitals in Helsinki, Tampere and Jämsä. Dextra Hospital Munkkivuori, Dextra Laser Tilkka and Dextra Plastic Surgery Hospital operate in Helsinki, Dextra Hospital Hämeenkatu in Tampere, and Jokilaakso Hospital in Jämsä. The Surgical Operations and Public Specialised Care service area provides a wide range of general surgery services and a variety of specialised surgical services in fields such as orthopaedics, plastic surgery, ear, nose and throat diseases, abdominal surgery, vascular surgery and urology.



Dental Care

Dextra dental clinics provide general and specialised dental services, such as surgical procedures, orthodontics, cosmetic dental care, oral hygiene and dental laboratory services. Their customers include private individuals, businesses, public entities and insurance companies.

The Dextra chain consists of nine private dental clinics.



Occupational Healthcare

Dextra Occupational Healthcare offers comprehensive preventive healthcare services, such as health check-ups and occupational well-being services. All services of the Dextra Occupational Healthcare are produced by a professional team of doctor, nurse, fysiotherapist, psychologist and nutritionist. Close cooperation and occupational healthcare plan made together with the customer organisation enables the support for health and wellbeing of staff

The Dextra chain consists of 32 private clinics.

CASE: Sports and Injury Clinic

Dextra Sports and Injury Clinic offers rapid and convenient access to specialised care for professional and amateur athletes. The clinic's medical experts ensure the best possible care and assistance in accordance with the athlete's needs and the specific requirements of the sport in question. Access to appointments, examinations, treatment, surgeries and rehabilitation is rapid. Dextra also cooperates with many well-known sports clubs and the Olympic Committee.









Primary and social care services

In a complete outsourcing of social and healthcare services, a public entity such as a city or municipality outsources its social and healthcare services in their entirety, excluding official duties, to the responsibility of a private operator.

Outsourcing is typically implemented through public procurement, in which the city or municipality tenders for social and healthcare services production for a defined period. Agreement periods are long in order to enable cost-effectiveness and long-term cooperation. The agreement may also include an option for the extension of the agreement period and/or the number of residents covered by the agreement. Today, outsourcing agreements are often tendered on the basis of a joint venture model. This means that the call for tenders requires that the tenderer will establish a limited liability company with the customer's procurement unit for the production of services.

Pihlajalinna and its joint ventures with cities and municipalities are responsible for the provision of the social and healthcare services covered by the total outsourcing agreements in Jämsä, Mänttä-Vilppula, Juupajoki, Parkano and Kihniö and, as of the beginning of 2016, also in Alavus, Kuortane and Ähtäri. Furthermore, service production will begin in Soini in January 2017.

Jokilaakson Terveys - the first joint venture

Cooperation between Pihlajalinna and the City of Jämsä began in 2010. To secure health services in the area and the operations of Jokilaakso Hospital, the City of Jämsä initiated a public tendering process in 2009. The competitive bidding process was subject to a joint venture model involving the City of Jämsä and the Central Finland Health Care District. The City of Jämsä made the procurement decision in January 2010. The takeover of healthcare services was carried out in close cooperation with the City of Jämsä and its staff representatives.

Jokilaakson Terveys began operations in September 2010. The procurement agreement safeguarded the continued operations of Jokilaakso Hospital and the preservation of local jobs. Around 200 employees transferred to the company as existing employees, and by the end of 2010 the company created 25 new permanent jobs.

During its first year of operation, Jokilaakso Hospital performed a record number of treatments on patients. The number of surgeries increased from 1,600 to 2,200. At the same time, the number of local services increased as five new specialty areas were added to the range of specialised care services. Meanwhile, the quality of specialised care improved and, for example, the number of post-surgery infections significantly decreased.

In 2010, Jokilaakson Terveys was Finland's first and largest outsourcing arrangement between a private and a public social and healthcare service provider.



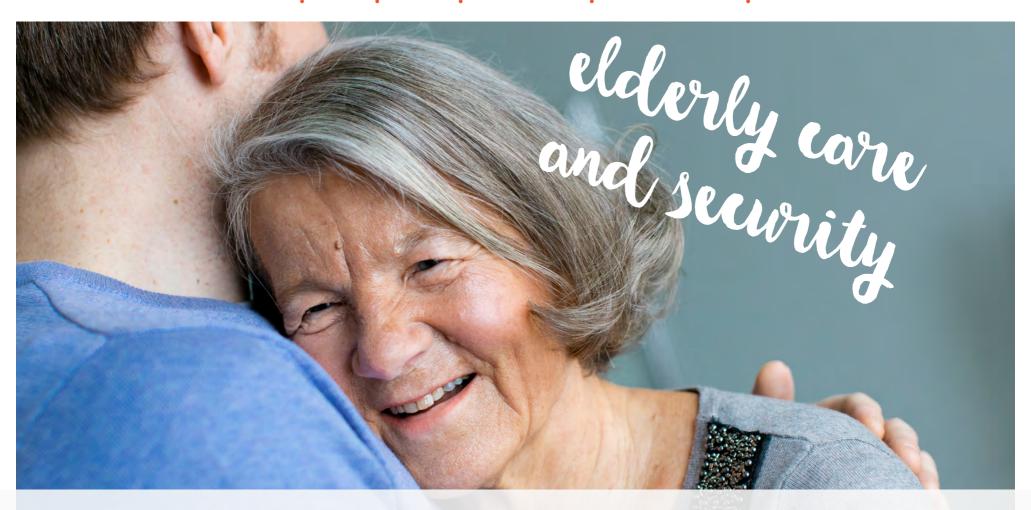
CASE: City of Jämsä – a more extensive outsourcing arrangement

In the autumn of 2014, the City of Jämsä held a public tendering process for its social and healthcare services, excluding adult social work, child welfare and disability services. Pihlajalinna won the competitive bidding, and the takeover process was carried out over a short period between Pihlajalinna and the representatives of the city. Jämsän Terveys Oy, a joint venture between Pihlajalinna and the City of Jämsä, began operations on 1 September 2015. About 400 social and healthcare employees transferred to the employment of the joint venture. The

agreement period of Jämsän Terveys is 10 years, and it includes a five-year option. "We decided to implement the first partial outsourcing in 2010 to safeguard the availability of local services and the continued operations of Jokilaakso Hospital. This first outsourcing arrangement was successful: we tackled the challenges that we faced along the way and learned valuable lessons for outsourcing during 2015. Cooperation with Pihlajalinna has been smooth. Former Jämsä City employees have been happy to cooperate, jobs have been preserved, and people have

been able to continue in their previous positions. We have been able to keep these services in Jämsä and residents can make an appointment with their doctor as before. Today, Jokilaakso Hospital offers a significantly wider range of specialised care than before. Locally available specialised care outpatient clinics mean that customers no longer need to travel to Jyväskylä or Tampere to receive treatment.

Merja Lahtinen, Chair of Jämsä City Council



"My parents who both have dementia, my mother Lea and my father Esko leave from the care home to work every morning. When I visit them, they are always together. It is easier for me that they are here together. I'm happy that they have a place in a care home. It was too difficult to stay at home. Their condition has improved already for they eat much better food at the care home."

Jussi Lehtomäki, son of Lea and Esko who live at Ikipihlaja Kuusama care home

Responsible business

Responsibility is an essential part of all our operations. Ikipihlaja care homes and asylum seeker reception centres are examples of our responsible operations.

Pihlajalinna services for the elderly – building on a firm value base

The self-determination of the elderly with memory diseases is respected at Pihlajalinna's Ikipihlaja homes. In practice, this means that memory care patients are treated as equal adults. Joint activities and daily routines that sustain functionality are also among our core values. The medical staff are familiar with the customer's present and historical situation and, therefore, understand his or her personal operating models. The customer focus is the starting point for all of our activities.

This is reflected in our daily activities through patient inclusion and involvement, and the provision of a range of hobbies and opportunities on a daily basis. It also includes the involvement of the customer's relatives and close friends. If this is impossible due to long distances, for example, the customer's personal carer will secure communication with close friends and relatives.

An Ikipihlaja home is not home-like – it is the customer's real home where care providers work; the customer does not live at the staff's workplace. The customer's natural rhythm of life is respected.

The care provided at an Ikipihlaja home is based on community thinking. Various joint activities and the sense of togetherness are part of everyday life and constitute the essence of life. At Ikipihlaja homes, residents can participate and engage in activities in accordance with their wishes and resources. Close and unhurried interaction creates a pleasant feeling, and the resident's individual needs and personal history get the attention they deserve.

Reception centres - social responsibility

In September 2015, the Finnish Immigration Service requested private social and health care firms to provide urgent emergency assistance to find sufficient reception

We opened five own reception centres

facilities for asylum seekers arriving in Finland.
A total of 32,453
asylum-seekers arrived in Finland last year
— many times more than in previous years.
Pihlajalinna urgently established five reception centres for asylum seekers in

Kokemäki, Renko (part of Hämeenlinna), Kihniö, Jämsä and Karkku. In each of these localities, the establishment of a reception centre caused a lot of public debate and also strong criticism. Cooperation with local government representatives, local residents, local media and the police was close and still continues. Asylum seekers from Iraq, Afganistan and Somalia live in Pihlajalinna's reception centres. Daily life runs smoothly in the reception centres. Children have begun preparatory classes at local schools, a range of integration activities has been organised, and two families have welcomed a baby since autumn 2015.

The expansion of the Pihlajalinna business operations into asylum seeker reception centre operations will benefit from significant synergies with the company's current social services production in those locations where the company already has operations.

Asylum seekers and asylum process decisions



Source: Finnish Immigration Service	994 353	<pre><pre><pre><pre><pre></pre></pre></pre> <pre><pre><pre><pre><pre><pre><pre><pre></pre></pre></pre></pre></pre></pre></pre></pre></pre></pre>	1,628 251
	1,116	negative international protection decisions >	1,307
	934	\leftarrow non-investigated asylum applications \rightarrow	1,094
	310	« lapsed asylum applications »	3,186

Renewing healthcare

Pihlajalinna has grown during the last ten years to a significant service provider in the Finnish social and healthcare market.

Pihlajalinna as a company

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. Under Pihlajalinna and Dextra brands, the Company provides social and healthcare services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics and hospitals around Finland. Pihlajalinna provides general practitioner and specialised care services, including emergency and on-call services, a wide range of surgical services as well as occupational healthcare and dental care services, in private clinics and hospitals operating under the Dextra brand. Under the Pihlajalinna brand the Company, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high quality services for public pay healthcare customers.

Pihlajalinna history in a nutshell

in a nutshell
The current CEO
Mikko Wirén
established Pihlajalinna in Parkano in
2001. At first company
focused in regional
healthcare staffing in
Pirkanmaa region. Early
on Pihlajalinna's base idea was
to produce services more cost
higher quality than other com

Our success is based on the innovative service concepts

to produce services more cost-efficiently and with higher quality than other companies. Personnel has also owned company stock from the start. First social and healthcare outsourcing contracts were made in 2004 and 2005 and the first private clinic was opened in Ylöjärvi in 2005. The same year surgery and occupational healthcare operations were started.

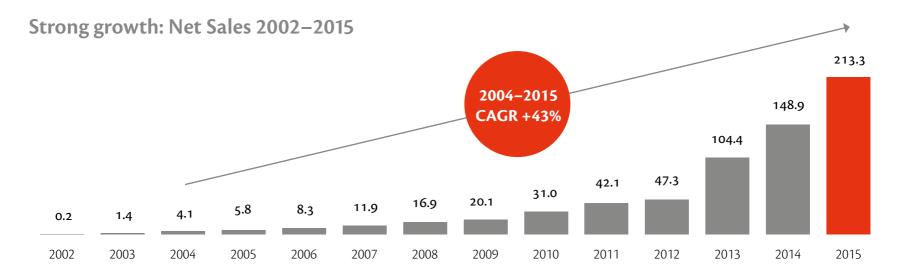
During 2006–2010 Pihlajalinna strenghtened its business operations by building its private clinic network and developing outsourcing operations by initiating OmaPihlaja healthcenter outsourcing with Tampere city in 2007. The first public-private joint venture company Jokilaakson Terveys Oy began operations in 2010 and won the largest healthcare outsourcing tender of Jämsä city's Jokilaakso hospital healthcare service production.

At the end of 2012 Pihlajalinna acquired Dextra and integrated then Pihlajalinna's private clinics under the

Dextra brand. Also the outsourcing operations grew significantly when Pihlajalinna and Mänttä-Vilppula city joint venture company Mäntänvuoren Terveys Oy started producing social and healthcare services of Mänttä-Vilppula. Pihlajalinna occupations healthcare services grew in 2014 when UPM Oyj outsourced it occupational healthcare to Pihlajalinna.

The year 2015 was in many ways significant for the company. In January Parkano social and healthcare outsourcing started. Kihniö joined the Parkano contract

in May 2015 and Jämsä outsourcing started by Jämsä city and Pihlajalinna joint venture company Jämsän Terveys Oy production in September. Pihlajalinna Plc was listed to Helsinki Stock Exchange in June 2015. Pihlajalinna opened also five asylum seeker reception centers in October–November 2015. Kuusiokunnat outsourcing contract started in January 2016.





"The most important thing at the Pihlajalinna asylum center is that I'm safe here. At the reception center we have been treated well, the staff is nice and empathetic, totally awesome! I'm happy and satisfied, we've had a lot to do here. I've said to the other refugees that our time here is valuable and good, future is still unknown."

Otham Hammoodi Fathi, 39 years, from Bagdad, Pihlajalinna Kokemäki asylum center

Personnel wellbeing

The main objective of Pihlajalinna's HR strategy is to support the Group's business strategies by developing management and supervisory processes as well as staff competencies and well-being at work.

The strategy's key focus areas include the development of our management culture and supervisory work, and the strengthening of an enthusiastic, customer-oriented, quality- and economically-conscious Pihlajalinna culture throughout the organisation. We will achieve this by supporting staff commitment and motivation through open communication and community spirit, and the bold and innovative development of our processes. The main HR processes to be developed are related to the development of competencies and well-being at work, as well as performance management and remuneration.

Pihlajalinna Group's Well-being at Work Survey 2015

In November 2015, Pihlajalinna Group carried out a well-being at work survey in cooperation with Elo Mutual Pension Insurance Company, covering all personnel. A total of 1,599 individuals from various parts of Finland completed the survey, including representatives from public healthcare, private clinics, occupational healthcare, dental care, hospitals, services for the elderly and other social services.

The questionnaire surveyed the opinions of staff on well-being at work, work organisation, the development of competencies and

operations, communications, general company atmosphere, and management and supervisory work. On a scale of 1 to 5, the overall average grade was 3.71. Since average grades exceeding 3.5 are regarded as strengths, the overall result of the survey was positive.

The survey results highlighted the fact that Pihlajalinna professionals are enthusiastic about their work (average grade 4.23), find their work meaningful (4.14), and consider the company atmosphere to be good (3.90). The work community is characterised by open discussion (4.09) and supporting one's colleagues (4.27). This positive spirit is a resource that Pihlajalinna wants to increasingly support and nurture. The survey results also make the challenges of rapid growth visible. The lowest grades, which were nevertheless on the positive side of the scale (i.e. strengths), involved management and supervisory work (average 3.51), and the content and organisation of work (3.63).

We will go through the survey results with the staff at the beginning of 2016. After this, we will be able to identify our special strengths and development areas to further enhance well-being at work. The most important part of the well-being at work survey process is the reflection of the results in dialogue with our employees, and commitment to the subsequent action plan. Based on these reflections, we will draw up a well-being at work plan for Pihlajalinna Group and begin implementing it in cooperation with our pension insurance company.

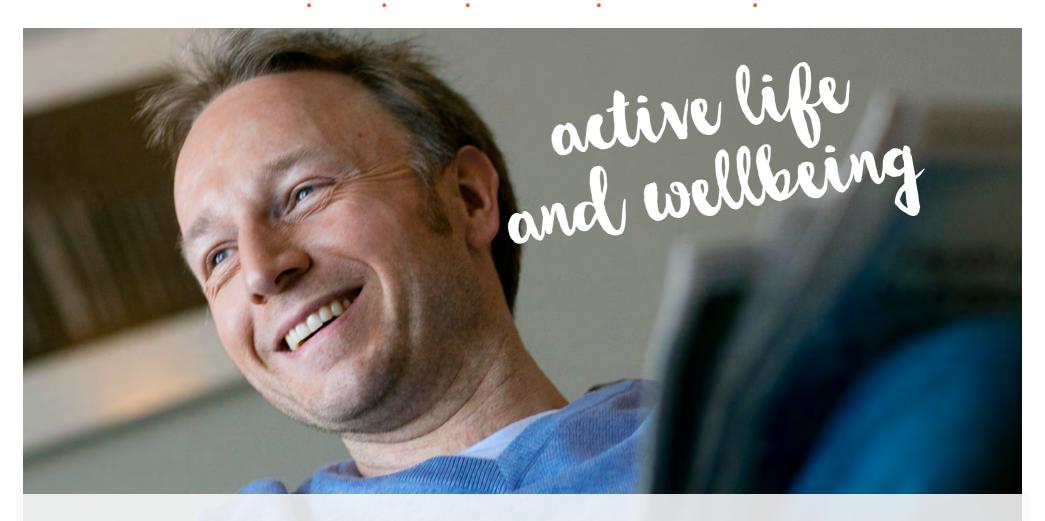
Personnel 2015

Number of personnel on 31 Dec 2015

3,047

Wellbeing at work survey in average

3.7/5



"Pihlajalinna growth story and success show how positive entrepreneurial spirit and courage to challenge current ways to work gives you wings. Social and healthcare sector is in strong change phase and also controversial but Pihlajalinna has tackled the challenges by developing operations as the frontrunner and at the same time putting effort to staff development and wellbeing at work."

Tammerkoski Junior Chamber of Commerce

Corporate Governance

The Corporate Governance of Pihlajalinna Plc (Company) is based on effective legislation, the Company's Articles of Association and the rules and regulations applied to companies listed on Nasdaq Helsinki Ltd.

The Company abides by the Finnish Corporate Governance Code issued by the Securities Market Association. It is available on the www.cgfinland. fi/en website maintained by the Securities Market Association. Pihlajalinna departs in no respect from the recommendations of the Code. Corporate Governance Statement has been compiled as separate statement from the annual report and will be published on the company's internet site www.pihlajalinna-konserni.fi.

Annual General meeting

The General Meeting is Pihlajalinna's highest decision-making organ. According to the Company's Articles of Association, the Annual General Meeting is held within six months after the end of the financial period. The Annual General Meeting decides on the matters according to the Limited Liability Companies Act and the Articles of Association. An Extraordinary General Meeting shall be held when the Board of Directors

considers it necessary or when the auditor of the Company or the Company's shareholders holding at least ten per cent of all shares request it. The Company will announce on its website the date by which a shareholder must propose to the Board of Directors a matter to be considered by the Annual General Meeting. After the General Meeting, its decisions are published in a stock exchange release.

Board of directors and management

The Board of Directors is elected on an annual basis by the Annual General Meeting. According to the Company's Articles of Association, there are a minimum of four (4) and a maximum of ten (10) members in the Board of Directors. The Board of Directors elects a Chairman from among its members. The term of office of a member of the Board of Directors begins at the General Meeting where he or she was elected and expires at the close of the first Annual General Meeting following the election.

Full CG-statement
online at:
www.investors.pihlajalinnakonserni.fi

The Company aims to ensure that its Board of Directors as a whole has sufficient and versatile expertise. The Board of Directors may appoint committees, management groups and other permanent or temporary bodies to perform duties specified by the Board of Directors. The Board of Directors has established from among its members an Audit Committee and a Nomination and Remuneration Committee. These committees have written charters approved by the Board of Directors. The Board of Directors appoints the Chief Executive Officer and decides on the terms and conditions of his or her service contract. The CEO is in charge of the Company's operational management and the Pihlajalinna Group's business in accordance with the instructions and orders issued by the Board of Directors. The CEO is responsible for ensuring that the Company's accounting practices comply with the law and that the financial matters are handled in a reliable manner. The Pihlajalinna Group's Management Team assists the CEO in the operative business management.

Internal control and risk managemet

The Company's internal controls related to its financial reporting are based on the monitoring of business processes. The purpose of internal control and risk management that are related to the financial reporting process is to achieve sufficient certainty in operational profitability and efficiency and capital control, reliability and completeness of financial and operational information, compliance with laws, regulations and agreements, as well as ethical principles and social responsibility. Risk management complying with the Risk Management Policy confirmed by the Board of Directors forms part of Pihlajalinna Group's control system. The purpose of risk management is to ensure that the risks related to the Company's business operations are identified, evaluated and monitored. The goals of risk management include ensuring the achievement of business, profit performance and shareholder value targets as well as corporate responsibility and business continuity.

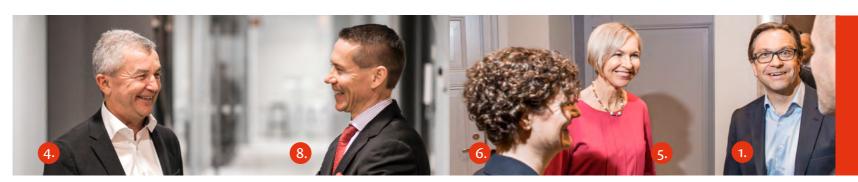
Insider Administration

Pihlajalinna Plc complies
with current regulations for
Insider Guidelines and Related parties.
More accurate description of the Company's Insider
Administration and Related Parties is given in The
Corporate Governance Statement.

Auditing

According to Pihlajalinna Plc's Articles of Association, the General Meeting shall elect a auditor that shall be an auditing firm approved by the Central Chamber of Commerce. The Annual General Meeting 2015 elected KPMG Oy Ab, a firm of authorized public accountants, as its auditor, with Frans Kärki, APA, as the principal auditor. The auditors will annually provide an auditor's report to Pihlajalinna Plc's Annual General Meeting.

Board of Directors



1. Mika Uotila

b. 1971, M.Sc. (Econ.) Chairman of the Board Member of the Board since 2014

Finnish citizen
Independent of the company

Principal occupation: CEO, Sentica Partners Oy

Aarne Aktan

b. 1973, B.Sc. (Econ.) Member of the Board since 2014

Finnish citizen Independent of the company and its major shareholders

Principal occupation:
CEO. Talentum Media Ab

3. Martti Ala-Härkönen

b. 1965, D.Sc. (Econ.), Lic.Sc. (Tech.) Member of the Board since 2015

Finnish citizen Independent of the company and its major shareholders

Principal occupation: CFO, Cramo Oyj

4. Heikki Dunder

b.1952, LL.M. Trained on the bench, M.Sc. (Econ.) Member of the Board since 2014

Finnish citizen
Independent of the company

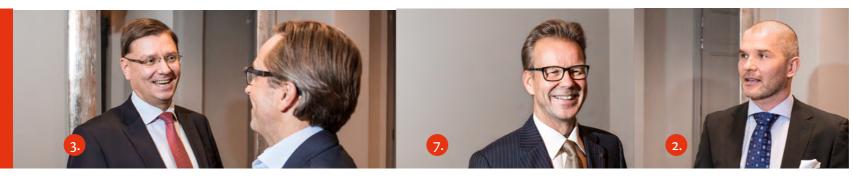
Principal occupation:
Partner, Dunder & Dunder Ky
CEO, Dunder Design Ky

5. Leena Niemistö

b. 1963, D.Med.Sc., Specialist in Physiatrics Member of the Board since 2014

Finnish citizen
Independent of major shareholders

Principal occupations:
Deputy CEO, Pihlajalinna Plc
CEO, Dextra Oy



6. Marjatta Rytömaa

b. 1967, Ph.D., MBA Member of the Board since 2014

Finnish citizen
Independent of the company

Principal occupation:
Partner, Sentica Partners Oy

7. Jari Sundström

b. 1960, LL.M. Trained on the bench Member of the Board since 2015

Finnish citizen
Independent of the company

Principal occupation: CEO, LocalTapiola General Mutual Insurance Company 8. Veli-Matti Qvintus

b. 1972, M.Sc. (Tech.) Member of the Board since 2014

Finnish citizen
Independent of the company

Principal occupation: CEO, DHL Global Forwarding (Finland) Oy

Management team





b. 1972, Lic.Med. CEO Employed by the Company since 2001

Primary work experience:

Founder of Pihlajalinna (presently MWW Yhtiö Oy) in 2001, General Practitioner and Occupational Health Physician at Pihlajalinna Terveys Oy and its predecessor in 2001–2011, Health Centre Physician in Parkano in 2001–2005.

Main simultaneous positions of trust: Chairman of the Board, LocalTapiola, Pirkanmaa regional company

2. Leena Niemistö

b. 1963, D.Med.Sc., Specialist in Physicatrics Deputy CEO, SVP, L&E Segment Employed by the Company since 2003

Primary work experience:

CEO of Dextra Oy since 2003, Specialist at Kuntoutus Orton in 2000–2004

Main simultaneous positions of trust:

Board member: Pihlajalinna Plc, Elisa Corporation, Svenska Handelsbanken Finland, Suomen Messut Osuuskunta, Modz Oy, Aprovix Ab. Chairman of the Board: HLD Healthy Devices Oy. Member of the Board: Lääkäripalveluyritykset ry, Terveyspalvelualan Liitto and Maanpuolustuskurssiyhdistys. Vice Chairman on the Helsinki Area Chamber of Commerce.

Joni Aaltonen

b. 1970, BBA COO Employed by the Company since 2008

Primary work experience:

CFO of Pihlajalinna in 2008–2015, CEO of Vendero Oy since 2013, CFO of Plenware Oy in 2005–2008, Auditor at KPMG Oy Ab in 2001–2004

Main simultaneous positions of trust:

Chairman of the Board, Vendero Oy, Kemvit Oy and MediWare Oy; Board Member, Sinister Duo Oy



4. Virpi Holmqvist

b. 1970, M.Sc. (Econ.) CFO Employed by the Company since 2015

Primary work experience:

Attendo Finland Oy, Director of Outsourced Social and Health Care Services in 2013–2015 and Financial Director in 2008–2013; Ramboll Finland Oy, Head of Business Control in 2006–2008 and Project Controller in 2005–2006; Oy Dell Ab, Controller in 2003–2005, StorageTek Oy, Business Communication Manager in 2003 and Chief Accountant in 2002–2003; Suomen Gallup-Mainostieto Oy, Sales Manager in 1998–2002.

Main simultaneous positions of trust:

Auditor, Nesting Ltd; Silent Partner, Hilkka ja Timo Kallio Ky 5. Terhi Kivinen

b. 1971, M.Pol.Sc.SVP, Communications, Marketing and IREmployed by the Company since 2014

Primary work experience:

Phoenix Group, Director, Corporate Responsibility; Tamro Corporation, Marketing and Communications Director, Director, Communications and Corporate Responsibility in 2007–2014; GlaxoSmithKline Oy, Communications Manager in 2004–2007

Main simultaneous positions of trust:

Chairman of the Board, Pro Polaris Oy; Chairman of the Board, Pro Selection Oy 6. Juha Rautio

b. 1969, M.Sc. (Admin.) SVP, P&S segment Employed by the Company since 2010

Primary work experience:

Plenware Oy, 2000-2009

Main simultaneous positions of trust: none

7. Kimmo Saarinen

b. 1958, Lic.Med., Occupational Health Specialist Medical Director Employed by the Company since 2005

Primary work experience:

Specialist, Finnish Institute of Occupational Health, 1998–2007 and Main Occupational Health Physician of Pieksämäki Region 1989–1998.

Main simultaneous positions of trust: none

Shareholder information

Revenue EUR

213.3

(148,9) million – increase of 43 per cent

EBITDA excluding non-recurring items EUR

12.5

(14,9) million

Operating profit excluding non-recurring items EUR

4.5

(8,2) million

Net cash flow from operating activities EUR

17.7
(9,4) million

Gross investments EUR

44.6

(28,3) million

Number of personnel at the of the financial year

3,047

Earnings per share EUR

0.03

(0,11)

Guidance on Group outlook

Pihlajalinna's consolidated revenue will exceed EUR 400 million in 2016 and EBIT margin will improve compared to 2015.

Stock quote 4.6.-31.12.2015



Net Sales

62.6

47.9

51.9

50.9

Q1/15

Q2/15

Q3/15

Q4/15

EBITDA*

3.4

Q2/15

Q3/15

Q4/15

Q1/15

* Excl. NRI's

Pihlajalinna business segments

Private Clinics and Specialised Care Net Sales EUR 119.5

(92.9) million, increase of 29 per cent





Primary and Social Care

Net Sales EUR

96.8

(57.9) million, increase of 67 per cent







Financial review 2015

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Report by the board of directors

Pihlajalinna is one of the leading private social and health-care services providers in Finland. The Company provides social and healthcare services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics and hospitals around Finland. Pihlajalinna provides general practitioner and specialised care services, including emergency and on-call services, a wide range of surgical services, occupational healthcare and dental care services, in private clinics and hospitals operating under the Dextra brand. Under the Pihlajalinna brand the Company, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high quality services for public pay healthcare customers.

Brief look at January-December:

- Revenues amounted to EUR 213.3 (148.9) million an increase of 43 per cent
- EBITDA excluding non-recurring items amounted to EUR 12.5 (14.0) million
- Operating profit excluding non-recurring items amounted to EUR 4.5 (8.2) million
- Net cash flow from operating activities amounted to EUR 17.7 (9.4) million
- Gross investments in the financial year amounted to EUR 44.6 (28.3) million
- Number of personnel at the end of the financial year 3,047 (1,714)
- Earnings per share EUR 0.03 (0.11)
- Board of Directors proposes a dividend of 0.02 per share

Mikko Wirén, CEO of Pihlajalinna:

Pihlajalinna Group's strong growth continued during the last three months. The revenue grew by 21 per cent during the quarter, reaching EUR 62.6 (51.9) million. The majority of this was due to organic growth arising from complete outsourcing of social and health services in Parkano, Kihniö and Jämsä. In addition to this, the asylum seeker reception centre operations, which started in October, increased revenues. Investments in future growth continued to affect profitability.

Annual revenue grew by 43 per cent, reaching EUR 213.3 (148.9) million. The reinforcement of the Group's administration and supporting functions and the development of the ERP system affected our profitability. The low capacity utilisation rates of new units, which burdened the result of the financial year, improved towards the end of the year.

The Group's cost savings plan has proceeded as planned and, for instance, the affiliate mergers were completed in early February 2016. In all likelihood, the targeted annual cost savings level of EUR 3 million will be reached during 2016.

The financial year 2015 was a year of important projects building future growth of the Company. The Company was listed on NASDAQ OMX Helsinki's main market in June 2015 and started three significant complete social and health services outsourcing agreements. The biggest complete social and health service outsourcing takeover in the history of the Company to date was implemented during the financial year in the Kuusiokunnat area, and service production commenced on 1 January 2016 at the same time with the significantly expanding Jämsä outsourcing. During the year, we also executed several M&A transactions. I want to extend

my warm gratitude to the staff of Pihlajalinna and to our partners for all their excellent work for the Company to succeed.

The most important projects of the financial year 2016 include ensuring the continuation of the positive trend in the Company's profitability, and implementing a long-term growth strategy. We also want to utilise the opportunities offered by healthcare and elderly care technologies as well as digitalisation in our operations as efficiently as possible.

Pihlajalinna will monitor the preparation of the new Act on the Organisation of Social and Health Services and investigate its practical impact on the Company's business opportunities. Vice President of the Dental Care service area, Pekka Utriainen, has been elected to the group of experts appointed by the Ministry of Social Affairs and Health to support the preparation and implementation of the social and health service reform.

As of 1 January 2016, Pihlajalinna's current outsourcing agreements cover a population of approximately 66,000 and once the option periods of the agreements are fully realised, the complete outsourcing business area may grow by approximately 154,000 citizens.

The cornerstone of Pihlajalinna's success is good cooperation between public and private social and health service providers. We hope that we can expand this operating model and develop it on a national level as part of the new Act on the Organisation of Social and Health Services preparation process.

Guidance on group outlook

Pihlajalinna's consolidated revenue will exceed EUR 400 million in 2016 and EBIT margin will improve compared to 2015.

Consolidated revenue and operating profit

January-December 2015

Pihlajalinna's revenue during the financial year amounted to EUR 213.3 million (EUR 148.9 million), an increase of EUR 64.5 million or 43 per cent. Organic growth amounted to about EUR 44.3 million, including the new social and health service outsourcings in Parkano, Jämsä and Kihniö. M&A transactions accounted for approximately EUR 20.2 million of the growth in revenue.

During the last quarter, the revenue grew by 21 per cent compared to previous year, reaching EUR 62.6 (51.9) million.

The Group's materials and services during the financial year represented 38.4 per cent (39.4) of consolidated revenue or EUR 81.9 million (EUR 58.7 million). The Group's employee benefit expenses represented 45.7 per cent (41.8) of consolidated revenue or EUR 97.4 million (EUR 62.2 million). Other operating expenses totalled 10.9 per cent (11.5) of revenue or EUR 23.2 million (EUR 17.1 million).

Depreciation and amortisation for the financial year totalled EUR 8.0 million (EUR 5.8 million). Amortisation of intangible assets during the financial year was EUR 2.9 million (EUR 2.3 million), of which the amortisation of the intangible assets separate from goodwill, allocated from the costs of business combinations on the date of acquisition, totalled EUR 2.2 million (EUR 2.0 million). Depreciation of property, plant and equipment totalled EUR 5.1 million (EUR 3.5 million).

Pihlajalinna's operating profit amounted to EUR 3.6 million (EUR 6.0 million). Operating profit represented 1.7 per cent of revenue in the financial year (4.0%). Operating profit includes EUR 0.9 million of non-recurring costs relating to the Initial Public Offering of the Company. The operating profit for the comparison period included EUR 1.8 million in costs related to the preparations for the Initial Public Offering, and EUR 0.5 million in other non-recurring costs (a total of EUR 2.2 million).

Operating profit for the financial year excluding non-recurring items amounted to EUR 4.5 (8.2) million.

The decline in operating profit was due to increased depreciation and amortisation related to the investments for growth; low results of the new private clinics that were opened early in the year; the reinforcement of the Group's administration; and the introduction of the new ICT infrastructure to meet the needs of a growth company. Increasing resources and carrying out significant development projects are crucial to strengthening the Group for future growth.

Transfer taxes and expert fees relating to the M&A transactions executed during the year added an extra burden of EUR 0.9 (0.1) million on the result of the financial year.

The provision of specialised medical care in the Mänttä-Vilppula area, the acquisition of care homes in Southwest Finland, the increase in the volume of surgical operations, outsourcing the social and health services in Jämsä, and the acquisition of Suomen Keinojuuriklinikka contributed positively to the operating profit for the financial year.

Profitability improved during the final quarter. The operating profit for the final quarter was EUR 1.4 (1.4) million. Revenue excluding non-recurring items was EUR 1.4 (1.9) million, i.e., 2.2 (3.7) per cent.

In connection with Q2 interim report, Pihlajalinna announced that it would launch a restructuring programme aiming at annual cost savings of EUR 3 million. The implementation of fixed cost cuts and other efficiency improvement measures has continued as planned. In all likelihood, the target cost savings level will be achieved during 2016. Cost management, profitability monitoring and customer flow control form an essential part of this restructuring programme.

As part of the restructuring programme, Pihlajalinna initiated several subsidiary mergers aimed at achieving a

clearer Group structure and cost savings during the financial year. The mergers were implemented early in 2016.

Revenue and operating profit by operating segments

January-December 2015

Private Clinics and Specialised Care (C&S)

The Private Clinics and Specialised Care (C&S) segment provides general and specialist medical consultation services, surgical services, occupational healthcare services and oral healthcare services at private clinics and hospital units. The segment's customers comprise private individuals from all age groups, companies, entrepreneurs, public enterprises, cities, municipalities, other public entities, and associations and foundations. The units of Pihlajalinna Group's Private Clinics and Specialised Care segment operate under the Dextra brand, and the specialised care services are provided to private and public sector customers under the Dextra and Pihlajalinna brands. The Private Clinics and Specialised Care (C&S) segment is divided into four service areas: *Private Clinics, Surgical Operations and Public Specialised Care, Dental Care*, and *Occupational Healthcare*.

The revenue of the C&S segment for the financial year amounted to EUR 119.5 (92.9) million, an increase of EUR 26.6 million or 29 per cent. The revenue for the final quarter was EUR 32.0 (38.4) million.

The increase in the segment's revenue was mainly due to the growth in the Surgical Operations and Public Specialised Care service area. The revenue increased by EUR 15.9 million compared to the previous year, mainly due to the outsourcing of the social and health services in Parkano and Kihniö and the acquisition of Laser Tilkka's surgical operations. The revenue of the Dental Care service area increased by EUR 8.1 million, primarily due to the acquisition of Suomen Keino-

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report by the board of directors

Pihlajalinna Group

juuriklinikka. The revenue of the Occupational Healthcare service area increased by EUR 3.4 million and that of the Private Clinics service area by EUR 2.3 million.

C&S segment's operating profit for the financial year amounted to EUR 2.8 million (EUR 6.3 million). The operating profit for the last quarter was EUR 1.0 (1.7) million.

The segment's profitability was affected by the weak performance of the Occupational Healthcare and Private Clinics service areas. The weak results of the new units of the Dental Care service area played a part in the segment's low profitability. Another strain on the operating profit was the increased depreciation and amortisation of the segment, the reinforcement of the Group's operative management and administration, and the introduction of an IT infrastructure to meet the needs of a growth company. Transfer taxes and expert fees relating to the M&A transactions executed during the year reduced the segment's operating profit by EUR 0.7 (0.1) million in total.

The segment's profitability was improved by growing volumes in the Surgical Operations and Public Specialised Care service area, and the acquisition of Suomen Keinojuuriklinikka. The most significant positive effects on the segment's result were the improved utilisation rates of private surgical operations, and in particular more efficient management of customer flows in the Mänttä-Vilppula specialised care service area.

Primary and Social Care (P&S)

The Primary and Social Care (P&S) segment provides services to public entities under the Pihlajalinna brand. The supply of services includes primary healthcare and social care services that are provided through complete outsourcings, staffing services or separate care service units. Services for municipalities are mainly provided on the premises determined by them.

The Primary and Social Care segment is divided into

Performance of the segments

	C&S			P & S		
Quarter	10-12/2015	10-12/2014	Change %	10-12/2015	10-12/2014	Change %
Revenue, EUR million	32.0	38.4	-17	31.4	15.3	105
Operating profit, EUR million	1.0	1.7	-41	0.7	0.0	-2027
Operating profit, %	3.2	4.5		2.1	-0.2	
Cumulative	1-12/2015	1-12/2014	Change %	1-12/2015	1-12/2014	Change %
Revenue, EUR million	119.5	92.9	29	96.8	57.9	67
Operating profit, EUR million	2.8	6.3	-55	2.3	1.9	19
Operating profit, %	2.3	6.7		2.4	3.3	

four service areas: Complete Social and Healthcare Outsourcings, Health Centre Outsourcings, Staffing and Care Services.

The P&S segment's revenues during the financial year amounted to EUR 96.8 million (EUR 57.9 million), an increase of EUR 38.9 million, or 67 per cent. This increase was mainly due to the Parkano, Kihniö and Jämsä healthcare and social care service outsourcing contracts, and the acquisition of care homes in Southwest Finland. The segment's revenue for the final quarter was EUR 31.4 (15.3) million, an increase of 105%.

The P&S segment's operating profit for the financial year amounted to EUR 2.3 million (EUR 1.9 million). The operating profit for the final quarter was EUR 0.7 (0.0) million.

The increase in the operating profit was largely due to the acquisition of care homes in Southwest Finland and a general improvement in the utilisation rates in the Care Services service area.

The segment's operating profit was decreased by increased depreciation and amortisation, primarily related to the sale and leaseback of care premises (total growth of EUR 0.8 million). The reinforcement of the Group's operative management and administration and the introduction of IT infrastructure that meets the needs of a growth company also burdened the profitability of the P&S segment.

Transfer taxes and expert fees relating to the M&A transactions executed during the year reduced the segment's operating profit by EUR 0.2 (0.0) million in total.

The City of Mänttä-Vilppula decided in June 2015 to put social and health services out to tender. The deadline was 12 January 2016. The City Council of Mänttä-Vilppula chose Pihlajalinna as the city's social and health service provider on 9 February 2016. Mänttä-Vilppula invited companies to tender for the social and health services for a maximum total population of 60,000 on a fixed-term ten-year contract, tentatively from 1 July 2016 to 30 June 2026. The contract includes an option for an additional five years.

Financial targets

Pihlajalinna has set the following long-term financial targets for its operations:

- Operating profit (EBIT) exceeding 7 per cent over revenue; and
- Net debt to EBITDA below three times EBITDA.
- A minimum of one-third of the result for the period is distributed to the Company's shareholders as dividend and equity returns.

Along with the successful Initial Public Offering, Pihlajalinna has reached its targeted net debt level.

Financial items and profit for the period

The Group's net financial expenses totalled EUR –2.3 million (EUR –3.1 million). This included EUR 0.3 million of non-recurring refinancing expenses related to the EUR 60 million revolving credit facility signed at the end of September. The increase in net financial expenses last year was due to non-recurring financial expenses of EUR 1.0 million, mainly relating to the extensive restructuring in the summer of 2014 and earlier refinancing arrangement.

The Group's net financial expenses excluding non-recurring items totalled EUR –2.0 million (EUR –2.1 million).

Pihlajalinna's profit before tax for the financial year amounted to EUR 1.3 million (EUR 2.9 million). The profit before tax for the final quarter amounted to EUR 1.0 million (EUR 0.5 million).

Taxes for the financial year amounted to EUR -0.1 (-1.0) million. The operating profit of the financial year amounted to EUR 1.2 (1.9) million. Earnings per share (EPS) was EUR 0.03 (EUR 0.11). The comparative figure presented is the earnings per share of Pihlajalinna Terveys for 2014, which is an adjusted like-for-like figure that reflects the terms and conditions of the directed share issue carried out in July 2014.

The group's financial position

At the end of the financial year, Pihlajalinna Group's total statement of financial position was EUR 185.1 million (EUR 130.7 million). Consolidated cash and cash equivalents stood at EUR 15.3 million (EUR 7.4 million).

The Group's net cash flow from operating activities during the financial year amounted to EUR 17.7 million (EUR 9.4 million). A total of EUR 4.2 (3.3) million in working capital was released during the financial year. The net cash flow for the final quarter was EUR 7.1 (5.0) million. A total of EUR 1.2 million in working capital was tied up in the last quarter (EUR 1.3 million released).

Net cash flow from investing activities totalled EUR –32.1 million (EUR –17.5 million). The impact of subsidiary acquisitions on the net cash flow in the financial year was EUR –33.8 million (EUR –5.1 million). Disposals of subsidiaries during the financial year amounted to EUR 1.3 million (EUR –0.6 million). Investments in property, plant and equipment and intangible assets during the financial year totalled EUR –7.8 million (EUR –10.4 million), and proceeds from the disposals of property, plant and equipment totalled EUR 7.9 million (EUR 0.0 million). Pihlajalinna financed the share acquisitions of the care homes in Southwest Finland carried out on 31 March 2015 by selling the Group's care home properties (proceeds from the property, plant and equipment) and the property companies (disposal of subsidiaries).

The Group's cash flow after investments was EUR -14.4 (-8.1) million. The cash flow of the last quarter after investments was EUR -13.2 (1.9) million.

The net cash flow from financing activities totalled EUR 18.8 million (EUR 7.7 million). The net cash flow from financing activities includes EUR 57.4 million in net assets received in the Initial Public Offering and EUR 25.0 million in net assets from the directed share issue in December. During the financial year, the Group withdrew EUR 31.1 million of new loans within its credit limit and repaid its financial liabilities a total amount of EUR 90.4 million.

Pihlajalinna immediately leased back the care home properties sold on 1 April 2015 for its own use through lease agreements classified as finance leases. The lease term is fifteen (15) years.

The Group's solvency improved significantly in the financial year. The Group's equity ratio at the end of the financial year was 50.5 per cent (8.0). The increase in the equity ratio was due to net assets received from the Initial Public Offering, the net assets received from the directed share issue in December, as well as major loan repayments.

The low equity ratio in the corresponding period last year was due to the extensive restructuring arrangement and refinancing arrangement carried out during the summer of 2014. Gearing of the Group was 25.2 per cent (691.1) at the end of the financial year.

Interest-bearing net liabilities amounted to EUR 23.5 million (EUR 71.6 million). Return on capital employed was 3.4 per cent (7.1), and return on equity was 2.3 per cent (7.7).

At the end of September, Pihlajalinna signed a five-year revolving credit facility worth EUR 60 million and EUR 10 million account limit agreements with two of its partner banks. The revolving credit facility has one 12-month extension option period. The revolving credit facility includes a financial covenant based on the ratio of net debt to EBITDA. The Group met the set covenants on 31 December 2015.

At the end of the financial year, Pihlajalinna had EUR 58.0 million of unused committed short-term credit limits.

Capital expenditure

Gross investments in intangible and tangible assets during the financial year amounted to EUR 44.6 (28.3) million. The Company's gross investments in property, plant and equipment and intangible assets, which consisted of normal additional and replacement investments required for growth, amounted to EUR 6.0 million (EUR 6.1 million) during the financial year. Capital expenditure relating to the opening of new units totalled EUR 2.4 million (EUR 4.8 million). Gross investments in tangible and intangible assets attributable to M&A transactions, including goodwill, totalled EUR 36.3 million (EUR 17.4 million).

Total goodwill at the end of the financial year was EUR 76.1 (56.2) million.

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The Group's investment commitments are related to imaging equipment and financial administration's IT

report by the board of directors

Pihlajalinna Group

system development projects. In total, these investment commitments amount to about EUR 0.6 million.

Personnel

The Group's personnel averaged 2,503 persons in the financial year (1,619), an increase of 55 per cent. The number of personnel at the end of the financial year amounted to 3,047 (1,714), an increase of 1,333 persons or 78 per cent. The number of Group personnel grew by approximately 300 employees due to M&A transactions during the financial period. The rest of the increase in personnel was mainly due to the implementation of new complete outsourcing contracts for health and social services in Parkano, Kihniö and Jämsä (in total approximately 1,000 persons transferred). The Group's employee benefit expenses totalled EUR 97.4 million (EUR 62.2 million), an increase of 57 per cent.

Business development

The Group expanded during the financial year through several M&As and new unit openings. In January 2015, a new Dextra dental clinic was opened on the 7th floor of Stockmann department store in Helsinki. Pihlajalinna signed an agreement to acquire the entire share capital of Suomen Keinojuuriklinikka Oy in February 2015.

The Group also strengthened its dental care business in Jyväskylä by acquiring Wiisuri Oy's entire share capital in early February 2015.

The arbitration process concerning the MediLappi Oy share transaction was concluded on 19 February 2015. The transaction price confirmed in the arbitration process was EUR 0.2 million higher than the management's estimate in the 2014 financial statements.

The operations of Pietarsaaren Medicenter Oy were consolidated from the beginning of February 2015.

Pihlajalinna acquired three care homes in Southwest

Finland on 31 March 2015 (Hoitokoti Matinkartano Oy, Hoitokoti Setälänpiha Oy and Raision Oiva Oy). The care homes were given new marketing names in connection with the sale: Ikipihlaja Oiva, Ikipihlaja Matinkartano and Ikipihlaja Setälänpiha. As part of financing its care home acquisitions, the Group sold its care home properties and the property company Hämeenlinnan Nuutintupa.

Pihlajalinna bought a non-controlling interest in its subsidiary Dextra Suunterveydenhoito Oy on 1 April 2015. Since then, the Group's share in the company has been 100 per cent.

Pihlajalinna bought a non-controlling interest in its subsidiary Dextra Medical SPA & Plastiikkakirurginen sairaala Oy in late 2015. Since then, the Group's share in the company has been 100 per cent.

During the financial year, Pihlajalinna opened five reception centres for asylum seekers (Hämeenlinna, Kokemäki, Kihniö, Jämsä and Karkku).

On 9 December 2015, Pihlajalinna announced the acquisition of the entire share capital of Tampereen Lääkärikeskus Oy (Koskiklinikka) from private owners and Diacor terveyspalvelut Oy. The purchase included Koskiklinikka's 50 per cent ownership of the imaging service company Röntgentutka Oy. The net debt-free value of the acquisition was EUR 21.2 million. The purchase price was paid in cash on the execution date, 30 December 2015.

Koskiklinikka employs 150 healthcare professionals and other personnel, as well as 250 medical practitioners. In the financial year 2014, Koskiklinikka's revenue was EUR 15.4 million (gross sales approximately EUR 28 million) and operating profit EUR 1.7 million. In the financial year 2014, Röntgentutka Oy's revenue was EUR 4.6 million (gross sales approximately 6 million) and operating profit EUR 1.12 million. The joint venture Röntgentutka Oy will be consolidated in Pihlajalinna Group using the equity method, i.e. similarly to associated companies.

The total cost of the business combinations acquired in the financial year was EUR 42.1 million, all paid in cash. The acquisitions generated a total of EUR 20.0 million in goodwill. The business combinations were financed by the net assets received from the Initial Public Offering in June and from the directed share issue in December, the Group's credit limits, and the sale of the care premises and real estate company owned by the Group.

Pihlajalinna Plc's Group company Dextra Oy and Keskinäinen Vakuutusyhtiö Fennia signed a significant partnership agreement according to which Dextra, as a national main partner, will produce healthcare services for Fennia customers based on a long term agreement. The cooperation starts in early 2016.

On 30 December 2015, the Parliamentary Ombudsman of Finland reached a verdict on a complaint pertaining to the dictum given by the Ministry of Social Affairs and Health to the City of Tampere regarding the position of Jokilaakso Hospital within the framework of freedom of choice. In the verdict dated 30 December 2015, the Parliamentary Ombudsman states that the phrasing of the Health Service Act does not exclude specialised care arranged by the municipality in connection with basic healthcare from the freedom of choice pertaining to specialised care. Thus, Jokilaakso Hospital is deemed to fall under the patient's freedom of choice.

All Finns as well as the citizens of other Member States of the EU are free to choose Jokilaakso Hospital as their treatment centre, regardless of the municipality in which they reside.

Management changes

Joni Aaltonen was appointed Chief Operating Officer (COO) of Pihlajalinna Group as of 14 April 2015. He had previously served as the Group's Chief Financial Officer (CFO). In his new position, Aaltonen is responsible for the

Group's strategic development and M&A transactions, and for ensuring the profitable growth of business operations. The Group's procurement unit also reports to him.

Virpi Holmqvist was appointed Chief Financial Officer (CFO) of Pihlajalinna Group as of 14 April 2015. Holmqvist is responsible for managing the Group's financial administration function and developing its processes. She previously served on the management team of Attendo Finland Group from 2008, initially as Financial Director and for the last two years as Director of Outsourced Social and Health Care Services.

On 1 September 2015, CFO Virpi Holmqvist was appointed Managing Director of Jämsän Terveys Oy, a joint venture of Pihlajalinna and the City of Jämsä.

Pekka Utriainen was appointed Vice President of the Dental Care service area. Utriainen (Ph.D. in Philosophy, Licentiate of Dentistry and Specialist in Dental Care) has previously worked as Deputy Mayor responsible for social and healthcare at the City of Jyväskylä and in several other leadership positions in Jyväskylä and Seinäjoki, among others. He has also worked as a researcher at the Academy of Finland and as a dentist.

VP of Care Services, Hanna Aschan (M.Sc. Health Sci., MBA) will retire on 1 February 2016. Sanna Määttänen (Lic. Med., Specialist in Geriatrics) has been appointed as her successor. She previously served as Pihlajalinna's Medical Director in Parkano and Mänttä-Vilppula, among other units.

Management team and administration

Pihlajalinna Group's management team has seven members: Mikko Wirén, CEO, Leena Niemistö, Deputy CEO and Director of the Private Clinics and Specialised Care segment, Joni Aaltonen, Chief Operating Officer, Juha Rautio, Director of the Primary and Social Care segment, Virpi Holmqvist, Chief Financial Officer, Terhi Kivinen, Senior Vice President Communications, Marketing and IR, and Kimmo Saarinen, Medical Director.

Pihlajalinna Plc observes the Finnish Corporate Governance Code (2015) of Finnish listed companies provided by the Securities Market Association. The insider guidelines of Pihlajalinna Group are based on Finnish legislation, the insider guidelines of NASDAQ OMX Helsinki Oy, the rules and guidelines of the Financial Supervision Authority, the relevant directives approved by the European Parliament and the Council of the European Union, and the relevant regulations of the European Commission. The insider register of the Company is maintained in the SIRE register of Euroclear Finland Oy.

The Corporate Governance statement for 2015 as well as the remuneration report for 2015 are available on the investor's website of the Company.

Shares and shareholders

At the end of the financial year, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of outstanding shares was 20,613,146. The Company has one share series, with each share entitling its holder to one vote at the annual general meeting (AGM) of the Company. All shares bestow their holders with equal rights to dividends and other distribution of the Company's assets. At the end of the financial year, the Company had 5,459 (173) shareholders. The Company does not hold any treasury shares. The list of the largest shareholders is available on the investor's website of the Company at www.pihlajalinna-konserni.fi.

The trading of Pihlajalinna shares commenced on the pre-list of NASDAQ OMX Helsinki Ltd on 4 June 2015 and on the main market on 8 June 2015. The share's trade ID is PIHLIS, and Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

By the end of the financial year, a total of 7,679,586 Pihlajalinna shares¹ had been traded at a total exchange value of EUR 97,683,727. The highest price of the financial

year was EUR 19.85, the lowest price EUR 11.38, the average price EUR 12.72 and the closing price EUR 17.70. The market value of the share capital based on the closing price was EUR 364.9 million.

Flagging notifications

On 17 June 2015, Pihlajalinna Plc received a disclosure notice under Chapter 9, Section 5 of the Securities Market Act regarding MWW Yhtiö Oy holdings of Pihlajalinna Plc stock that, on 17 June 2015, had increased to 11.23 per cent of Pihlajalinna's total stock and voting rights.

According to information published in the Offering Circular of Pihlajalinna Plc, MWW Yhtiö Oy and Sinister Oy shareholders signed agreements on 7 May 2015 and 8 May 2015 according to which MWW Yhtiö Oy will buy the shares of Sinister Oy should the listing of Pihlajalinna Plc be realised. The share acquisition was realised with the payment of the purchase price of the shares on 17 June 2015. Pihlajalinna Plc CEO Mikko Wirén and his family own about 90 per cent of MWW Yhtiö Oy.

On 15 December 2015, Pihlajalinna Plc received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Sentica Buyout III GP Oy (business ID 2126931-6) and Sentica Buyout III Ky (business ID 2237279-6). According to the notification, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (business ID 2237018-4) (together referred to as the "Funds") had sold a total of 1,500,000 shares in connection with the share issue executed on the basis of an accelerated book building process

¹Includes 1,918,409 shares sold by certain shareholders of the Company in connection with the listing and full exercise of the Over-Allotment Option of 978,000 shares, but does not include the Share Sale of 1,500,000 shares executed on 15 December 2015.

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("Share Sale"). As a result of the completion of the Share Sale, Sentica Buyout III Ky's direct ownership of Pihlajalinna shares and votes fell below the 20% treshold. According to the notification, in the same connection Sentica Buyout III GP Oy's indirect ownership through the Funds fell below the 20% threshold of all the shares and voting rights in Pihlajalinna.

As a result of the share sale, Sentica Buyout III Ky owns a total of 3,403,266 Pihlajalinna shares and votes, or approximately 17.81 per cent of all Pihlajalinna shares and votes, and Sentica Buyout III Co-Investment Ky owns a total of 132,724 shares and votes or approximately 0.69 per cent of all Pihlajalinna shares and votes.

The general partner of Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky is Sentica Buyout III GP Oy, which exercises the power of decision in the Funds. The investment management functions for both of the Funds have been transferred to Sentica Partners Oy based on a separate investment management agreement.

Resolutions of the annual general meeting

Pihlajalinna's Annual General Meeting held on 12 March 2015 adopted the financial statements and the Board of Directors' report for 1 January–31 December 2014, and resolved that no dividend will be paid for the 2014 financial year. The Annual General Meeting discharged the members of the Board and the CEO from liability.

In the Annual General Meeting of 12 March 2015, the former board members Aarne Aktan, Heikki Dunder, Leena Niemistö, Veli-Matti Qvintus, Marjatta Rytömaa and Mika Uotila were re-elected, and Jari Sundström was elected as a new member, to Pihlajalinna Oy's Board of Directors, which has seven members. The Extraordinary General Meeting held on 22 May 2015 made a decision that the number of board members would be eight (8) and elected Martti Ala-Härkönen as a new Member of

the Board of Directors for the term starting 1 June 2015 and continuing to the end of the next Annual General Meeting.

The Annual General Meeting on 12 March 2015 decided to keep its compensation unchanged, with each Board member being paid a monthly remuneration of EUR 1,000. In addition, a meeting fee of EUR 1,000 will be paid for each Board meeting to all members who are present, and a meeting fee of EUR 500 for each committee meeting to all members who are present.

The firm of authorised public accountants KPMG Oy, with Frans Kärki APA as the principal auditor, were elected as the Company's auditors.

The Company's Extraordinary General Meeting decided on 22 May 2015 to change the Articles of Association and the company form. The business name of the Company was changed to Pihlajalinna Plc and the redemption clause and the notice clause according to the former Articles of Association were removed. The removal of these clauses was registered in connection to the listing on 4 June 2015.

On 22 May 2015, the Extraordinary General Meeting decided to increase the capital stock with a bonus issue from EUR 2,500 to EUR 80,000 from the reserve for invested unrestricted equity.

On 14 December 2015, the Extraordinary General Meeting authorised the Board of Directors to decide on the issuance of shares, option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act with one or more decisions in accordance with the Board's suggestion.

Authorisations of the board of directors

Pihlajalinna's Extraordinary General Meeting on 22 May 2015 authorised the Board of Directors to decide on a

directed share issue and its terms in relation to the listing of the Company, including the subscription price and price range of the shares.

The number of the shares issued under the authorisation may total a maximum of 9,000,000. The authorisation is valid until the end of the next Annual General Meeting, at the latest until 30 June 2016. Under the authorisation, the Board has issued 5,714,286 new shares in connection with the Initial Public Offering of the Company.

In addition to this, on 22 May 2015 the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the issuance of option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act as follows: based on the authorisation, the Board of Directors may grant option rights or other special rights conferring entitlement to the shares based on which a total of 800,000 Company shares may be subscribed. The Board of Directors has the right to decide on all terms, including the terms of the option schemes directed at the key personnel of Pihlajalinna Group. The authorisation is valid until the end of the next Annual General Meeting, at the latest until 30 June 2016.

On 14 December 2015, the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the issuance of shares, option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act with one or more decisions in accordance with the Board's suggestion, as follows:

The shares issued on the basis of the authorisation are the Company's new shares, the maximum total amount thereof 2,600,000 shares, or approximately 13.6 per cent of all of the Company's current shares. Shares or special rights conferring entitlement to shares may be issued in one or more batches.

The Board of Directors was authorised to decide all terms of the share issue and the issuance of special rights conferring entitlement to shares. This authorisation included the right to depart from the shareholders' pre-emptive subscription right (directed share issue), if the Company has sufficient financial reasons for the departure pursuant to the Limited Liability Companies Act. The authorisation can be used for purposes decided by the Board of Directors, e.g. to reinforce the Company's balance and financial position in connection with expansion and investment projects, such as M&A transactions, in accordance with the Company's strategy.

The authorisation, which did not overturn previous authorisations, will be valid for five (5) years starting from the decision of the General Meeting.

Based on the authorisation, the Board of Directors issued 1,500,000 shares in the direct share issue on 15 December 2015.

Committees nominated by the board

At its meeting held on 18 June 2015, the Board of Directors resolved upon the membership of its committees for a term ending at the end of the next Annual General Meeting.

Mika Uotila was elected chairman of the Audit Committee; the other members are Marjatta Rytömaa, Aarne Aktan and Martti Ala-Härkönen.

Aarne Aktan was elected chairman of the Nomination and Remuneration Committee; the other members are Veli-Matti Qvintus, Marjatta Rytömaa and Jari Sundström.

Listing of the company on NASDAQ Helsinki

On 4 May 2015, the Company announced its plan for an Initial Public Offering and listing on NASDAQ OMX Helsinki. The Board of the Company decided under the authorisation given by the Extraordinary General Meeting on 22 May 2015 to arrange the Initial Public Offering and to file the listing application.

In the Initial Public Offering, the Company offered for subscription ("Share Issue") and certain shareholders of the Company offered for purchase ("Share Sale") a preliminary maximum of 7,607,076 shares of the Company in total. A preliminary maximum of 500,000 shares were offered to private individuals and organisations in Finland ("Public offering") and a preliminary maximum of 7,107,076 shares to institutional investors in Finland and internationally ("Institutional offering").

According to the terms and conditions of the Initial Public Offering in the event of an oversubscription, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (together "Institutional Sellers") and the Lead Manager Danske Bank may agree on granting the Lead Manager an over-allotment option exercisable within 30 days of the publication of the final subscription price to subscribe up to 978,000 additional shares. In addition, the terms and conditions of the Initial Public Offering stipulated stabilisation measures, based on which the Lead Manager may, within 30 days of the publication of the final subscription price, engage in measures that stabilise, maintain or otherwise affect the price of the shares.

The Lead Manager carried out the Share Lending Agreement with Institutional Sellers, related to stabilisation according to the terms and conditions of the Initial Public Offering. According to the Share Lending Agreement, the Lead Manager borrowed a number of shares of the Company equal to the over-allotment option.

The Public Offering was discontinued due to oversubscription on 1 June 2015 and the Institutional offering was discontinued due to oversubscription on 3 June 2015. The final subscription price of Pihlajalinna was set at EUR 10.50 per share on 3 June 2015. In the Initial Public Offering, 5,714,286 new shares were issued, correspond-

ing to approximately 43 per cent of the total number of shares before the share issue. In the share issue, certain shareholders of the Company sold 1,918,409 shares. The over-allotment option was exercised in total. The Lead Manager of Danske Bank bought 978,000 shares from the Institutional Sellers on 11 June 2015. In the same connection, Danske Bank redelivered 978,000 shares of Pihlajalinna, which were borrowed on the basis of a Share Lending Agreement to the Institutional Sellers.

No stabilisation measures were carried out since the listing, and due to Pihlajalinna's share price development, the Lead Manager discontinued the stabilisation period.

In the Initial Public Offering, a total of 749,997 shares were allocated to private individuals and organisations in Finland and 6,882,698 shares for institutional investors in Finland and internationally. The total number of shares of the Company amounted to 19,113,146 shares. The shares were registered in the Trade Register on 4 June 2015.

Share issue and share sale on 15 December 2015

Pihlajalinna Plc intended to offer a maximum of 1,500,000 new Company shares ("Share Issue Shares") to a limited number of institutional investors in deviation from the shareholders' pre-emptive subscription rights ("Share Issue"). The number of Share Issue Shares was approximately 7.8 per cent of all Company shares and votes directly prior to the share issue.

Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (together "Sentica") intended to sell Pihlajalinna shares ("Sale Shares", together with the Share Issue Shares "Shares") in connection with the share issue ("Share Sale"). Prior to the Share Sale, Sentica owned 5,035,990 Company shares or approximately 26 per cent of all of the Company's outstanding shares. After the Share Sale, Sentica will own 3,535,990 Company shares.

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report by the board of directors

Pihlajalinna Group

The Share Issue and the Share Sale were based on an accelerated book-building process, in which selected institutional investors could submit bids for the Shares. The subscription price and sale price of the shares were determined by the bids received in the accelerated book-building process. The accelerated book-building process started immediately. The subscription price and sale price of the shares were the same in the Share Issue and the Share Sale.

The Share Issue was based on the authorisation given by the Extraordinary General Meeting on 14 December 2015 to the Board of Directors regarding the issuance of new shares in deviation from the shareholders' pre-emptive subscription rights.

Pihlajalinna and Sentica announced the result of the Share Issue and Share Sale on 15 December 2015 at 8.15 a.m. The number of Company shares after the Share Issue is 20,613,146. The subscription price in the Share Issue was EUR 17.00 per share, i.e. a total of EUR 25.5 million before commissions and expenses. The subscription price was recorded in its entirety into the invested unrestricted equity fund.

Some of the funds received in the share issue were used for the acquisitions of Tampereen Lääkärikeskus Oy, Röntgentutka Oy and Itä-Suomen Lääkärikeskus Oy announced in December 2015 and other potential corporate acquisitions.

The shares were registered in the Trade Register on 16 December 2015 and trading on the NASDAQ OMX Helsinki, together with the old shares, started on 17 December 2015. In connection with the share issue, Pihlajalinna committed to a lock-up agreement, under which it has, subject to certain exceptions, agreed not to issue or sell any shares in Pihlajalinna for a period ending 90 days after the closing of the Share Issue.

In connection with the share sale, Sentica committed to a lock-up agreement, under which it has, subject to

certain exceptions, agreed not to issue or sell any shares in Pihlajalinna for a period ending 18 February 2016.

Carnegie Investment Bank AB and Danske Bank A/S, the Helsinki branch, acted as Joint Lead Managers in the Share Issue and the Share Sale.

Risks and uncertainties in business operations

As the population ages and the structures of healthcare services change, social policies may have a material impact on the private healthcare sector's business environment both in the short and long term. New policies may impact on business opportunities in the future, particularly with respect to the availability of skilled expert personnel.

In addition to the aforementioned factors, Pihlajalinna Group's operational risks and uncertainties in the long term concern the continuity of key existing customer relationships and contracts, and the financial impacts of new commitments and contracts, which are continuously increasing in value. It is estimated that the competitive situation in Pihlajalinna Group's business areas will remain unchanged.

Political decision-making and structural reforms in the public sector also affect social care and healthcare services and may directly or indirectly impact on the Company's business and growth opportunities. The purpose of the planned Social and Healthcare Reform is to guarantee equal social and healthcare services to all citizens of Finland. The future overall effects of the Social and Healthcare Reform and any other possible changes in the arrangement of social and healthcare services are difficult to predict. Reforms may hamper the Company's operations in some areas of social and healthcare services but, on the other hand, the Company's extensive operations in different operating areas may partially balance the effects of reforms.

The company closely monitors political decision-making processes.

In addition, the most essential risks and uncertainties affecting the Group's operations, are connected to the success of Group's acquisitions and information system projects, the risks related to the availability of competent management and recruitment, and tax risks.

Current incentive schemes

Based on the authorisation given by the Extraordinary General Meeting on 22 May 2015, the Board of Directors may issue option rights or other special rights conferring the entitlement to subscribe to no more than 800,000 Company shares. The Board of Directors shall decide on the terms of granting option rights or other special rights conferring the entitlement to subscribe shares, including the terms of the option schemes aimed at the key personnel of Pihlajalinna Group. The authorisation will be valid until the end of the Annual General Meeting, however no later than 30 June 2016. The Board of Directors has not used the authorisation.

The Company does not use any share-based incentive schemes for the members of the Board of Directors.

Events after balance sheet date

On 8 February 2016, Pihlajalinna purchased 100 per cent of Itä-Suomen Lääkärikeskus Oy. The net debt-free value of the acquisition was EUR 6.8 million. The transaction price was paid in cash. Itä-Suomen Lääkärikeskus Oy demerged on 1 February 2016 and the target of the acquisition was the company to which the operative business had been transferred.

Tuomas Otala was appointed Chief Information Officer (CIO) of Pihlajalinna and a member of the Group's Management Team from 1 January 2016 onwards. He will report to the CEO, Mikko Wirén. In his new role, Tuomas

Otala will be responsible for the development of digital services and for the management and development of Pihlajalinna ICT operations. His previous positions include the CIO and management team member of Terveystalo from 2009 to 2015; several international management roles and management team member of Fujitsu Services from 2005 to 2008; and unit manager of TeliaSonera from 1997 to 2005.

The City Council of Mänttä-Vilppula chose Pihlajalinna as the city's social and health service provider on 9 February 2016. Mänttä-Vilppula invited companies to tender for the social and health services for a maximum total population of 60,000 on a fixed-term ten-year contract, tentatively from 1 July 2016 to 30 June 2026. The contract includes an option for an additional five years.

The population of the City of Mänttä-Vilppula is approximately 11,000 and the estimated annual net cost of social and health services is approximately EUR 40 million. The contract includes service provision for the approximately 2,000 people of Juupajoki from 1 January 2018 onwards, the annual net cost of social and health services thereof being approximately EUR 7 million. Mänttä-Vilppula and Juupajoki have formed a social care and healthcare cooperation area since the start of 2015. Pihlajalinna has been providing social and health services for Mänttä-Vilppula from 1 January 2013 and for Juupajoki from 1 January 2014. The validity period of the current agreement with Juupajoki will terminate on 31 December 2017.

According to the tender, the service provider can be required to produce corresponding services up to a maximum of 60,000 inhabitants if the population base expands via municipal joint authorities, other municipal cooperation methods or the government social and healthcare reform. Should the whole 60,000 inhabitants' population option realise fully, the value of the contract

is according to the tender approximately EUR 220 million per annum. Thus the full potential of the contract including the five year additional option is about EUR 3.3 billion. Mänttä-Vilppula and Juupajoki's share of the full potential is about EUR 700 million.

The procurement will only be established once a written agreement has been signed, no earlier than 21 days from the date the selected tenderer has been informed or is deemed to have been informed of the decision and the reasons behind it. The agreement has not yet been signed. Pihlajalinna has a valid service contract with Mänttä-Vilppula.

The municipalities of the Suupohja area (Isojoki, Kauhajoki and Teuva) are considering the formation of a cooperation area with Kuusiokunnat to organise social care and healthcare services. Kuusiokunnat has outsourced the production of social and health services to Pihlajalinna. The Kuusiokunnat agreement includes a customer option according to which Kuusiokunnat may request that the service provider produce services for the entire potential cooperation area.

The Ministry of Social Affairs and Health and the Ministry of Finance prepare temporary legislation to limit municipalities and joint authorities' social and healthcare complete outsourcing contracts. The bill will be presented to the Parliament as soon as possible. The temporary legislation would be effective until the end of 2018 when the organising responsibility of social and healthcare would move from the municipalities and joint authorities to autonomous regions.

However, the ministries' announcement states that investments improving productivity and other appropriate investments will be safeguarded.

The SYKKI study (the growth and internationalisation project of a Finnish healthcare and social care

services company) carried out by the National Institute for Health and Welfare (THL) compared the impact of the total outsourcing of the social and health services of Mänttä-Vilppula (jointly provided by Pihlajalinna and the City) on 16 other municipalities. The result of the study was that already after a one-year reporting period, the operative model of Pihlajalinna was deemed to create cost savings of between 12.1–13.3 per cent for the City of Mänttä-Vilppula compared to the other municipalities in the study.

Ultimately, the Constitutional Law Committee of the Parliament will decide whether the legislative proposal is pursuant to the autonomy of municipalities.

The temporary law is still in preparation state. Its final form is not known to Pihlajalinna. It is too early to assess its effects on Pihlajalinna's operation. The responsibility for organising social and health services is due to transfer from municipalities to provinces in 2019.

The board of directors' proposal for profit distribution

At the end of the 2015 financial year, Pihlajalinna Plc's total distributable funds were EUR 149,450,669.18. The Company's loss for the financial year was EUR 3,033,329.57.

The Board of Directors proposes to the Annual General Meeting to be held on 4 April 2016 that a dividend of 0.02 euros per share be paid for the financial year 1 January—31 December 2015 and that the loss for the financial year be recorded as a deduction in shareholders' equity. The company's liquidity position is good and, in the view of the Board of directors, the proposed distribution does not jeopardize the company's ability to fulfil its obligations.

report by the board of directors

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Key figures

	2015	2014	2013	2012
Revenue, EUR million	213.3	148.9	104.4	47.3
Change, %	43.3	42.5	121.0	47.3
EBITDA excluding non-recurring items, EUR million	12.5	14.0	121.0	4.8
EBITDA	11.6	11.8	11.8	4.8
% of revenue	5.4	7.9	11.3	10.2
Operating profit, EUR million	3.6	6.0	7.3	3.4
% of revenue	1.7	4.0	7.0	7.3
Net financial expenses, EUR million	2.3		-1.9	-1.1
% of revenue		-3.1 -2.1	-1.9 -1.9	
Profit before tax. EUR million	-1.1			-2.3
,	1.3	2.9	5.3	2.3
% of revenue	0.6	1.9	5.1	4.9
Income taxes, EUR million	-0.1	-1.0	-0.8	-1.0
Profit for the financial year	1.2	1.9	4.5	1.3
Interest bearing net debt, EUR million	23.5	71.1	29.5	40.0
% of revenue	11.0	47.8	28.3	84.6
Return on equity (ROE), %	2.3	7.7	13.3	6.6
Return on capital employed (ROCE), %	3.4	7.1	9.4	6.8
Equity ratio, %	50.5	8.0	36.5	31.6
Gearing, %	25.2	686.3	77.1	135.0
Net debt/Adjusted EBITDA	1.9	5.1	2.3	2.4
Gross investments, EUR million	44.6	28.3	8.8	55.4
% of revenue	20.9	19.0	8.4	117.3
Personnel at the end of the period	3,047	1,714	1,270	711
Average number of personnel	2,503	1,619	1,197	617
Earnings per share, EUR *	0.03	0.11	0.35	0.12
Shareholders' equity per share, EUR *	4.47	0.70	2.89	2.34
Number of shares at year-end	20,613,146			
Average number of shares	16,767,940			
Market capitalisation of share capital, EUR million	364.9			
PE ratio	640.0			
Highest quotation, EUR	19.85			
Lowest quotation, EUR	11.38			
Average price, EUR	12.72			
Closing price at year-end, EUR	17.70			
Trading volume of shares (no. of shares)	7,679,586			
Trading volume of shares, %	45.80			

^{*} The per-share indicators for 2012 and 2013 are adjusted like-for-like figures that reflect the terms and conditions of the directed share issue carried out in July 2014..

Calculation of key figures

Return on equity, % (ROE)	Profit for the period x 100
	Equity (average)
Return on capital employed (ROCE), %	Profit before taxes + interest and other financial expenses x 100
	Total statement of financial position – non-interest-bearing liabilities (average)
Equity ratio, %	Equity x 100%
	Total statement of financial position – advances received
Gearing, %	Interest-bearing net debt x 100
Gearing, 70	Equity
Earnings per share (EPS), EUR	Profit for the financial year attributable to the owners of the parent
	Average number of shares during the financial year
	(excluding treasury shares held by the company)
Equity per share, EUR	Equity attributable to owners of the parent
	Number of shares at period end
	(excluding treasury shares held by the company)
Net debt/Adjusted EBITDA	Interest bearing net debt
	EBITDA excluding non-recurring items

Shares and shareholders

Major shareholders, 31 Dec. 2015

		Number of shares	Percentage of shares and votes
1	SENTICA BUYOUT III KY	3,384,016	16.4
2	MWW YHTIÖ OY	2,167,060	10.5
3	LOCALTAPIOLA GENERAL MUTUAL INSURANCE COMPANY	1,413,770	6.9
4	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), HELSINKI BRANCH	1,071,186	5.2
5	LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY	718,027	3.5
6	NIEMISTÖ LEENA KATRIINA	680,000	3.3
7	SVENSKA HANDELSBANKEN AB (PUBL), BRANCH OPERATION IN FINLAND	671,368	3.3
8	FONDITA NORDIC MICRO CAP FUND	606,000	2.9
9	NORDEA BANK FINLAND PLC	578,370	2.8
10	VARMA MUTUAL PENSION INSURANCE COMPANY	545,500	2.6
	10 largest, total	11,835,297	57.4
	Other shareholders	8,777,849	42.6
	Total	20,613,146	100.0

Distribution of shareholding by size range, 31 Dec. 2015

Shares per shareholder	Number of shareholders	% of shareholders	Number of shares	% of share capital
1–100	2,305	42.2	142,408	0.69
101-1,000	2,730	50.0	953,316	4.62
1001–10,000	314	5.8	1,003,184	4.87
10,001-100,000	80	1.5	2,088,236	10.13
100,001–500,000	19	0.3	4,060,705	19.70
500,001-	11	0.2	12,365,297	59.99
	5,459	100.0	20,613,146	100.00
Nominee-registered shares	7		2,380,309	11.55
Total			20,613,146	100.00

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Distribution of shareholding by sector, 31 Dec. 2015

	Number of owners	Nominee-registered	% of shareholders	Number of shares	% of share capital
Private companies	237	0	4.3	6,936,890	33.7
Financial and insurance institutions	36	5	0.7	5,714,487	27.7
Public entities	9	0	0.2	1,840,448	8.9
Households	5,131	0	94.0	3,551,813	17.2
Non-profit organisations	34	0	0.6	185,250	0.9
Foreign countries	12	2	0.2	3,949	0.0
	5,459	7	100.0	18,232,837	88.5
Nominee-registered		7		2,380,309	11.55
Outstanding shares				20 613 146	100.00

Consolidated statement of financial position

EUR 1,000	Note	1 Jan31 Dec. 2015	1 Jan31 Dec. 2014
ASSETS			
Non-current assets			
Property, plant and equipment	12	48,608	35,333
Goodwill	13	76,056	56,249
Other intangible assets	13	15,127	9,722
Interests in associates	16	2,839	41
Available-for-sale financial assets	16	44	77
Other receivables	17	2,827	1,642
Deferred tax assets	19	2,519	1,094
		148,021	104,157
Current assets			
Inventories	20	1,753	1,281
Trade and other receivables	21	19,710	14,137
Current tax assets		289	138
Cash and cash equivalents	22	15,330	10,962
		37,082	26,518
Total assets		185,103	130,675

EUR 1,000	Note	1 Jan31 Dec. 2015	1 Jan31 Dec. 2014
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	23		
Share capital		80	3
Reserve for invested unrestricted equity		87,945	5,081
Retained earnings		4,102	4,270
		92,128	9,353
Non-controlling interests		1,324	1,002
Total equity		93,451	10,356
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	5,185	4,092
Financial liabilities	24	24,537	73,601
Other non-current liabilities		1,946	840
		31,668	78,532
Current liabilities			
Trade and other payables	25	42,007	26,525
Current tax liabilities		669	885
Financial liabilities	24	17,307	14,377
		59,983	41,787
Total liabilities		91,650	120,319
iotai naoilities		91,030	120,319
Total equity and liabilities		185,103	130,675

Consolidated statement of comprehensive income

EUR 1,000	Note	1 Jan31 Dec. 2015	1 Jan31 Dec. 2014
Revenue	1, 2	213,327	148,853
Other operating income	3	753	909
Materials and services	4	-81,913	-58,661
Employee benefit expenses	5	-97,409	-62,212
Depreciation and impairment	6	-7,953	-5,849
Other operating expenses	7	-23,177	-17,076
Operating profit		3,628	5,964
Financial income	8	171	111
Financial expenses	9	-2,487	-3,203
Financial income and expenses		-2,316	-3,092
Profit before tax		1,313	2,872
Income taxes	10	-93	-1,007
Profit for the period*		1,219	1,865
Total comprehensive income for the period		1,219	1,865
Total comprehensive income for the financial year attributable to			
Owners of the parent		464	1,471
Non-controlling interests		756	393
Earnings per share for profit attributable to owners of the parent company,			
EUR			
Basic	11	0.03	0.11
Diluted		0.03	0.11

^{*} The Group does not have any other comprehensive income items.

Consolidated statement of cash flows

EUR 1,000	Note	2015	2014
Cash flow from operating activities:			
Cash receipts from sales		210,373	145,565
Cash receipts from other operating income		563	689
Operating expenses paid		-192,051	-135,583
Operating cash flow before financial items and taxes		18,885	10,671
Interest received		123	86
Taxes paid		-1,294	-1,354
Net cash flow from operating activities		17,713	9,402
Cash flow from investing activities:			
Investments in property, plant and equipment and intangible assets		-7,835	-10,449
Proceeds from disposal of property, plant and equipment and intangible assets		7,880	
Changes in other investments		379	-3
Changes in loan receivables		-100	-1,345
Dividends received		15	
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	14	-33,769	-5,062
Disposal of subsidiaries less cash and cash equivalents		1,308	-613
Net cash flow from investing activities		-32,123	-17,472

EUR 1,000	Note	2015	2014
Cash flow from financing activities:			
Proceeds from issuing shares		82,332	3,663
Repayment of capital			-29,621
Changes in non-controlling interests		-478	
Proceeds from borrowings		31,096	69,672
Repayment of borrowings		-90,399	-29,204
Repayment of financial lease liabilities		-1,160	-601
Interest and other operational financial expenses		-2,025	-2,351
Dividends paid and other profit distribution		-588	-3,847
Net cash flow from financing activities		18,778	7,711
Changes in cash and cash equivalents		4,368	-359
Cash at the beginning of the financial year		10,962	11,321
Cash at the end of the financial year		15,330	10,962

Consolidated statement of changes in equity

		Reserve for invested		Non-controlling	
	Share capital	unrestricted equity	Retained earnings	interests	Total equity
Total equity, 1 Jan. 2014	3	30,969	6,153	1,146	38,271
Profit for the period			1,471	393	1,865
Total comprehensive income for the period			1,471	393	1,865
Share issue		3,733			3,733
Dividends paid			-3,355		-3,355
Repayment of capital		-29,621		-490	-30,111
Transactions with owners, total		-25,888	-3,355		-29,243
Changes in non-controlling interest				-47	-47
Total equity, 31 Dec. 2014	3	5,081	4,270	1,002	10,356
Total equity. 1 Jan. 2015	3	5,081	4,270	1.002	10,356
Profit for the period		3,001	464	756	1,219
Total comprehensive income for the period			464	756	1,219
Bonus issue	78	-78			
Share issue*		82,942			82,942
Dividends paid				-588	-588
Transactions with owners, total		82,942			82,942
Changes in non-controlling interest resulting no change in					
control			-631	153	-478
Total equity. 31 Dec. 2015	80	87,945	4,103	1,323	93,451

Accounting policies relating to the consolidated financial statements

Company profile

The Pihlajalinna Group provides healthcare and social care services for municipalities, hospital districts, companies, insurance companies and private persons. Services are provided at private clinics, health centres, dental clinics and hospitals across Finland.

The Group's parent company, Pihlajalinna Plc, is a Finnish public limited company established under the laws of Finland, whose business ID is 2617455-1. The Company is domiciled in Tampere, and its registered address is Kehräsaari B, FI-33200 Tampere, Finland. Pihlajalinna Plc's shares are listed on the NASDAQ OMX Helsinki main market.

A copy of the consolidated financial statements is available on the internet at www.pihlajalinna-konserni.fi or can be obtained at the head office of the Group's parent company, address Kehräsaari B, FI-33200 Tampere, Finland.

The Board of Directors of Pihlajalinna Plc approved these financial statements in its meeting on 17 February 2016. In accordance with the Finnish Limited Liability Companies Act, the shareholders may adopt or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting can decide on modifications to be made to the financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and their preparation complies with the IASs and IFRSs as well as SIC and IFRIC interpretations effective on 31 December 2015. International Financial Reporting Standards, as intended in the Finnish Accounting Act and the regulations issued pursuant to

the Act, refer to the standards that have been approved for application within the EU in accordance with the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as well as the interpretations thereof. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation that complements the IFRS regulations.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise provided in the accounting policies below. In order to prepare the financial statements in accordance with the IFRS, the Group management is required to make certain estimates and decisions based on judgment. Information on judgements that the management has relied on in applying the accounting policies followed by the Group and that have the most significant effect on the figures presented in the financial statements as well as information on assumptions concerning the future and on key assumptions related to the estimates has been presented in the accounting policies under "Accounting policies requiring management judgement and major sources of estimation uncertainty".

The financial statements are presented in thousands of euros (EUR 1,000).

The Group adopted IFRSs for the first time in 2013. IFRS 1 First-time Adoption of International Financial Reporting Standards was applied in connection with the transition to IFRSs. The date of transition is 1 January 2012, in accordance with the standard

New standards and interpretations applied

As from 1 January 2015, the Group has applied the following revised standards which have no effect on the consolidated financial statements:

- Amendments to IAS 19 Employee Benefits Defined Benefit Plans: Employee Contributions (to be applied for financial years beginning on or after 1 July 2014): These changes have clarified accounting treatment when a defined benefit pension plan requires the employees or third parties to contribute.
- Annual Improvements to IFRSs, 2011–2013 Cycle and 2010–2012 Cycle, (to be applied for financial years beginning on or after 1 July 2014): Through the Annual Improvements procedure, small and less urgent amendments to the standards are collected and implemented together once a year. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards.

Consolidation principles

Subsidiaries

Subsidiaries are entities in which the Group exercises control. The Group has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intragroup shareholdings are eliminated using the acquisition method. The consideration transferred and the acquired entity's identifiable assets and assumed liabilities are measured at fair value at the date of acquisition. Acquisition-related costs, apart from costs incurred from the issue of debt securities or equity securities, are expensed. The consideration transferred does not include transactions that are treated separately from the acquisition. Their effect is recognised in profit or loss in the context of the acquisition. Any contingent consideration is measured at fair value at the date of acquisition and classified as a liability. A contingent consideration

classified as a liability is measured at fair value at the end of each reporting period, and any resulting gain or loss is recognised in profit or loss. If there are non-controlling interests in the acquiree, these interests will be measured at an amount that corresponds to their pro rata share of the acquiree's total identifiable net assets. The treatment of goodwill generated through the acquisition of a subsidiary is explained under "Goodwill".

In accordance with the transitional provisions allowed by IFRS 1, business combinations occurred before the date of transition to IFRSs have not been adjusted to comply with the principles of IFRS 3; instead, their measurement complies with the former FAS accounting principles. Such amounts were tested for impairment on the date of transition, in compliance with IFRS 1.

Acquired subsidiaries are consolidated from the date when the Group obtained control, and disposed subsidiaries are consolidated until the date when the Group lost control. All intragroup transactions, receivables, liabilities, unrealised profits and internal profit distribution are eliminated in the preparation of the consolidated financial statements. Unrealised losses will not be eliminated in case of impairment losses. Profit or loss for the financial year attributable to the owners of the parent company and to the non-controlling interests is presented in the consolidated statement of comprehensive income. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interests, even if this would lead to a situation where the portion attributable to the non-controlling interests is negative. The portion of equity attributable to the non-controlling interests is presented as a separate item under equity in the consolidated statement of financial position. Such changes in the parent company's ownership interest in a

subsidiary that do not lead to loss of control are treated as equity transactions. In connection with step-by-step acquisitions, the former ownership interest is measured at fair value, and the resulting gain or loss is recognised in profit or loss. When the Group loses control of a subsidiary, any remaining interest is measured at fair value at the date of loss of control, and the resulting difference is recognised in profit or loss.

Associates and joint arrangements

Associates are companies over which the Group has significant influence. As a rule, significant influence is established when the Group holds more than 20% of a company's voting power or otherwise has significant influence but no control.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control involves contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement whereby the Group has rights to the net assets of the arrangement, whereas in a joint operation the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has one real estate company that is consolidated as a joint operation.

Associates and joint ventures are consolidated using the equity method. If the Group's share of the loss of an associate or a joint venture exceeds the carrying amount of the investment, then the investment is carried at zero value, and the losses exceeding the carrying amount are not consolidated, unless the Group is committed to fulfilling the obligations of the associate or joint

venture. An investment in an associate or a joint venture includes the goodwill generated through the acquisition. Unrealised profits between the Group and an associate or a joint venture are eliminated in proportion to the Group's ownership interest. The Group's pro rata share of an associate's or a joint venture's profit for the financial year is included in operating profit. Correspondingly, the Group's share of the changes recognised under other comprehensive income of an associate or a joint venture is recognised under other comprehensive income of the Group. The Group consolidates Dextra Lapsettomuusklinikka Oy and Insta Care Oy as associates and Röntgentutka Oy as a joint venture using the equity method. The Group owns 31% in Kiinteistö Oy Levin Pihlaja, which is consolidated as a joint operation according to the pro rata share, using the proportionate consolidation method.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency and presentation currency of the Group's parent company and of the subsidiaries engaged in business activities. In their own accounting, Group companies translate day-to-day transactions denominated in foreign currency into their functional currency applying the exchange rates of the transaction date. In the financial statements, receivables and payables denominated in foreign currency are measured applying the closing rates. Foreign exchange gains and losses related to the business are recognised under financial items.

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Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures incurred directly from the acquisition of an item of property, plant and equipment.

Costs incurred subsequently are included in the carrying amount of an asset only if it is deemed probable that any future economic benefits related to the asset will flow to the Group and that the cost of the asset can be reliably determined. Other repair and maintenance costs will be expensed at the time they are incurred.

Property, plant and equipment will be depreciated using the straight-line method over their estimated economic useful lives. The estimated economic useful lives are as follows:

Buildings and structures 10–25 years
Machinery and equipment 3–10 years

Other tangible assets 3–5 years

The residual value, the useful life of an asset and the depreciation method applied are reviewed at least at the end of each financial year and adjusted as necessary to reflect the changes in the expectations concerning the economic benefits attached to the asset.

Capital gains generated from decommissioning and disposing of property, plant and equipment are included under other operating income, and capital losses are included under other operating expenses.

Assets are depreciated from the time when they are ready for use; i.e. when their location and condition allow them to be applied as intended by the management. Depreciation of assets will be discontinued when they are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Government grants for the acquisition of property, plant and equipment

Government grants, such as grants received from the government for the acquisition of property, plant and equipment, are recognised as deductions from the carrying amounts of the related assets, when there is reasonable assurance that such grants will be received and that the Group will comply with the conditions attaching to them. The grants will be recognised as income over the useful life of an asset by way of reduced depreciation. Such grants that are received as compensation for expenses already incurred are recognised in profit or loss of the period in which they become receivable. These grants are presented under other operating income.

Intangible assets

Goodwill

Goodwill is not amortised but tested annually for impairment, and whenever there is an indication that the asset may be impaired. For this purpose, goodwill is allocated to cash-generating units (CGUs). Goodwill is measured at original cost less accumulated impairment.

Research and development costs

Research expenditure is recognised as an expense as incurred. Development costs incurred from the planning of new or significantly improved products are capitalised as intangible assets from the time when the costs of the development stage can be reliably determined, completion of the product is technologically viable, the Group is able to use or sell the product, the Group can demonstrate how the product will generate probable economic benefits in the future and the Group has both the intention and the resources to complete the development work

and use or sell the product. Capitalised development costs include those costs of work, subcontracting and testing that are directly incurred from completing the asset for its intended purpose. Development costs previously expensed shall not be capitalised later.

Assets are amortised from the time when they are ready for use. Assets that are not yet available for use are tested annually for impairment. Subsequently to their initial recognition, capitalised development costs are measured at cost less accumulated amortisation and impairment. The amortisation period for development costs is 3 to 10 years.

Other intangible assets

An intangible asset is initially recognised at cost, provided that the cost can be reliably determined and that it is probable that the expected economic benefits generated by the asset will flow to the Group.

Those intangible assets with finite economic useful lives are amortised using the straight-line method during their known or estimated useful lives.

For intangible assets with finite economic useful lives, the amortisation periods are as follows:

'	
Trademarks	10 years
Other intangible assets	
Customer agreements	4 years
Patient database	4 years
License fees	3-7 years
Computer software	3-7 years
Certificates	3-5 years
Non-competition agreements	2 years

Economic useful lives are reviewed at the end of each financial year, and where they differ significantly from previous estimates, the amortisation periods are changed accordingly.

Inventories

Inventories are measured at the lower of cost and probable net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated sales price in the ordinary course of business, less the estimated product completion costs and the necessary sales costs.

Leases

Leases are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the lessee represent finance leases.

Group as lessee

An asset leased with finance leases is recognised in the consolidated statement of financial position from the commencement of the lease term at the fair value of the leased asset at the inception of the lease or at the present value of minimum lease payments, whichever is lower. An asset acquired with finance leases is depreciated during the asset's economic useful life or lease term, whichever is shorter. Lease payments are divided into finance costs and reduction of lease liability over the lease term so that the interest rate on the remaining liability will be equal in each period. Contingent rents are recognised for the periods during which they are realised. Lease obligations are included in financial liabilities. Lease payments based on operating leases are expensed in profit or loss on a straight-line basis during the lease term.

Where a lease includes components concerning both land areas and buildings, each component is classified separately as a finance lease or an operating lease.

Where it is necessary for accounting purposes to classify and determine the share that the land area and

the building represent in the lease, the minimum lease payments (including any one-off advance payments) will be allocated proportionately to the fair values of the leasehold interests concerning the land area and the building at the inception of the lease.

Group as lessor

Leased-out assets that transfer substantially all the risks and rewards incidental to ownership to the lessee are treated as finance leases and recognised in the consolidated statement of financial position as receivables. The receivable is initially recognised at the present value of the lease. The financial income from a finance lease is recognised during the lease term so that the rate of return on the remaining net investment will be equal in each period.

Assets leased out under operating leases are included in the consolidated statement of financial position under property, plant and equipment. They are depreciated during their useful lives, as is done with corresponding assets in the Group's own use. Lease income is recognised over the lease term on a straight-line basis.

Sale and leaseback

If a finance lease is created as a result of a sale and lease-back agreement, the difference between the carrying amount and the sales price will be recognised in the consolidated statement of financial position and recognised as income over the lease term. In 2013, the Group entered into a 15-year sale and leaseback agreement concerning a hospital property of Dextra Oy, and this agreement met the criteria laid down for a finance lease. In 2015, the Group sold five of its care home properties and leased them back for 15 years. Similarly, the lease for Koskiklinikka is regarded as a 12-year sale and leaseback agreement.

Arrangements that may contain a lease

Whether or not a contract is classified as a lease is based on the substance of the arrangement in question and more specifically on whether or not the fulfilment of the arrangement is dependent on a certain asset and whether or not the arrangement conveys a right to use this asset.

Impairment

On each date of the financial statements, the Group estimates whether there are indications that assets may be impaired. If such indications exist, the asset's recoverable amount is estimated. The recoverable amount is also estimated annually for the following assets regardless of whether or not there are indications of impairment: goodwill and intangible assets not yet available for use. The Group has no intangible assets with indefinite useful lives. In addition to the annual testing, goodwill is always tested for impairment when there are indications that a given unit may be impaired. The need to recognise an impairment loss is assessed at the level of cash-generating units (CGUs), in other words at the lowest level of units that is mainly independent of other units and whose cash flows are separable and largely independent of the cash flows of other corresponding units. A CGU is the lowest such level in the Group whose goodwill is monitored for internal management purposes. Such corporate assets that serve a number of CGUs and do not generate a separate cash flow have been attributed to CGUs and are tested as part of the relevant CGU.

The recoverable amount is the fair value of an asset less costs of disposal or the asset's value-in-use, whichever is greater. The value-in-use is understood as the future net cash flows expected to be derived from the asset or the CGU in question, discounted to their present value. The

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discount rate applied is the pre-tax rate, which reflects current market assessments of the time value of money and particular risks associated with the asset.

An impairment loss is recognised when the carrying amount of an asset is larger than its recoverable amount. An impairment loss is recognised immediately in profit or loss. If the impairment loss is attributable to a CGU, it is first allocated to decrease the goodwill allocated to the said CGU and then to decrease the carrying amount of the unit's other assets on a pro rata basis. When an impairment loss is recognised, the useful life of the asset to which the depreciation or amortisation is allocated is re-estimated. An impairment loss recognised on an asset other than goodwill is reversed in case a change has occurred in the estimates used for determining the asset's recoverable amount. However, an impairment loss shall not be reversed to an extent larger than what the carrying amount of the asset would be excluding the recognition of the impairment loss. An impairment loss recognised on goodwill is not reversed in any situation.

Employee benefits

Pension obligations

Pension plans are classified as defined benefit plans and defined contribution plans. The Group only has defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate unit. The Group has no legal or constructive obligation to make additional payments if the recipient of the payments is incapable of paying out the said retirement benefits. Payments made into the defined contribution plans are recognised in profit or loss for the financial year for which they are charged.

Provisions and contingent liabilities

A provision is recognised when the Group has a legal or constructive obligation resulting from a past event, when it is probable that the payment obligation will materialise and when the amount of the obligation can be reliably estimated. The amount recognised as a provision equals the best estimate of the costs required to fulfil the present obligation on the date of the financial statements.

On the date of the financial statements, the Group had no provisions. Contingent liabilities are presented in note 29 "Contingent assets and liabilities and commitments".

Current taxes and deferred taxes

The tax expense consists of current tax and deferred tax. Taxes are recognised in profit or loss, except when they are directly attributable to items recognised under equity or other comprehensive income. In such cases, also the tax is recognised under the item in question. Current tax is calculated on taxable profit, based on the enacted tax rate. Tax is adjusted with any taxes associated with prior financial years. Any penal interests related to said taxes are recognised under financial expenses. The share of associates' profit is presented in the statement of comprehensive income as calculated from net profit and thus including the income tax charge.

Deferred taxes are calculated on temporary differences between the carrying amount and the tax base. However, a deferred tax liability shall not be recognised on the initial recognition of goodwill, or on the initial recognition of an asset or liability in a transaction which is a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit.

In the Group, the most significant temporary differ-

ences result from depreciation and amortisation of property, plant and equipment and intangible assets, unpaid dividends based on work contributions, fair value-based adjustments made in connection with business combinations, and unused tax losses.

Deferred taxes are calculated by applying tax rates enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. However, a deferred tax asset is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. Whether or not deferred tax assets can be recognised in this respect is always estimated at the end of each reporting period.

The Group shall offset deferred tax assets and liabilities where these relate to the same taxation authority and the same taxable entity.

Revenue recognition principles

The line item Revenue consists of revenue from the sales of products and services at fair value, adjusted with any discounts and other adjustment items. Revenue from services is recognised when the service has been rendered. The consolidated revenue mainly consists of provision of services. The services provided by the Group consist of occupational health care services, services provided at private clinics and hospitals, diagnostics services, oral healthcare services, services for the elderly, asylum seeker reception centre operations, and social and health service outsourcings.

Revenue from the sales of goods is recognised when significant risks, rewards and control incidental to the ownership of the goods are transferred to the buyer.

The Group records the remunerations of employed healthcare professionals, contract-based practitioners and holders of Series B shares of Pihlajalinna Terveys Oy under revenues on a gross basis, i.e. based on total invoicing. According to the management's view, Pihlajalinna Group has primary responsibility for the provision of services to its customers. Therefore, the Group is involved in a contractual relationship as a principal which is exposed to significant risks and benefits related to the sale of services.

Rental income

The Group continues to lease out its operating premises. Rental income is recognised over the lease term on a straight-line basis.

Interest and dividends

Interest income is recognised using the effective interest method and dividends at the time when the right to dividend is established.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified into the following categories: Financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification is based on the purpose for which the financial assets are acquired and takes place upon the initial recognition.

Transaction costs are included in the initial carrying amount of the financial assets, when the item concerned is not measured at fair value through profit or loss. Trans-

action costs related to financial assets recognised at fair value through profit or loss are recognised immediately in profit or loss. All purchases and disposals of financial assets are recognised on the trade date, which is the date when the Group commits to purchasing or disposing of a financial instrument.

Financial assets are derecognised when the Group has lost its contractual right for the financial assets in question or has transferred substantially all risks and rewards outside the Group.

Items belonging to financial assets that are acquired to be held for trading are classified into the category Financial assets at fair value through profit or loss. In the Group, derivatives that do not meet the requirements for hedge accounting are classified as financial assets or liabilities held for trading depending on their nature. Derivative assets held for trading and financial assets maturing within 12 months are included in current assets.

Financial assets at fair value through profit or loss are measured at fair value, primarily based on the quoted market price at the end of the reporting period. In measuring derivatives and other financial instruments that are not held for trading, the Group applies generally accepted valuation methods. Both unrealised and realised gains and losses resulting from changes in fair value are recognised in profit or loss for the financial year during which they arise.

Loans and receivables are non-derivative assets with fixed or determinable payments and that are not quoted on the active market, and which the Group does not hold for trading or does not specifically classify as available for sale upon initial recognition. In the Group, this item includes trade receivables and loan receivables. Loan receivables are measured at amortised cost and included in the consolidated statement of financial position as current or

non-current assets depending on their maturity.

Available-for-sale financial assets consist of quoted and unquoted shares. They are measured at fair value, or when fair value cannot be reliably determined, at cost. Investments in quoted shares are measured at fair value, which is the bid quote on the date of the financial statements. Changes in fair value are recognised in other comprehensive income and presented, with consideration to tax effects, in the fair value reserve included in the item Other reserves under equity. Cumulative changes in fair value are transferred from equity to be recognised through profit or loss as reclassification adjustments when the investment is disposed of or when its value has decreased to an extent which requires that an impairment loss be recognised on it.

Cash and cash equivalents

Cash and cash equivalents consist of cash at hand, demand deposits and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The items classified under cash and cash equivalents have a maturity of no more than three months from the date of acquisition.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether or not there is objective evidence of impairment regarding any individual financial asset. If the fair value of a share investment has fallen significantly below its cost and for the period determined by the Group, this is considered evidence of impairment with respect to the available-for-sale share. In this case, the loss accumulated in the fair value reserve is transferred to be recognised in profit or loss.

An impairment loss is recognised on loans and receivables, such as trade receivables, when there is objective evidence showing that the receivable will not be recovered in full.

Financial liabilities and borrowing costs

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of the financial liabilities measured at amortised cost. Financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in both non-current and current liabilities. Financial liabilities are classified as current liabilities, unless the Group has an unconditional right to postpone their repayment to a date that is at least 12 months subsequent to the end of the reporting period.

The principles for measuring the fair value of all financial assets and liabilities are presented in Note 18 "Financial assets and liabilities".

Derivative financial instruments

Derivative financial instruments are recognised at fair value. Gains and losses arising from fair value measurement are treated as financial income and expenses. The Group does not apply hedge accounting. The Group has no derivative financial instruments in its 2015 financial statements.

Dividend based on work contributions

Pihlajalinna Terveys Oy, a Group subsidiary, has issued a second series of shares (Series B) and established contingency funds associated with them. Funds accumulate in the contingency funds based on the work contributions

of the holders of Series B shares. This work contribution is included in profit or loss under the item External services. The liability indicated by the contingency fund is included in current liabilities under the item Other liabilities, presented in Note 25 "Trade and other payables" and Note 18 "Financial assets and liabilities". Work contribution-based dividends paid by the company are an income tax deductible item.

Equity

The Group classifies all instruments it issues either as an equity instrument or a financial liability, depending on their nature. Equity instruments are any contracts evidencing a residual interest in the assets of the company after deducting all of its liabilities. Costs relating to the issue or purchase of equity instruments are presented as a deduction from equity.

EBITDA

In the 2014 consolidated financial statements, the Group has changed the presentation of its statement of comprehensive income with the addition of "EBITDA" (Earnings Before Interest, Taxes, Depreciation and Amortisation). The Group has defined it as follows: EBITDA is a net sum consisting of revenue plus other operating income less materials and services (adjusted with change in inventories), employee benefit expenses and other operating expenses.

Operating profit (EBIT)

IAS 1 Presentation of Financial Statements does not provide a definition for the concept of operating profit. The Group has defined it as follows: Operating profit is the net sum consisting of revenue plus other operating

income less materials and services, employee benefit expenses, depreciation, amortisation and impairment losses, if any, and other operating expenses. All other items than those stated above are presented below operating profit.

Earnings per share

Earnings per share is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of shares outstanding during the financial year.

Dividend

The Board's dividend proposal to the AGM has not been recognised in the financial statements. Instead, dividends will be recognised on the basis of the decision of the AGM.

Non-recurring items

Exceptional events that are not part of the normal business, such as expenses arising from the issue of new shares, extensive restructuring measures and Group refinancing, impairment, expenses arising from discontinuation of significant business activities, expenses from restructuring of operations and integration of acquired businesses as well as fines and corresponding compensation payments, are treated as non-recurring items. Income and expenses are presented on the appropriate lines in the statement of comprehensive income. Impairment is presented in the statement of comprehensive income on the appropriate line item Depreciation, amortisation and impairment or, in the case of goodwill, on the line item Goodwill impairment. Further information on non-recurring items for the financial year is provided in Note 7 "Other operating expenses" and Note 9 "Financial expenses".

Accounting policies requiring management judgement and critical factors of uncertainty associated with estimates

In the course of preparing the financial statements, it is necessary to make estimates and assumptions about the future. However, such estimates and assumptions may later prove inaccurate compared with actual outcomes. Additionally, it is necessary to exercise judgment in the application of the accounting policies. The following estimates and assumptions are the most significant ones:

Measuring the fair value of assets acquired in the context of business combinations and the fair value of contingent consideration

With respect to significant business combinations, the Group has relied on an external advisor on the estimates of the fair value of property, plant and equipment and intangible assets. With property, plant and equipment, comparisons are made with the market prices of corresponding assets, and it is estimated how much the value of the acquired assets has decreased due to age, wear and tear and other such factors. With intangible assets, fair value measurement is based on estimated cash flows related to the assets. Further information on the measurement of intangible assets acquired in business combinations is provided in Note 14 "Business combinations".

The fair value of the contingent consideration on the acquisition date is recognised as part of the consideration transferred for the acquiree. When a contingent consideration is classified as a financial liability, it is measured at fair value on each date of the financial statements. Any changes in fair value will be recognised in profit or loss. The key variables are the estimate of future EBITDA and the discount rate. In the financial statements as at 31 December 2015, the contingent considerations totalled 2,982 thousand euros (5,450).

Impairment testing

The Group annually tests goodwill and intangible assets that are not yet available for use for impairment and estimates any indications of impairment in accordance with the accounting policies stated above. The recoverable amounts of the cash-generating units are determined using calculations based on their value in use. The preparation of these calculations requires the use of estimates. Further information on the sensitivity of the recoverable amount to changes in the assumptions used is provided in Note 13 "Intangible assets".

New, revised and amended standards to be applied later

The Group has not yet applied the following new, revised or amended standards and interpretations already published by the IASB. The Group will adopt them as from the effective date of each standard and interpretation, or if the effective date is some other date than the first day of the financial year, as from the beginning of the financial year that first follows the effective date. No other new, revised or amended standards or interpretations that have been published have an effect on the consolidated financial statements.

 An amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (to be applied for financial years beginning on or after 1 January 2016). The amendments are intended to encourage entities to exercise judgment in determining the information to be presented in the financial statements. For example, the amendments provide clarification on how to apply the concept of materiality and how to exercise judgment in determining the order in which each statement and each line item is presented and where they are presented in the notes. The

- amendments of the standards are not expected to have a significant impact on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (to be applied for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38. Revenue-based methods cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments of the standard will not have an effect on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 41 Agriculture: Bearer Plants (to be applied for financial years beginning on or after 1 January 2016):
 The amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will not have an effect on the consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial
 Statements, IFRS 12 Disclosure of Interests in Other
 Entities, and IAS 28 Investments in Associates and
 Joint Ventures Investment Entities: Applying the
 Consolidation Exception * (The amendments can
 be applied immediately; to be applied for financial
 years beginning on or after 1 January 2016): The
 narrow-scope amendments to IFRS 10, IFRS 12 and
 IAS 28 clarify the requirements when accounting for
 investment entities. The amendments also provide relief
 in particular circumstances, which will reduce the costs
 of applying the Standards. These amendments will not
 have an effect on the consolidated financial statements.

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- Amendments to IFRS 11 Joint Arrangements Accounting for Acquisitions of Interests in Joint
 Operations (to be applied for financial years beginning
 on or after 1 January 2016): The amendments add new
 guidance on how to account for the acquisition of an
 interest in a joint operation that constitutes a business,
 i.e. business combination accounting is required to
 be applied. The amendments of the standards are
 not expected to have a significant impact on the
 consolidated financial statements.
- Annual Improvements to IFRSs, 2012–2014 Cycle (to be applied for financial years beginning on or after 1 January 2016): Through the Annual Improvements procedure, small and less urgent amendments to the standards are collected and implemented together once a year. The amendments cover in total four standards. The effects of these amendments vary by standard but are nevertheless non-material.
- The new IFRS 15 Revenue from Contracts with Customers* (to be applied for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group continues to prepare estimates on the effects that the standard may have.
- The new IFRS 9 Financial Instruments* (to be

applied for financial years beginning on or after 1 January 2018): The standard will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group continues to prepare estimates on the effects that the standard may have.

A report of the extensive restructuring and refinancing arrangement carried out during the previous financial year

During the financial year, the Group carried out an extensive refinancing and restructuring arrangement. Prior to the restructuring, the Group's parent company was Pihlajalinna Terveys Oy (former Pihlajalinna Oy). The Group's new parent company, Pihlajalinna Oy (former Sorbuscast Oy), was registered on 29 April 2014. In July 2014, Pihlajalinna Oy carried out a directed share issue for the holders of Series A shares in Pihlajalinna Terveys Oy, who exchanged their shares for new shares in Pihlajalinna Oy. As a result of the share swap, Pihlajalinna Plc holds the entire share capital of Pihlajalinna Terveys Oy, and the parties that held shares in Pihlajalinna Terveys Oy prior to the arrangement became shareholders of Pihlajalinna Plc.

Since the restructuring resulted in no changes in the parties that exercise control in Pihlajalinna Oy and Pihlajalinna Terveys Oy, the arrangement in question constitutes an ownership restructuring involving companies that are under common control. This type of restructuring arrangement is not in the scope of IFRS 3, and the IFRSs do not provide instructions on the treatment of acquisitions that are under common control. Pihlajalinna Group applies carrying amounts for recognition of restructuring arrangement. Therefore, in accordance with the comparability and continuity principles, the financial information presented on Pihlajalinna Group in the consolidated financial statements consists of the information of the former Pihlajalinna Group recognised at carrying amounts up until the restructuring date, after which it consists of information complying with the new Pihlajalinna Group.

^{* =} The regulation in question has not been approved for application within the EU as at 31 December 2015.

Notes to the consolidated financial statements

1. Operating segments

The Pihlajalinna Group has two operating segments that are strategic business units of the Group. The strategic business units provide various services and are managed separately. The segment information presented by the Group is based on the internal management reporting, which is prepared in accordance with IFRS.

The Group's segments are Private Clinics and Specialised Care (C&S), and Primary and Social Care (P&S).

The Private Clinics and Specialised Care segment provides general and specialist medical consultation services, diagnostic services, occupational healthcare services, oral healthcare services, surgical services and rehabilitation services.

The Primary and Social Care segment provides care services, full primary healthcare and social care outsourcings, health centre outsourcings and staffing services.

In the Group, assessment of the segments' profitability and decisions concerning resources allocated to the segments are based on the segments' operating profit, as according to the management's view it is the most appropriate indicator for assessing the segments' profitability. The chief operating decision maker identified in the Group that is responsible for the aforementioned assessments and decisions on resources is the Management Team.

Each segment's assets and liabilities are items used by the segment in its business operations and can reasonably be allocated to the segment. Unallocated items include the parent company's expenses, non-recurring items, financial income and expenses and income taxes. Capital expenditure consists of increases in property, plant and equipment and intangible assets, used during more than one financial year. Inter-segment pricing is determined on an arm's length basis.

Operating segments

31 December 2015	C & S	P & S	Total
Total external revenue	118,417	94,899	213,316
Inter-segment revenue	1,043	1,853	2,896
Operating segment's revenue	119,460	96,752	216,211
Depreciation and amortisation	-6,371	-1,620	-7,991
Operating segment's EBITDA	9,159	3,930	13,089
Operating segment's EBITDA, %	7.7	4.1	6.1
Operating segment's operating profit	2,787	2,311	5,098
Operating segment's operating profit, %	2.3	2.4	2.4
Assets			
Operating segment's assets	119,610	45,212	164,822
Capital expenditure	36,001	8,024	44,025
Liabilities			
Operating segment's liabilities	20,427	21,077	41,504

31 December 2014	C & S	P & S	Total
Total external revenue	92,344	56,509	148,853
Inter-segment revenue	563	1,353	1,915
Operating segment's revenue	92,906	57,862	150,768
Depreciation and amortisation	-4,938	-845	-5,783
Operating segment's EBITDA	11,196	2,780	13,976
Operating segment's EBITDA, %	12.1	4.8	9.3
Operating segment's operating profit	6,258	1,934	8,193
Operating segment's operating profit, %	6.7	3.3	5.4
Assets			
Operating segment's assets	88,284	32,738	121,021
Capital expenditure	19,450	8,618	28,068
Liabilities			
Operating segment's liabilities	14,717	10,875	25,592

EUR 1,000 2015 2014 Reconciliations Revenues Operating segments' revenue 216,211 150,768 Items unallocated to the segments 19 Elimination of inter-segment revenue -2,903 -1,915 Total consolidated revenue 213,327 148,853 Operating profit Operating segments' operating profit 5,098 8,193 Items unallocated to the segments -1,470-2,229Consolidated operating profit 3,628 5,964 Assets Operating segments' assets 164,822 121,021 Inter-segment elimination -3,901-3,173Items unallocated to the segments 24,182 12,826 Total consolidated assets 185,103 130,675

The segments' assets exclude deferred tax assets, current tax assets as well as cash and cash equivalents.

Liabilities		
Operating segments' liabilities	41,504	25,592
Inter-segment elimination	-3,895	-3,188
Items unallocated to the segments	54,042	97,915
Total consolidated liabilities	91,650	120,319

The segments' liabilities exclude interest-bearing liabilities, deferred tax liabilities and current tax liabilities.

Operating segments.		
total	Unallocated	Group, total
0	-2,316	-2,316
44,025	592	44,617
-7,991	38	-7,953
0	-3,092	-3,092
28,068	232	28,300
-5,783	-66	-5,849
	0 44,025 -7,991	segments, total Unallocated 0 -2,316 44,025 592 -7,991 38 0 -3,092 28,068 232

Capital expenditure includes increases in non-current assets apart from deferred tax assets.

Information on key customers

The Group's revenues from two customers of the Primary and Social Care segment totalled approximately EUR 106,1 million in 2014 (EUR 44.2 million in 2014), representing 50 % (30 %) of the consolidated revenue.

EUR 1,000	2015	2014

2. Revenue

Sale of services	213,165	148,785
Sales of goods	161	67
Total	213,326	148,853

All of the Group's income came from Finland.

3. Other operating income

Capital gains on property, plant and equipment	140	95
Rental income	300	292
Government grants	234	290
Other income items	79	231
Total	753	909

4. Materials and services

Materials	-10,365	-6,899
Change in inventories	-38	95
External services	-71,509	-51,857
Total	-81,913	-58,661

EUR 1,000	2015	2014

5. Employee benefit expenses

Wages and salaries	-78,498	-49,999
Pension costs – defined contribution plans	-14,629	-9,521
Other social security expenses	-4,281	-2,692
Total	-97,409	-62,212
Average number of personnel		
in the financial year	2,503	1,619

Information on the employee benefits and loans of members of management considered to be related parties is presented in note 30 "Related party transactions".

6. Depreciation, amortisation and impairment

Amortisation by asset type		
Intangible assets		
Trademarks	-527	-527
Capitalised development costs	-115	-115
Other intangible assets	-2 242	-1,678
	-2,884	-2,320
Property, plant and equipment		
Buildings	-2,121	-1,554
Machinery and equipment	-2,948	-1,975
	-5,069	-3,529
Total depreciation, amortisation and		
impairment	-7,953	-5,849

EUR 1,000	2015	2014

7. Other operating exper	ises	
Facility expenses	-9,466	-5,987
Equipment and information management expenses	-6,473	-4,193
Sales and marketing expenses	-3,285	-2,226
Other expenses	-3,054	-2,446
Non-recurring expenses	-899	-2,223
Total	-23,177	-17,076
Non-recurring expenses affecting operating profit		
IPO-related share-selling expenses	-899	
Extensive restructuring arrangement in 2014		-1,765
Items arising from the integration of business operations		-96
Rearrangement of operations and other non-recurring items		-362
Total	-899	-2,223
Auditor's fees		
Audit, BDO	-94	-33
Audit, KPMG Oy Ab	-222	-124
Other services, KPMG Oy Ab	-341	-94
Total	-657	-251

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EUR 1,000 2015 2014 8. Financial income Dividend income from available-for-sale financial assets 15 Interest income from loans and receivables 153 30 Other financial income 4 74 Total 171 111 9. Financial expenses Interest expenses from financial liabilities carried at amortised cost -1,741-1,930Other financial expenses -473 -261Non-recurring financial expenses -273-1,011Total -2,487-3,203 Non-recurring financial expenses Refinancing expenses -273 -841Other non-recurring financial expenses -170Total -273 -1,011

EUR 1,000	2015	2014
10. Income taxes		
Current taxes	-827	-1,159
Taxes for the previous financial years	9	-58
Deferred taxes		
Origination and reversal of temporary differences	724	210
Total	-93	-1,007
Amounts recognised directly in equity	Before tax	Тах
Emission costs	2,682	-639
Total	2,682	-639

Reconciliation of tax expenses in the income statement and taxes calculated on the basis of the Group's tax rate of 20%:

Profit before taxes	1,313	2,872
Taxes calculated on the basis of the Finnish tax rate	-263	-574
Tate	-203	-3/4
Income not subject to tax	3	1
Non-deductible expenses	-1	-309
Unrecorded deferred tax assets from tax losses	-28	-120
Utilised prior losses with unrecognised tax benefits	143	37
Share of associates' profit	-14	-15
Other items	57	31
Taxes for prior financial		
years	9	-58
Taxes in the income statement	-93	-1,007

EUR 1,000 2015 2014

11. Earnings per share

Earnings per share for the financial year attributable to owners of the parent are calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of shares outstanding during the financial year.

Profit for the financial year attributable to owners of the parent, EUR	463,730.80	1,471,440.95
Number of shares outstanding, weighted average	16,767,940	13,299,614
Earnings per share, EUR/ share	0.03	0.11

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12. Property, plant and equipment

EUR 1,000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at 1 January 2015	163	29,090	14,621	122	1,058	45,053
Additions		10,689	4,373		534	15,596
Business combinations	44	8,031	2,356	27	0	10,459
Transfers between items		1,273	8	-2	-1,278	0
Disposals	-118	-8,050	-278	-3		-8,449
Cost at 31 December 2015	88	41,032	21,080	143	315	62,657
Accumulated depreciation at 1 January 2015		-3,831	-5,888	-1		-9,720
Depreciation		-2,121	-2,948	0		-5,069
Disposals		622	116	1		740
Accumulated depreciation at 31 December 2015		-5,329	-8,719	0	0	-14,049
Carrying amount at 1 January 2015	163	25,259	8,732	120	1,058	35,333
Carrying amount at 31 December 2015	88	35,702	12,361	143	315	48,608

	Land		Machinery and	Other tangible	Construction	
EUR 1,000	areas	Buildings	equipment	assets	in progress	Total
Cost at 1 January 2014	82	21,241	8,037	89	143	29,592
Additions		4,652	3,854	9	1,058	9,573
Business combinations	71	4,232	3,465	25		7,793
Transfers between items	9	226	-92		-143	0
Disposals		-1,261	-644			-1,905
Cost at 31 December 2014	163	29,090	14,621	122	1,058	45,053
Accumulated depreciation at 1 January 2014		-2,168	-2,686			-4,854
Depreciation		-1,554	-1,975	0		-3,529
Business combinations		-109	-1,325	-1		-1,435
Disposals			97			97
Accumulated depreciation at 31 December 2014		-3,831	-5,888	-1	0	-9,720
Carrying amount at 1 January 2014	82	19,073	5,350	89	143	24,738
Carrying amount at 31 December 2014	163	25,259	8,732	120	1,058	35,333

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Finance leases

Property, plant and equipment include the following assets acquired under finance leases:

		Machinery and	
At 31 Dec. 2015	Buildings	equipment	Total
Cost	26,836	1,059	27,895
Accumulated depreciation	-2,480	-261	-2,741
Carrying amount	24,356	798	25,154

		Machinery and	
At 31 Dec. 2014	Buildings	equipment	Total
Cost	11,423	482	11,905
Accumulated depreciation	-1,231	-93	-1,324
Carrying amount	10,192	389	10,581

Additions to the costs of property, plant and equipment include assets leased with finance leases totalling EUR 16,304 thousand (EUR 405 thousand in 2014).

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13. Intangible assets

EUR 1.000	Goodwill	Trade- marks	Development costs	Other intangible assets	Pre-payments	Total
Cost at 1 January 2015	56,249	5,268	1,333	7,304	469	70,622
Additions	,	,	1,326	649	1,506	3,481
Business combinations	19,970	1,885		3,969		25,824
Transfers between items				469	-469	
Disposals	-163		-1,046			-1,209
Cost at 31 December 2015	76,056	7,153	1,613	12,391	1,506	98,719
Accumulated amortisation at 1 January 2015		-1,076	-125	-3,451		-4,652
Amortisation		-527	-115	-2,242		-2,884
Accumulated amortisation at 31 December 2015		-1,603	-240	-5,694		-7,536
Carrying amount at 1 January 2015	56,249	4,192	1,208	3,852	469	65,970
Carrying amount at 31 December 2015	76,056	5,550	1,373	6,698	1,506	91,183
		Trade-	Development	Other		
EUR 1,000	Goodwill	marks	costs	intangible assets	Pre-payments	Total
Cost at 1 January 2014	47,182	5,268	1,227	4,453		58,130
Additions			64	881	469	1,414
Business combinations	9,066		41	1,980		11,088
Disposals				-9		-9
Cost at 31 December 2014	56,249	5,268	1,333	7,305	469	70,622
Accumulated amortisation at 1 January 2014		-549	0	-1,769		-2,318
Amortisation		-527	-115	-1,678		-2,320
Business combinations			-10	-4		-14
Accumulated amortisation at 31 December 2014		-1,076	-125	-3,451		-4,652
Carrying amount at 1 January 2014	47,182	4,719	1,227	2,683		55,812
Carrying amount at 31 December 2014	56,249	4,192	1,208	3,853	469	65,971

Other intangible assets include licences and computer software; customer agreements and related customer relationships acquired in connection with business combinations; and non-competition agreements and certificates.

Allocation of goodwill

For the purpose of impairment testing, goodwill has been allocated to the operating segments, Private Clinics and Specialised Care (C&S) and Primary and Social Care (P&S). The Group has determined the operating segments as the cash-generating units (CGUs).

The carrying amounts of goodwill are allocated to the operating segments as follows:

	2015	2014
Private Clinics and Specialised Care (C&S)	48,839	45,061
Primary and Social Care (P&S)	15,787	11,189
Tested goodwill 31 Oct. 2015	64,626	56,249
Goodwill arising from the acquisition of Koskiklinikka	11,430	
Goodwill as per the balance sheet of 31 Dec. 2015	76,056	56,249

Impairment testing

The date of goodwill impairment testing was changed during the financial year. The testing was carried out based on the situation prevailing at the end of October (the date of the 2014 financial statements). Neither the goodwill of EUR 11.4 million nor the future cash flows arising from the acquisition of Koskiklinikka were taken into account in impairment testing.

The recoverable amounts from the CGUs are determined based on value-in-use calculations. Cash flow forecasts are based on the budget for 2016 approved by the Board of Directors, and the cash flow estimates for 2017–2026 are based on the estimates of the segments' management on the growth and profitability of the business. Cash flows arising beyond the forecast period approved by the management are capitalised using an even 2% growth rate.

The key assumptions in the value-in-use calculations are: Budgeted and forecast operating profit are based on actual average operating profit and the view of each segment's management on the development of volumes. The possibility of intensified competition in the sector has been accounted for when preparing estimates on the volumes and profitability of the business. In the testing, cash flows from complete

outsourcing contracts have been taken into account only for the validity period of current agreements, while potential future outsourcings have not been taken into account in determining the growth rate.

The discount rate is determined using the weighted average cost of capital (WACC), which describes the total cost of equity and liabilities, taking into account the asset-specific risks. The pre-tax discount rate used for the Private Clinics and Specialised Care segment was 8.98% (8.17%) and for the Primary and Social Care segment, 11.23% (9.80%).

The growth rate of 2% used in the calculation of the terminal value is in line with the sector's actual long-term growth.

Sensitivity analyses in impairment testing

Based on the impairment tests, there is no need for impairment. The recoverable amount exceeded the carrying amounts in both segments (CGUs).

The occurrence of any of the following changes, ceteris paribus, would lead to the carrying amount of the segment's assets being equal to the segment's recoverable amount:

	2015	2014
Private Clinics and Specialised Care (C&S)		
- decline in volume	15,1%	4,8%
 decrease in the operating profit percentage 	1.4 percentage units	0.9 percentage units
- rise in the discount rate	2.4 percentage units	1.3 percentage units
Primary and Social Care (P&S)		
- decline in volume	21,9%	5,1%
 decrease in the operating profit percentage 	1.2 percentage units	0.7 percentage units
– rise in the discount rate	14.0 percentage units	2.7 percentage units

14. Business combinations

Acquisitions in the 2015 financial year, aggregated presentation

The Group expanded in the 2015 financial year through several business combinations.

The acquisition of Pietarsaaren Medicenter Oy was completed on 1 February 2015.

In a transaction executed in February, the Pihlajalinna Group acquired a 100% stake in Wiisuri Oy, a dental care business based in Jyväskylä.

The arbitration process concerning the MediLappi Oy share transaction was concluded in February. The transaction price confirmed in the arbitration process was EUR 0.2 million higher than the management's estimate in the 2014 financial statements.

In a transaction concluded in early March, Suomen Keinojuuriklinikka Oy became part of Pihlajalinna Group.

On 31 March 2015, the Group acquired three care homes in Southwest Finland: Hoitokoti Matinkartano Oy, Hoitokoti Setälänpiha Oy and Raision Oiva Oy.

Since the aforementioned acquisitions are not material individually, the following information has been consolidated

EUR 1,000	2015
Consideration transferred	
Cash	16,825
Total cost of the combination	16,825

At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:

EUR 1,000	Note	2015
Property, plant and equipment	12	775
Intangible assets	13	1,693
Inventories		211
Trade receivables and other receivables		1,307
Cash and cash equivalents		5,438
Total assets		9,423
Deferred tax liability		-339
Financial liabilities		-278
Other liabilities		-523
Total liabilities		-1,139
Net assets		8,285

Goodwill generated in the acquisition

Consideration transferred		16,825
Net identifiable assets of acquiree		-8,285
Goodwill	13	8,540
Transaction price paid in cash		16,825
Cash and cash equivalents of acquirees		-5,438
Effect on cash flow*		11,388

Customer contracts, non-compete agreements and patient databases were recorded in the acquisition as intangible assets separate from goodwill. The fair value of intangible assets has been determined on the basis of the standardised price level in business combinations and the discounted values of future cash flows. The remaining goodwill consists of expectations about returns, the skilled workforce of the acquired companies and synergy benefits.

The acquisition-related costs, a total of EUR 322 thousand have been recorded under other operating expenses.

The revenue and results for the acquired business operations beginning from the date of acquisition (total revenue EUR 11,828 thousand and total operating profit EUR 1,082 thousand) are included in the consolidated statement of comprehensive income. Had the business operations acquired in the financial year been consolidated as of the beginning of 2015, consolidated revenue would have amounted to EUR 216,064 thousand and operating profit for the financial year would have been EUR 3,744 thousand.

Acquisitions in the 2015 financial year, Koskiklinikka
On 30 December 2015, Pihlajalinna Group acquired the entire
share capital of Tampereen Lääkärikeskus Oy (Koskiklinikka).
The purchase included Koskiklinikka's 50 per cent ownership
of the imaging service company Röntgentutka Oy.

The acquisition of Koskiklinikka private clinic and hospital as well as four smaller private clinics strengthen Pihlajalinna's strategy to grow to a leading social and healthcare company in Finland.

The transaction price was paid in cash.

EUR 1,000	2015
Consideration transferred	
Cash	25,245
Total cost of the combination	25,245

At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:

EUR 1,000	Liite	2015
Property, plant and equipment	12	9,683
Trademark	13	1,885
Intangible assets	13	2,276
Associated company		2,839
Deferred tax asset		79
Inventories		273
Available-for-sale financial assets		1
Trade receivables and other		
receivables		1,833
Cash and cash equivalents		5,130
Total assets		23,999

EUR 1,000	lote	2015
Deferred tax liability		-839
Financial liabilities		-6,037
Other liabilities		-3,309
Total liabilities		-10,185
Net assets		13,815
Goodwill generated in the		
acquisition		
Consideration transferred		25,245
Net identifiable assets of acquiree		-13,815
Goodwill	13	11,430
Transaction price paid in cash		25,245
Cash and cash equivalents of		
acquirees		-5,130
Effect on cash flow*		20,115

Trademark, customer contracts, non-compete agreements and patient databases were recorded in the acquisition as intangible assets separate from goodwill. The fair value of intangible assets has been determined on the basis of the standardised price level in business combinations and the discounted values of future cash flows. The remaining goodwill consists of expectations about returns, the skilled workforce of the acquired companies and synergy benefits.

The acquisition-related costs, a total of EUR 490 thousand have been recorded under other operating expenses.

Had Koskiklinikka been consolidated as of the beginning of 2015, consolidated revenue would have amounted to EUR 242,448 thousand and operating profit for the financial year would have been EUR 5,072 thousand.

Had Koskiklinikka and the acquisitions carried out in 2015 been consolidated as of the beginning of 2015, consolidated revenue would have amounted to EUR 245,185 thousand and operating profit for the financial year would have been EUR 5,188 thousand.

Acquisitions in the 2014 financial year

The Group expanded in the 2014 financial year through several business combinations.

In a transaction executed on 1 January 2014, the Pihlajalinna Group acquired a 100% stake in Hämeenlinnan Hoivapalvely Ky and Kiinteistö Oy Hämeenlinnan Nuutintupa in Hämeenlinna, and Kuusama-Koti Oy in Kokemäki and Tampereen Hammashoito Oy in Tampere.

MediLappi Oy has been consolidated as of 1 January, when control was transferred to the Group. The transaction price was still recognised as a liability at the end of the reporting period. In January, the Group also acquired from Plusterveys the oral healthcare business of its Harjun Hammas and Ilmarisen Hammas business units in Jyväskylä.

UPM-Kymmene Corporation outsourced its occupational healthcare services to Dextra Oy in a business acquisition signed on 29 April, and in May, the Group acquired the Jyväskylä-based Mathilda-koti ry's business and Plusterveys Oy's dental care business in Hämeenkyrö.

In a transaction concluded in July, Laser Tilkka Oy became a wholly-owned subsidiary of the Pihlajalinna Group.

In August, the Group acquired Imatran Kliininen Laboratorio Oy in Imatra, and in September it acquired Palvelukoti Sarahovi Oy and Palvelukoti Sofianhovi Oy in Mänttä-Vilppula.

The deed of sale for the acquisition of Pietarsaaren Medicenter Oy's business was signed in August but control had not been transferred to the Group at the end of the reporting period. The business has been consolidated as of the beginning of February 2015.

In October, the Group acquired the business of Lääkäriasema Laboratorio Kompus Tmi in Mänttä-Vilppula.

Since the aforementioned acquisitions are not individually material, the following information has been consolidated.

EUR 1,000	Note	2014
Consideration transferred		
Cash		10,164
Current transaction price liability		800
Contingent consideration		4,810
Total cost of the combination		15,775

At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:

EUR 1,000	Note	2014
Property, plant and equipment	12	6,357
Intangible assets	13	2,007
Inventories		431
Available-for-sale financial assets		385
Trade receivables and other receivables		1,153
Cash and cash equivalents		2,597
Total assets		12,930
Deferred tax liability		-475
Financial liabilities		-2,756
Other liabilities		-2,991
Total liabilities		-6,222
Net assets		6,708
1400 033003		3,700

EUR 1,000	Note	2014
Goodwill generated in the acquisition		
Consideration transferred		15,775
Net identifiable assets of		
acquiree		-6,708
Goodwill	13	9,067
Transaction price paid in cash		10,164
Prepayments in 2013		-2,703
Cash and cash equivalents of		
acquirees .		-2,597
Effect on cash flow*		4,864

Customer contracts, non-compete agreements and patient databases were recorded in the acquisition as intangible assets separate from goodwill. The fair value of intangible assets has been determined on the basis of the standardised price level in business combinations and the discounted values of future cash flows. The remaining goodwill consists of expectations about returns, the skilled workforce of the acquired companies and synergy benefits.

The acquisition-related costs, a total of EUR 132 thousand have been recorded under other operating expenses.

The revenue and results for the acquired business operations beginning from the date of acquisition (total revenue EUR 16,129 thousand and total operating profit EUR 1,074 thousand) are included in the consolidated statement of comprehensive income. Had the business operations acquired in the financial year been consolidated as of the beginning of 2014, consolidated revenue would have amounted to EUR 156,292 thousand and operating profit for the financial year would have been EUR 6,506 thousand.

Contingent consideration

The Group is committed to paying EUR 4,810 thousand in contingent consideration for the acquisitions in the 2014 financial year. Payment of the consideration is contingent on various indicators measuring profit-making ability.

The fair value of contingent consideration is determined on the basis of the budget for the 2015 financial year approved by the Board of Directors and on estimates for 2016–2017 prepared by the management. The estimates are based on a discount rate of 3%.

Any changes in the fair value of contingent consideration are recorded under other operating expenses.

The valuation difference resulting from the discount rate has been recognised in profit or loss under financial items.

EUR 1,000	2015	2014
Contingent consideration, 1 January 2014	5,450	1,250
Increase in contingent consideration from the acquisition of business operations		4,810
Increase in the fair value of contingent consideration	154	49
Unrealised decrease in the fair value of contingent consideration	-502	-576
Effect of the unwinding of discount	146	116
Contingent consideration paid during the financial year*	-2,266	-198
Contingent consideration, 31 December 2014	2,982	5,450

In a transaction separate from the acquisition, the Group has undertaken to pay EUR 60 thousand as an additional transaction price, which has been recognised under employee benefit expenses. That undertaking did not realize during financial year 2015.

^{*} The line item "Acquisition of subsidiaries less cash and cash equivalents at date of acquisition" in the consolidated statement of cash flows presents the following items as a net amount:

	2015	2014
Acquisitions in the 2014 financial year, effect on cash flow	31,503	4,864
Contingent consideration paid during the financial year	2,266	198
Total	33,769	5,062

15. Subsidiaries and material non-controlling interests

The Group's structure

The Group had 33 subsidiaries in 2015 (21). Of these subsidiaries, 28 (17) are wholly-owned and 5 (4) are partially owned.

A list of all of the Group's subsidiaries is presented in Note 30 "Related party transactions".

In 2015, the Group had 2 (2) associates, 1 (0) joint venture and 1 (1) joint operation. Structured companies, of which there was 1 (2), are not included in the consolidated financial statements.

Breakdown of material non-controlling interests in the Group

EUR 1,000	Main business location		Non-controlling interests' share of the votes of profit or loss			controlling erests' share of equity	
Subsidiary		2015	2014	2015	2014	2015	2014
Jokilaakson Terveys Oy	Jämsä	49%	49%	581	390	1,109	1,018
Mäntänvuoren Terveys Oy	Mänttä- Vilppula	49%	49%	74	106	89	113
Jämsän Terveys Oy	Jämsä	49%		110		120	
Kuusiolinna Terveys Oy	Alavus	49%		-8		2	
Kolmostien Terveys Oy	Parkano	49%		-1		4	
Dextra Medical Spa ja Plastiikkakirurginen Sairaala Oy	Helsinki		22%	0	-36		-65
Dextra Suunterveys Oy	Jyväskylä		49%		-66		-64
				756	393	1,324	1,002

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Summary of financial information on subsidiaries with a material non-controlling interest

	Jokilaa	kson Terveys Oy	Mäntänvu	oren Terveys Oy	Jämsän Terveys Oy	Kuusiolinna Terveys Oy	Kolmostien Terveys Oy	Dextra Medical spa ja plastiikakirur- ginen sairaala	Dextra Suunterveys Oy
EUR 1,000	2015	2014	2015	2014	2015	2015	2015	2014	2014
Current assets	4,478	6,225	5,404	4,318	5,749	63	10	258	223
Non-current assets	1,217	1,518	1,432	1,525	198	39	1,046	658	1,654
Current liabilities	3,241	5,416	6,605	5,578	5,698	99	1,047	394	1,956
Non-current liabilities								815	
Revenue	23,848	22,257	39,039	39,498	11,771			1,283	1,794
Operating profit	1,410	1,027	200	283	281	-20	-2	-603	-116
Profit/loss	1,185	795	150	216	224	-16	-2	-165	-134
Share of profit/loss attributable to owners of the parent	604	406	77	110	114	-8	-1	-129	-68
Non-controlling interests' share of profit/loss	581	390	74	106	110	-8	-1	-36	-66
Net cash flow from operating activities	-1,218	1,606	2,447	-205	2,441	-34	-1	262	102
Net cash flow from investing activities	-87	-510	-69	-420	-43	-35	0	-191	-1,776
Net cash flow from financing activities,	-1,002	-1,000	-201	0	19	69	10	-41	1,689
of which dividends paid to non-controlling interests	-490	-490	-98						

Interests in unconsolidated structured entities

Sinister Duo Oy holds 330,000 Pihlajalinna Plc shares. Sinister Duo Oy is owned by private persons belonging to Pihlajalinna's management and key management personnel. Pihlajalinna Plc has not financed Sinister Duo Oy nor arranged any collateral for it.

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16. Interests in associates and joint ventures

EUR 1,000		2015	2014
Interests in associates			41
Interests in joint ventures	Röntgentutka Oy	2,839	
Interests in joint operations		40	40
Total carrying amount		2,879	81

Interests in associates and joint ventures

			Holdin	ıg, %
Name	Main business location	Sector	2015	2014
		Private clinics, private doctors and similar specialist medical		
Dextra Lapsettomuusklinikka Oy	Helsinki	services	49	49
Insta Care Oy	Tampere	Software design and production	50	35
Röntgentutka Oy	Tampere	Imaging	50	

	Röntgentutka Oy	Insta Care Oy	Insta Care Oy	Dextra Lapsettomuus- klinikka Oy	Dextra Lapsettomuus- klinikka Oy
EUR 1,000	2015	2015	2014	2015	2014
Current assets	1,676	54	98	740	600
Financial assets included in current assets	1,105	27	16	328	119
Non-current assets	1,370	359		1,991	2,262
Current liabilities	704	366	78	2,290	239
Financial liabilities included in current liabilities	71	_	_	2,000	
Non-current liabilities	417	200		1,345	3,349
Financial liabilities included in non-current liabilities	417	200		1,345	3,349
Revenue	4,199	292	191	2,474	1,375
Depreciation and amortisation	-243	-90		-332	-316
Operating profit	893	-167	-92	-24	-951
Profit/loss	715	-173	-90	-178	-825
Interest income	1	0	2	0	0
Interest expenses	-2	-6	0	-154	-80
Income tax expenses or income	-176	-	_		206
Associate's net assets	1,925	-152	20	-904	-726
Group's holding	50%	50%	35%	49%	49%
Associate's carrying amount in the consolidated statement of financial position		0	40	0	0
Joint venture's carrying amount in the consolidated statement of financial position	2,839				

The share of associates' profit is presented under other operating expenses up to the carrying amount of the Group's investment in their shares. The carrying amount of Dextra Lapsettomuusklinikka (EUR 196 thousand) was written down in 2014. Similarly, the carrying amount of Insta Care (EUR 70 thousand in 2015 and EUR 31 thousand in 2014) was written down. Röntgentutka Oy's profit will be consolidated as of 1 January 2016.

The Group has given a guarantee for a bank loan and a lease commitment on behalf of Dextra Lapsettomuusklinikka Oy.

Interests in joint operations

The Group owns 31% in Kiinteistö Oy Levin Pihlaja, which is consolidated as a joint operation according to the pro rata share.

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17. Other non-current receivables

EUR 1,000	2015	2014
Loan receivables from associates	1,445	1,345
Lease deposits paid	1,225	297
Prepayments and accrued income	157	
Total	2,827	1,642

Pihlajalinna Terveys Oy has convertible bond receivables from Dextra Lapsettomuusklinikka Oy totalling EUR 0.5 million and other non-current loan receivable of EUR 0.8 million. Dextra Lapsettomuusklinikka has registered the loss of its share capital in the Trade Register on 2 January 2015. Using its judgement, the company's management has estimated on the basis of forecasts received "and recent performance that the original carrying amount of the loan receivables corresponds to their fair value. Pihlajalinna Terveys Oy has a loan receivable of EUR 0.1 million from Insta Care Oy.

18. Financial assets and liabilities

			Financial assets and liabilities	Financial		
FUD 1 000		Loans and	measured at fair	liabilities	Total	Total
EUR 1,000 At 31 Dec. 2015	Note	receivables	value through profit or loss	measured at amortised cost	carrying amounts	fair values
Non-current financial assets			promoter root	4	4	741400
Loan receivables from associates	17	1,445			1,445	1 445
Current financial assets		.,			.,,,,	
Trade receivables	21	15,567			15,567	15,567
Loan receivables from associates	21	10			10	10
Other receivables	21	87			87	87
Cash and cash equivalents	22	15,330			15,330	15,330
Total		32,439	0	0	32,439	32,439
Non-current financial liabilities						
Loans from financial institutions	24			321	321	321
Finance lease liabilities	24			23,029	23,029	23,029
Other liabilities	24			870	870	870
Current financial liabilities						
Loans from financial institutions	24			12,124	12,124	12,124
Cheque account with credit limit	24			0	0	0
Finance lease liabilities	24			2,272	2,272	2,272
Derivatives – not included in hedge accounting	25			0	0	0
Other liabilities	24			246	246	246
Trade and other payables	25			8,635	8,635	8,635
Total			0	47,497	47,497	47,497

EUR 1,000 At 31 Dec. 2014	Note	Loans and receivables	Financial assets and liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total carrying amounts	Total fair values
Non-current financial assets						
Loan receivables from associates	17	1,345			1,345	1,345
Current financial assets						
Trade receivables	21	11,254			11,254	11,254
Other receivables	21	118			118	118
Cash and cash equivalents	22	10,962			10,962	10,962
Total		23,679	0	0	23,679	23,679
Non-current financial liabilities						
Loans from financial institutions	24			58,638	58,638	58,638
Finance lease liabilities	24			9,936	9,936	9,936
Other liabilities	24			5,027	5,027	5,027
Current financial liabilities						
Loans from financial institutions	24			8,284	8,284	8,284
Cheque account with credit limit	24			2,858	2,858	2,858
Finance lease liabilities	24			722	722	722
Derivatives – not included in hedge accounting	25		70		70	70
Other liabilities	24			2,513	2,513	2,513
Trade and other payables	25			6,796	6,796	6,796
Total		0	70	94,774	94,844	94,844

Fair value determination principles applied by the Group on financial instruments

When determining the fair values of the financial assets and liabilities shown in the table, the following price quotations, assumptions and valuation models have been used:

Loan receivables from associates

Using its judgement, the company's management has estimated on the basis of forecasts received and recent performance that the original carrying amount of the loan receivables corresponds to their fair value.

Derivatives

For interest rate swaps, fair value is measured using the principle of counterparty price quotation. In addition, the Group has prepared its own control calculation based on discounted cash flows.

Loans from financial institutions

The fair values of loans are based on discounted cash flows. The fair values of loans essentially correspond to their carrying amount since they have a floating interest rate and the Group's risk premium has not materially changed.

Trade receivables and other receivables

The initial carrying amount of non-derivative receivables corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the receivables.

Trade and other payables

The initial carrying amount of non-derivative payables corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the payables.

Fair value hierarchy of financial assets and liabilities measured at fair value

Instruments at hierarchy level 1 are actively traded on the market, which means their fair values are directly based on market prices. Fair values of level 2 instruments are based on information that is observable in the market. Fair values of level 3 instruments are not based on observable market data (that is, unobservable inputs).

All of the Group's financial assets and liabilities measured at fair value (i.e. all of the Group's derivatives) are included in the fair value hierarchy level 2 under IFRS 7. The fair value of these instruments at the end of the reporting period was EUR 0 (EUR 70thousand). Non-current financial liabilities (loans from financial institutions and finance lease liabilities) are similarly included in the fair value hierarchy level 2. The contingent consideration of EUR 2,982 thousand (EUR 5,450 thousand in 2014) under Other liabilities is included in the fair value hierarchy level 3.

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19. Deferred tax assets and liabilities

Changes in deferred taxes during 2015:

EUR 1,000

Deferred tax assets	1 Jan. 2015	Recognised in profit or loss	Recognised in equity	Subsidiaries acquired	Other	31 Dec. 2015
Tax losses carried forward confirmed by tax authorities	145	839			'	984
Liability to holders of Series B shares	741	134				875
Other items	208	372		79		659
Deferred tax assets on the statement of financial position	1,094	1,345	0	79	0	2,519
Deferred tax liabilities						
Property, plant and equipment and intangible assets	1,134	411		8		1 552
Tax related to the costs of the IPO and directed share issue recorded in the reserve for invested unrestricted equity		639	-639			0
Recognition of property, plant and equipment and intangible assets at fair value in business combinations	2,839	-439		1,176		3,576
Other items	119	-60				59
Deferred tax liabilities on the statement of financial position	4,092	551	-639	1,184	0	5,185

Changes in deferred taxes during 2014:

EUR 1,000

Deferred tax assets	1 Jan. 2014	Recognised in profit or loss	Recognised in equity	Subsidiaries acquired	Other	31 Dec. 2014
Tax losses carried forward confirmed by tax authorities	103	118			-75	145
Liability to holders of Series B shares	622	118				741
Other items	212	-4				208
Deferred tax assets on the statement of financial position	938	232	0	0	-75	1,094
Deferred tax liabilities						
Property, plant and equipment and intangible assets	718	416				1,134
Recognition of property, plant and equipment and intangible assets at fair value in business combinations	2,774	-391		456		2,839
Other items	102	-2		19		119
Deferred tax liabilities on the statement of financial position	3,595	22	0	475	0	4,092

The Group had confirmed losses of EUR 4,919 thousand (EUR 728 thousand), for which deferred tax assets of EUR 839 thousand (EUR 118 thousand) were recognised. The recognition of deferred tax assets on the statement of financial position is justified, as the Group is likely to accrue taxable income against which the losses in question can be used before they expire.

The losses have mostly arisen from costs related to the Initial Public Offering as well as exceptional costs during the start-up of companies founded, for which the company believes the situation will change once operations have become established. The losses in question will expire in 2023–2025. The Group has incurred losses amounting to EUR 317 thousand for which deferred tax assets have not been recorded. The losses will expire in 2025.

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20. Inventories

EUR 1,000	2015	2014
Materials and supplies	1,753	1,281
Total	1,753	1,281

No impairment on the carrying amounts of inventories was recorded during the reporting period.

21. Trade receivables and other receivables

EUR 1,000	2015	2014
Trade receivables	15,567	11,254
Prepayments and accrued income	3,987	2,469
Prepayments and accrued income from related parties	0	118
Receivables from associates	10	0
Accrued interest	59	25
Other receivables	87	271
Total	19,710	14,137

The carrying amount of trade receivables and other receivables corresponds to the maximum credit risk involved at the end of the reporting period.

The Group recognised EUR 143 thousand (EUR 26 thousand) in impairment losses on trade receivables during the financial year. There are no major credit risk concentrations associated with receivables.

Ageing analysis of trade receivables	2015	Credit losses	Net 2015	2014	Credit losses	Net 2014
Not past due	8,342		8,342	9,177		9,177
Past due						
Less than 30 days	6,196		6,196	989		989
30-60 days	304		304	204		204
61-90 days	127		127	298		298
More than 90 days	784	-187	597	866	-280	586
Total	15,754	-187	15,567	11,534	-280	11,254

	2015	2014
Credit loss provision, at 1 January	280	85
Credit losses recorded	143	26
Credit loss provision, used	-143	-26
Credit loss provision, increase	-93	195
Credit loss provision, at 31 December	187	280
Material items included under Prepayments and accrued income:		
Sales and income accruals	1,991	698
Social security payments	254	456
Expenses paid in advance	897	932
Other	845	383
	3,987	2,469

The carrying amounts of the receivables correspond substantially to their fair values.

22. Cash and cash equivalents

	2015	2014
Cash in hand and at bank	15,330	10,962
Total	15,330	10,962

23. Notes on equity

Reconciliation of the number of shares

			Reserve for invested	
	Number of		unrestricted	
EUR 1,000	shares	Share capital	equity	Total
Establishment	250	3		3
Share issue	13,398,610		5,081	5,081
At 31 December 2014	13,398,860	3	5,081	5,084
Bonus issue		78	-78	0
Initial public offering	5,714,286		57,854	57,854
Directed issue	1,500,000		25,088	25,088
At 31 December 2015	20,613,146	80	87,946	88,026

Pihlajalinna has one share series, with each share entitling its holder to one vote at a General Meeting of the shareholders.

The company's shares have no nominal value. All shares vest their holders with equal rights to dividends and other distribution of the company's assets.

In the Initial Public Offering executed in June, 5,714,286 new shares were issued at the subscription price of EUR 10.5 per share.

The expenses arising from the share issue, EUR 2,145,5 thousand were recorded in the reserve for invested unrestricted equity.

In the directed share issue executed in December, 1,500,000 new shares were issued at the subscription price of EUR 17.00 per share.

The expenses arising from the share issue, EUR 412,2 thousand were recorded in the reserve for invested unrestricted equity.

The shares belong to the book-entry system.

Below are descriptions of the equity reserves.

Share capital

EUR 2,500 of the share capital was subscribed when the company was founded. During the financial year, the share capital was increased to EUR 80 thousand through a bonus issue of EUR 77,5 thousand.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity contains other equity-like investments and the share subscription price to the extent that this is not entered in share capital under a specific decision.

24. Interest-bearing liabilities

EUR 1,000	2015	2014
Non-current financial liabilities carried at amortised cost		
Bank loans	321	58,638
Other liabilities	870	1,808
Finance lease liabilities	23,029	9,936
Contingent consideration measured at fair value	317	3,219
Total	24,537	73,601
Current financial liabilities carried at amortised cost		
Bank loans	12,124	8,284
Cheque accounts with credit limit	0	2,858
Other liabilities	246	282
Finance lease liabilities	2,272	722
Contingent consideration measured at fair value	2,665	2,231
Total	17,307	14,377

The fair values of liabilities are presented in Note 18 "Financial assets and liabilities". Recognition and measurement of contingent consideration is described in Note 14 "Business combinations".

The Group presents withdrawals from the five-year, EUR 60 million revolving credit facility under short-term bank loans in accordance with their maturity. The Group may, at its discretion.

extend the loan period of such loan withdrawals by 1, 3 or 6 months.

Pihlajalinna refinanced its earlier loan arrangement at the end of September 2015. The new agreement consists of a five-year, EUR 60 million revolving credit facility and EUR 10 million account limit agreements.

The revolving credit facility has one 12-month extension option period. The new agreement involves only one financial covenant: net debt/adjusted pro forma EBITDA.

At the end of the financial year, the Group had EUR 58.0 million of unused committed short-term credit limits.

Finance lease liabilities

Maturity periods of finance lease liabilities:

EUR 1,000	2015	2014
Gross finance lease liabilities – amount of minimum lease payments by maturity period		
Within one year	3,071	1,114
Between one and five years	11,536	4,207
Over five years later	15,880	8,231
Total	30,487	13,552
Financial expenses accrued in the future	-5,186	-2,894
Present value of finance lease liabilities	25,302	10,658
The present value of finance lease liabilities will mature as follows:		
Within one year	2,272	722
Between one and five years	10,537	3,802
Over five years later	12,493	6,134
Total	25,302	10,658

Finance lease liabilities consist of lease agreements for passenger cars, machinery and equipment and real estate property leases the original validity period of which was 15 years and included extension options. The rents are tied to the consumer price index.

25. Trade and other payables

EUR 1,000	2015	2014
Trade payables	4,260	3,095
Accrued liabilities	30,840	16,605
Prepayments	93	1,538
Other liabilities	6,815	5,287
Total	42,007	26,525
Material items included under Accrued liabilities:		
Wages and salaries and social security payments	19,171	10,447
Financial items	8	216
Other accrued liabilities	11,660	5,942
	30,840	16,605

26. Financial risk management

The Group's main financial risks consist of interest rate and liquidity risks, credit risks and counterparty risks. The Group operates mainly in Finland and is not therefore exposed to material foreign exchange risks in its operations. The Group's general risk management policies are approved by the Board of Directors. The Group's Chief Financial Officer, together with the operative management, is responsible for identifying financial risks and for practical risk management. The goal of the Group's risk management is to ensure sufficient liquidity, minimise financing costs and regularly inform the management about the Group's financial position and risks. The Group's financial administration actively monitors compliance with the financial covenants and assesses financial leeway in relation to the covenant maximums as part of the Group's business planning.

Interest rate risk

The Group's revenues and cash flows from operations are mostly independent of fluctuations in market interest rates. The Group is exposed to interest rate risks mainly through its external loan portfolio. In accordance with the principles of risk management, the Board of Directors decides on the extent of interest rate hedging coverage for the Group's loan portfolio. At the end of the financial year, the Group had no interest rate hedging arrangements in place. On the date of the financial statements, 68% (15%) of the interest-bearing liabilities were subject to fixed interest rates. In 2015, the average annual interest rate on the Group's interest-bearing liabilities, with interest rate hedging accounted for, was 2.83% (2.52%). The duration, i.e. the fixed interest rate period, of the financing portfolio was 3.5 years.

The table below presents the Group's interest rate position at the end of the reporting period. The Group does not apply hedge accounting in accordance with IAS 39.

EUR 1,000	2015	2014
Fixed rate financial liabilities	26,639	12,458
Variable rate financial liabilities	12,423	70,069
Interest rate swaps	0	-9,300
Total variable rate position	12,423	60,769

The table below presents the effects on consolidated profit before tax should market interest rates rise or fall, all other things being equal. The sensitivity analysis is based on the interest rate position at the closing date of the reporting period and includes changes in the fair value of interest rate swaps.

	2015	2015	2014	2014
	0.5 percentage	0.5 percentage	0.5 percentage	0.5 percentage
Change	units higher	units lower	units higher	units lower
Effect on profit before tax	-62	0	-296	22

Since the Group has no material interest-bearing assets, its income and operating cash flows are not materially exposed to changes in market interest rates.

Liquidity risk

The Group monitors the amount of financing required by business operations by analysing forecasts for cash flow from sales in order to make sure the Group has a sufficient amount of liquid assets for financing operations and repaying maturing loans.

The Group refinanced its bank loans in September 2015. The previous loan agreements consisted of four different facilities, all of which had a floating rate. The replaced loan agreement also included several financial and information provision covenants. The new agreement consists of a five-year, EUR

60 million revolving credit facility and EUR 10 million account limit agreements. The revolving credit facility has one 12-month extension option period. The new agreement involves only one financial covenant: net debt/adjusted EBITDA.

The Group aims to ensure the availability and flexibility of financing with adequate credit limits, a balanced maturity profile and sufficiently long maturities for borrowings, as well as by obtaining financing through several financial instruments. At the end of the reporting period, the Group's financial assets stood at EUR 15.3 million (EUR 11.0 million),

in addition to which the Group had EUR 58.0 million (EUR 7.8 million) in unused credit limits available.

The Group's solvency improved significantly in the financial year. The Group's equity ratio at the end of the financial year was 50.5 per cent (8.0). The increase in the equity ratio was due to net assets received from the Initial Public Offering and the directed share issue in December. The Group has good financial standing and its business operations are profitable, and therefore the company has not identified any significant risks related to the availability of additional financing.

The table below presents the contractual maturity of financial liabilities. The figures are undiscounted and they include both future interest payments and repayments of principal.

Financial liabilities repayment schedule

EUR 1,000	Carrying amount at 31 Dec. 2015	Less than 1 year	1–2 years	2–3 years	3–4 years	over 4 years
Loans from financial institutions	12,446	-12,377	-192	-66	-16	-65
Finance lease liabilities	25,302	-3,134	-3,356	-3,284	-3,575	-17,139
Other interest-bearing liabilities	1,115	-267	-130	-57	-57	-1,040
Contingent consideration	2,982	-2,704	-333			
Trade payables	4,260	-4,260				
Other liabilities	4,375	-4,375				
Total	50,479	-27,117	-4,011	-3,407	-3,648	-18,244

Financial liabilities repayment schedule

FUD 4 000	Carrying amount		4.0		2 (
EUR 1,000	at 31 Dec. 2014	Less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	66,922	-10,045	-8,075	-53,322	-14	-69
Finance lease liabilities	10,658	-1,114	-1,052	-1,052	-1,052	-9,283
Other interest-bearing liabilities	2,090	-316	-646	-85	-57	-1,560
Contingent consideration	5,450	-2,303	-2,858	-590		
Cheque credit limit	2,858	-2,900				
Trade payables	3,095	-3,095				
Interest rate swaps	70	-70				
Other liabilities	3,701	-3,701				
Total	94,773	-23,544	-12,631	-55,049	-1,123	-10,912

Loan covenants

The Group's key loan covenants are reported to the financiers on a quarterly basis. If the Group breaches the loan covenant terms, the creditors may accelerate the repayment of the loans. The management monitors the fulfilment of loan covenant terms and reports on them to the Board of Directors on a regular basis.

The financial covenant related to the new revolving credit facility is based on the ratio of the Group's net debt to pro forma EBITDA. The maximum value of the covenant term is 3.75. The closer the Group's covenant term is to the said maximum value, the higher the loan margin. At the end of the

reporting period, the Group met the terms of the covenant; the key ratio was 1.55.

At the end of the reporting period, 31 December 2015, the loan amount to which the covenants apply, was EUR 12.0 million.

Credit risk

The Group's credit risk mostly consists of credit risks involved in customer receivables related to business operations. Noncurrent loan receivables from associates also involve a credit and counterparty risk. The Group has no significant credit risk concentrations related to customer receivables, as the key customers in the public sector (municipalities and public entities) and the largest occupational healthcare customers have a good credit rating that has been checked.

The payment information of corporate and personal customers is checked at every appointment. For the collection of payments, the Group mostly uses an external collections agency. The Group's private customers also have a special Dextra Joustotili (Flexible Account) available to them, which allows for flexible financing of services and includes a check of the private customer's creditworthiness.

The ageing analysis of trade receivables is presented in Note 21 "Trade receivables and other receivables". The amount of credit losses recorded in profit or loss during the financial year was not significant. The maximum amount of the Group's credit risk equals to the carrying amount of financial assets at the end of the financial year (see Note 18 "Financial assets and liabilities").

Currency risk

The Group operates mainly in Finland and is not therefore exposed to material foreign exchange risks in its operations. The Group's annual procurements in foreign currencies are insignificant.

27. Capital management

The goal of the Group's capital management is to ensure that the normal requirements of business operations are met, enable investments in line with the Group's strategy and increase long-term shareholder value. The Group influences its capital structure mainly through the distribution of dividend and share issues.

The key indicators concerning capital management are the equity ratio and the ratio of net debt to EBITDA excluding non-recurring items (adjusted EBITDA).

EUR 1,000	2015	2014
Total equity	93,451	10,356
Statement of financial position, total – prepayments received	185,010	129,137
Equity ratio	50.5%	8.0%
Interest-bearing liabilities	38,862	82,528
Cash and cash equivalents	-15,330	-10,962
Interest-bearing net debt	23,533	71,566
EBITDA	11,581	11,813
Non-recurring items	899	2,223
Adjusted EBITDA	12,480	14,036
Net debt/Adjusted EBITDA	1,89	5,10

The Group's equity ratio improved considerably during the financial year due to the net assets received from the Initial Public Offering, a total of EUR 57.4 million, and the net assets received from the directed share issue, a total of EUR 25.0 million.

28. Operating leases

Group as the lessee

The Group leases many of the premises it uses. The lease terms range from from a few years to fifteen years, and normally they include the option to extend the lease after the original expiry date. The leases generally include an index clause.

Minimum lease payments under non-cancellable operating leases:

EUR 1,000	2015	2014
Within one year	5,008	3,424
More than one year and a maximum of five years later	11,925	8,933
Over five years later	2,273	3,586
Total	19,207	15,943

Group as the lessor

The Group leases out parts of its premises under operating leases. The amount of rental income is not material.

29. Contingent assets and liabilities and commitments

Collateral given on own behalf

EUR 1,000	2015	2014
Pledged collateral notes	1,025	416,624
Properties		4,619
Other shares		2,455
Pledged bank accounts and other receivables		5,102

Collateral given on behalf of

associates	2015	2014
Other contingent liabilities	3,998	2,284

The Group's subsidiaries, Dextra Oy, Pihlajalinna Terveys Oy and Suomen Keinojuuriklinikka Oy, have provided a suretyship in the parent company's loan facility. The balance of the loan at the time of the financial statement was EUR 12.0 million.

Other contingent liabilities	2015	2014
Value added tax (VAT) adjustment liability on property investments	-	53

Lawsuits and official proceedings

At the time of the financial statements, the Group had no pending lawsuits or official proceedings.

30. Related party transactions

The Group's related parties consist of the subsidiaries, associates and joint ventures. Key management personnel considered related parties consist of the members of the Board of Directors and the Management Team, including the CEO and the Deputy CEO.

The Group's parent company and subsidiary relationships

The Group's parent company is Pihlajalinna Plc, which owns all of Pihlajalinna Terveys Oy's Series A shares. Pihlajalinna Terveys Oy owns the shares in the other subsidiaries.

EUR 1,000

Company	Domicile	Holding	% of votes
Parent company Pihlajalinna Plc	Tampere		
Pihlajalinna Terveys Oy	Tampere	100%	100%
Hoivakoti Johanna Oy	Jämsä	100%	100%
Jokilaakson Terveys Oy	Jämsä	51%	51%
Dextra Oy	Helsinki	100%	100%
Mäntänvuoren Terveys Oy	Mänttä-Vilppula	51%	51%
Dextra Medical Spa and Plastiikkakirurginen Sairaala Oy	Helsinki	100%	100%
Tammerkosken Hammasklinikka Oy	Tampere	100%	100%
Zirlab Oy	Tampere	100%	100%
Lääkärikeskus Labeho Oy	Lappeenranta	100%	100%
Lääkärikeskus Irmeli Elomaa Oy	Kankaanpää	100%	100%
Visita Oy	Jyväskylä	100%	100%
Tampereen Hammashoito Oy	Tampere	100%	100%
Hämeenlinnan Hoivapalvelu Ky	Hämeenlinna	100%	100%
Kuusama-koti Oy	Kokemäki	100%	100%
MediLappi Oy	Sirkka	100%	100%
Dextra Suunterveydenhoito Oy	Jyväskylä	100%	100%
Laser Tilkka Oy	Helsinki	100%	100%
Imatran Kliininen Laboratorio Oy	Imatra	100%	100%
Palvelukoti Sarahovi Oy	Mänttä-Vilppula	100%	100%
Palvelukoti Sofianhovi Oy	Mänttä-Vilppula	100%	100%
Wiisuri Oy	Jyväskylä	100%	100%
Suomen Keinojuuriklinikka Oy	Kauniainen	100%	100%
Hoivakoti Nestori Oy	Tampere	100%	100%
Hoitokoti Matinkartano Oy	Lieto	100%	100%
Hoitokoti Setälänpiha Oy	Lieto	100%	100%

Company	Domicile	Holding	% of votes
Oikare Oy	Raisio	100%	100%
Raision Oiva Oy	Raisio	100%	100%
Kolmostien Terveys Oy	Parkano	51%	51%
Jämsän Terveys Oy	Jämsä	51%	51%
Kuusiolinna Terveys Oy	Alavus	51%	51%
Tampereen Lääkärikeskus Oy	Tampere	100%	100%
Gyne-Praxis Oy	Jyväskylä	100%	100%
Koskisairaala Oy	Tampere	100%	100%

Information on the associates is presented in Note 16 "Interests in associates and joint ventures".

Employee benefits of management	2015	2014
Salaries and other short-term employee benefits, Management Team	810	480
Total	810	480

Management remuneration	
(Pihlajalinna Oy and Pihlajalinna Terveys Oy))

· · · · · · · · · · · · · · · · · · ·		
CEO Mikko Wirén	295	355
Deputy CEO Leena Niemistö	204	188
Members of the Board of Directors		
Mika Uotila	34	11
Marjatta Rytömaa	36	11
Leena Niemistö	29	11
Heikki Dunder	30	10
Veli-Matti Qvintus	30	11
Jari Sundström (member of the Board since 12 March 2015)	20	
Matti Ala-Härkönen (member of the Board since 1 June 2015)	10	
Aarne Aktan (member of the Board since 12 May 2014)	34	14
Teija Santala (member of the Board until 12 May 2014)		4
Total	719	608

The CEO's retirement age is 63 years. According to the CEO's contract, the notice period for dismissal is 9 months and, in addition to the salary for the notice period, the CEO will be paid a severance fee equivalent to his salary for 6 months. The CEO is not a member of the Board of Directors.

Related party transactions and related party treceivables and liabilities:

EUR 1,000	2015	2014
Key management personnel		
Rents paid	875	598
Services procured	853	
Payments received		441
Receivables		118
Trade payables	15	4
Other payables	75	
Other related parties		
Services procured	81	110
Trade payables		8
Associates		
Services procured	209	224
Trade payables		62
Receivables	53	
Loan receivables	1,445	1,335

The Group has leased several of its business premises from members of the key management personnel, including the premises in Nokia, Sastamala, Tampere (Kehräsaari and Klingendahl) and Kangasala.

At the beginning of the financial year, a Group company signed an agreement with a member of the key management personnel, under which the Group buys healthcare professionals' services.

In 2014, the Group had an agreement with a company owned by a member of the key management personnel, under which the company in question has returned a part of the transaction price it received in a business transaction signed on 1 September 2010 to one of the Group's subsidiaries. The payments received totalled EUR 441,000 in the 2014 financial year.

The Group acquired 775 shares (28%) in Insta Care Oy (formerly Online Palvelut Finland Oy) during the 2014 financial year from key management personnel.

Sinister Duo Oy holds 330,000 Pihlajalinna Plc shares. Sinister Duo Oy is owned by private persons belonging to Pihlajalinna's management and key personnel. Pihlajalinna Plc has not financed Sinister Duo Oy nor arranged any collateral for it.

31. Events after balance sheet date

Healthcare and social care outsourcings

The City of Mänttä-Vilppula decided in June 2015 to put its social and health services out to tender. The deadline was 12 January 2016. The City Council of Mänttä-Vilppula chose Pihlajalinna as the city's social and health service provider on 9 February 2016. Mänttä-Vilppula invited companies to tender for the social and health services for a maximum total population of 60,000 on a fixed-term ten-year contract, tentatively from 1 July 2016 to 30 June 2026. The contract includes an option for additional five years.

The municipalities of the Suupohja area (Isojoki, Kauhajoki, Karijoki and Teuva) are considering the formation of a cooperation area with Kuusiokunnat to organise social care and healthcare services. Kuusiokunnat has outsourced the production of social and health services to Pihlajalinna. The Kuusiokunnat agreement includes a customer option according to which Kuusiokunnat may request that the service provider produce services for the entire potential cooperation area.

The Ministry of Social Affairs and Health and the Ministry of Finance prepare temporary legislation to limit municipalities and joint authorities' social and healthcare complete outsourcing contracts and major investments. The bill will be presented to the Parliament as soon as possible. The temporary legislation would be effective until the end of 2018 when the organizing responsibility of social and healthcare would move from the municipalities and joint authorities to the autonomous regions.

Such solutions include large real estate investments and total outsourcings, where all or almost all services are purchased from private operators on long-term agreements.

However, the ministries' announcement states that investments improving productivity and other appropriate investments will be safeguarded. Ultimately, the Constitutional Law Committee of the Parliament will decide whether the legislative proposal is pursuant to the autonomy of municipalities.

The SYKKI study (the growth and internationalisation project of a Finnish healthcare and social care services company) carried out by the National Institute for Health and Welfare (THL) compared the impact of the total outsourcing of the social and health services of Mänttä-Vilppula (jointly provided by Pihlajalinna and the City) on 16 other municipalities. The result of the study was that already after

12 months of operational development, the model created cost savings of between 12.1–13.3 per cent for the City of Mänttä-Vilppula compared to the other municipalities in the study.

The temporary law is still in preparation state. Its final form is not known to Pihlajalinna. It is too early to assess its effects on Pihlajalinna's operations. The responsibility for organising social and health services is due to transfer from municipalities to provinces in 2019.

Management changes

Tuomas Otala was appointed Chief Information Officer (CIO) of Pihlajalinna and a member of the Group's Management Team from 1 January 2016 onwards. He will report to the CEO, Mikko Wirén. In his new role, Tuomas Otala will be responsible for the development of digital services and for the management and development of Pihlajalinna ICT operations. His previous positions include the CIO and management team member of Terveystalo from 2009 to 2015; several international management roles and management team member of Fujitsu Services from 2005 to 2008; and unit manager of TeliaSonera from 1997 to 2005.

Business combinations

Pihlajalinna agreed that it would purchase over 90 per cent of the shares of Itä-Suomen Lääkärikeskus Oy from its current owners on 14 December 2015. The net debt-free value of the acquisition was EUR 6.8 million. The transaction price was paid in cash on the execution date, 8 February 2016. Itä-Suomen Lääkärikeskus Oy demerged on 1 February 2016 and the target of the acquisition was the company to which the operative business was transferred.

The tentative combination cost calculation on Itä-Suomen Lääkärikeskus is based on a preliminary demerger balance sheet as at 31 December 2014 since the acquiree's data was not available on balance sheet date.

EUR 1,000	2015
Consideration transferred	
Cash	6,800
Contingent consideration	200
Total cost of the combination	7,000

At the date of acquisition, the values of assets acquired and liabilities assumed as shown on the preliminary demerger balance sheet as at 31 December 2014 were as follows:

EUR 1,000	2015
Property, plant and equipment	459
Intangible assets	1,677
Inventories	328
Trade receivables and other receivables	909
Cash and cash equivalents	215
Total assets	3,588
Deferred tax liabilities	-324
Financial liabilities	-378
Other liabilities	-734
Total liabilities	-1,436
Net assets	2,152
Goodwill generated in the acquisition	
Consideration transferred	7,000
Net identifiable assets of acquiree	-2,152
Goodwill	4,848
Transaction price paid in cash	6,800
Cash and cash equivalents of acquirees	-215
Effect on cash flow	6,585

The goodwill generated was affected by expectations of a competitive edge created by a nationwide network of clinics, the skilled workforce and synergy benefits. Goodwill is not tax deductible.

Parent Company income statement, FAS

EUR 1,000	Note	1 Jan-31 Dec 2015	15 Apr-31 Dec 2014
Revenue	1.1.	19	
Personnel expenses	1.2.	-302	
Depreciation and impairment	1.3.	-18	
Other operating expenses	1.4.	-4,293	-593
Operating profit (loss)		-4,594	-593
Financial income and expenses	1.5.	403	-9
Profit (loss) before extraordinary items		-4,192	-601
Extraordinary items	1.6.	400	
Profit (loss) before taxes		-3,792	-601
Income tax	1.7.	758	
Profit (loss) for the financial year		-3,033	-601

Parent Company balance sheet, FAS

EUR 1,000	Note	31 Dec 2015	31 Dec 2014
Assets			
Non-current assets			
Intangible assets	2.1.	858	5
Investments	2.2.	68,791	68,791
		69,649	68,796
Current assets			
Non-current receivables	2.3.	6,158	
Current receivables	2.4.	99,593	29
Cash and cash equivalents		58	173
·		105,809	202
Total assets		175,458	68,998
Equity and liabilities			
Equity	2.5.		
Share capital	-10	80	3
Reserve for invested unrestricted equity		153,085	67,663
Retained earnings		-601	
Profit/loss for the financial year		-3,033	-601
, 		149,531	67,064
Liabilities	2.6.		
Non-current liabilities	2.0.	5,400	930
Current liabilities		20,527	1,004
		25,927	1,934
Total equity and liabilities		175,458	68,998

Parent Company cash flow statement, FAS

EUR 1,000	1 Jan – 31 Dec 2015	15 Apr – 31 Dec 2014
Cash flows from operating activities		
Operating expenses paid	-4,567	-361
Operating cash flow before financial income and taxes	-4,567	-361
Interest received	954	0
Net cash from operating activities	-3,614	-361
Cash flows from investing activities		
Investments in tangible and intangible assets	-871	-5
Acquisition of subsidiaries		-1,128
Net cash used in investing activities	-871	-1,133
Cash flows from financing activities		
Proceeds from issuance of share capital	85,500	3
Proceeds from short-term borrowings from group companies	12,716	474
Loans granted to Group companies	-104,199	
Proceeds from short-term borrowings	12,000	
Proceeds from long-term borrowings		1 200
Repayment of long-term borrowings	-1,200	
Interest paid	-447	-9
Net cash from financing activities	4,369	1,667
Change in cash and cash equivalents	-116	173
Cash at the beginning of the financial year	173	0
Cash at the end of the financial year	58	173

Proceeds from short-term borrowings and repayments have been netted because, in accordance with the financing agreement, the loan withdrawals are effective for less than three months.

Parent Company notes to the financial statements, 31 December 2015

Accounting policies

Pihlajalinna Plc (2617455-1), domiciled in Tampere, is the parent company of Pihlajalinna Group.

The company was established on 15 April 2014.

Valuation principles

Valuation of non-current assets

Intangible assets have been recognised in the balance sheet at cost. Depreciation and amortisation according to plan is calculated using the straight-line method over the economic useful lives of the assets.

The planned depreciation periods are as follows:

Other intellectual property rights	
Licence fees	7 years
Computer software	5-7 years

Recognition of deferred taxes

Deferred tax liabilities or assets have been calculated on the temporary differences between taxation and the financial statements, using the prevailing tax base at balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and deferred tax assets in the amount of estimated probable receivables.

Revenue recognition

The sale of products and services is recognized in connection with their delivery.

Recognition of product development and other long-term expenditures

As a rule, research and development costs are expensed in the year when they were incurred.

Recording of pension schemes

The personnel's statutory pension security is handled by an external pension insurance company.

Pension costs are recognised as expenses during the year of their accrual.

EUR 1,000	2015	2014
1.1. Revenue		
Revenues by sector	19	0
Sale of services	19	0

1.2. Personnel expenses		
Wages and salaries	-287	0
Pension costs	-13	0
Other social security expenses	-2	0
Total	-302	0

1.3. Depreciation and impairment

Depreciation according to plan	-18	0
Intangible assets	-18	0

1.4. Other operating expenses

-4	0
-454	0
-4,752	-593
-4,293	-593
-119	-19
-341	0
-460	-19
	-454 -4,752 -4,293 -119 -341

EUR 1,000	2015	2014
1.5. Financial income and expenses		
Interest income from non- current investments		
From Group companies	840	0
From others	19	0
Interest income from non- current investments, total	858	0
Interest and other financial expenses		
To Group companies	-14	0
To others	-441	-9
Interest and other financial expenses, total	-456	-9
Financial income and expenses, total	403	-9
1.6. Extraordinary items		
Extraordinary income/Group contributions received	400	0
	400	0
1.7. Income tax		
Taxes on extraordinary items	-80	0
Change in deferred tax assets	838	0
	758	0

Notes to the balance sheet

427	0
5	0
432	0
-18	0
414	0
5	0
443	5
-5	0
443	5
5	0
871	5
876	5
-18	0
858	5
	5 432 -18 414 5 443 -5 443 5 871 876

Total investments

68,791

68,791

2.3. Non-current receivables		
Loan receivables from Group companies	5,400	0
Deferred tax assets	758	0
5 0.0 6 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	6,158	0
	0,130	
Total non-current receivables	6,158	0
2.4. Current receivables		
Receivables from others		
Other receivables	61	29
Prepayments and accrued income	59	0
	121	29
Receivables from Group companies		
Trade receivables from Group companies	24	0
Loan receivables	98,799	0
Prepayments and accrued income	649	0
	99,473	0
Material items included under Prepayments and accrued income		
Accrued interest income	254	0
Other	454	0
Outer	709	0
	709	0
Total current receivables	99,593	29

31.12.2015 31.12.2014

EUR 1,000

EUR 1,000	31 Dec 2015	31 Dec 2014
2.5. Equity		
Share capital at the start	3	0
Bonus issue	78	
Increase in share capital and share issue	0	3
Share capital at the end	80	3
Reserve for invested unrestricted equity at the start	67,663	0
Bonus issue	-78	
Increase in share capital and share issue	85,500	67,663
Reserve for invested		
unrestricted equity at the end	153,085	67,663
Retained earnings at the start	-601	0
Retained earnings at the end	-601	0
Profit/loss for the financial year	-3,033	-601
Total equity	149,531	67,064
Distributable unrestricted		
equity at the end	149,451	67,061

31 Dec 2015 31 Dec 2014

EUR 1,000

EUR 1,000

EUR 1,000 31 Dec 2015 31 Dec 2014 2.6. Liabilities 2.6.1 Non-current liabilities Liabilities to others Loans from financial institutions 930 0 930 Liabilities to others Loans from financial institutions 5,400 0 5,400 0 Total non-current liabilities 5,400 930 Liabilities maturing later than 0 five years 0

2.6.2 Current liabilities		
Liabilities to others		
Loans from financial institutions	12,000	270
Trade payables	223	236
Other liabilities	6	24
Accrued liabilities	159	0
	12,388	531
Liabilities to Group companies		
Trade payables		
Accrued liabilities, interest	350	
Other liabilities	7,789	474
	8,139	474
Material items included under Accrued liabilities		
Personnel expenses	48	0
Interest expences	358	0
Other accruals	102	0
	509	0
Total current liabilities	20,527	1,004

Other notes	
Collaterals and contingent liabilities	
Collaterals given on behalf of Group companies	
Pledged shares in subsidiaries	68,791,
Pledged bank accounts and other receivables	173

31 Dec 2015 31 Dec 2014

Group companies Pihlajalinna Terveys Oy (2303024-5), Dextra Oy (0107418-3) and Suomen Keinojuuriklinikka Oy (2637898-4) have provided a suretyship in the parent company's loan arrangement. The balance of the loan at the time of the financial statements was EUR 12.0 million.

Pihlajalinna Plc has provided a suretyship for Dextra Lapsettomuusklinikka Oy's (2563086-9) EUR 2 million loan.

Signatures for the financial statements and the report by the Board of Directors

Tampere, 17 February 2016

Mika Uotila Chairman Aarne Aktan

Marjatta Rytömaa

Heikki Dunder

Leena Niemistö

Veli-Matti Qvintus

Iari Sundström

Martti Ala-Härkönen

Mikko Wirén Chief Executive Officer

The Auditor's Note

A report on the audit performed has been issued today.

Tampere, 24 February 2016

KPMG Oy Ab Firm of Authorised Public Accountants

Frans Kärki Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Pihlajalinna Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Pihlajalinna Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements

and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability

Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Tampere 24 February 2016

KPMG Oy Ab FRANS KÄRKI

Frans Kärki KHT

...and better tomorrow!

