

Pihlajalinna Oy

BALANCE BOOK

31 December 2013

Translation from the Finnish Original

FINANCIAL YEAR 1 JANUARY–31 DECEMBER 2013

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This balance book must be stored for at least 10 years after the end of the financial year. Any documents and receipts for the financial year must be stored for at least 6 years after the end of the year during which the financial year closed.

PIHLAJALINNA OY

Financial year 1 January–31 December 2013
REPORT OF THE BOARD OF DIRECTORS

Pihlajalinna Oy is the parent company of the Pihlajalinna Group and its headquarters are in Tampere, Finland. Pihlajalinna was established in 2001 and it started its operations in the same year. The present Pihlajalinna Oy was founded at the end of 2009 in connection with an organisational arrangement carried out in the Group. The 2013 financial year was the company's fourth.

During the past financial year, the Pihlajalinna Group adopted IFRS in its financial reporting. In connection with this transition, the Group applied IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The date of transition was 1 January 2012.

The Pihlajalinna Group provides health care services to municipalities and hospital districts, corporate customers, private persons and insurance companies at its own medical centres and in clients' premises. In 2013, the Group carried out several M&A transactions and its profitability further improved. The Pihlajalinna Group's long-term goal is to continue its profitable growth.

Key events during the financial year

During the past financial year, Pihlajalinna Group grew thanks to the complete outsourcing of Mänttä-Vilppula's healthcare and social care services and several acquisition. Pihlajalinna took over Mänttä-Vilppula's healthcare and social care services on 1 January 2013 under its new subsidiary, Mäntänvuoren Terveys Oy, in which Pihlajalinna owns 51%. Services in Mänttä-Vilppula were provided on the basis of a two-year direct contract. This contract, however, expired after the first contract year on the basis of a decision by the Market Court. Mänttä-Vilppula invited competitive tenders for its healthcare and social care services again in autumn 2013. Based on this tender, Mäntänvuoren Terveys Oy will continue to provide health care and social services under a contract of 5+5 years.

In April the Group acquired Tammerkosken Hammasklinikka Oy and Zirlab Oy, a company that engages in dental laboratory operations. During June and July, the Group expanded its medical centre operations into three new municipalities when it acquired Visita Oy in Jyväskylä, Lääkärikeskus Irmeli Elomaa Oy in Kankaanpää and Lääkärikeskus Labeho Oy in Lappeenranta. The acquisitions of these medical centres were carried out in line with the Group's strategy of becoming a nationwide health care operator. During the autumn, Pihlajalinna began the process of launching Dextra as the brand name for all of its medical centre operations. More than EUR 200,000 were spent on marketing the launch.

During the financial year, Annankadun Klinikka Oy changed its name to Dextra Plastiikkakirurginen Sairaala Oy. A major renovation of its premises was carried out in July-August, and plastic surgery operations were started there in September. Business volumes did not reach their pre-renovation levels during the financial year, which weakened the Group's profitability. Pihlajalinna owns 78% in Dextra Plastiikkakirurginen Sairaala Oy.

In December, the Group started infertility treatments in Helsinki under a new company called Dextra Lapsettomuuslinikka Oy. The start-up of these operations weakened the Group's profitability in the past financial year. Pihlajalinna Oy owns 51% in Dextra Lapsettomuuslinikka Oy, with key personnel owning the remaining 49%.

Towards the end of the financial year, the Group signed an agreement for the acquisition of the entire share capital of Tampereen Hammashoito Oy. Service operations for senior citizens expanded at the turn of the year with the acquisition of Hämeenlinnan Hoivapalvelu Ky and Kiinteistö Oy Hämeenlinnan Nuutintupa in Hämeenlinna, and Kuusama-Koti Oy in Kokemäki. Under the acquisition agreement, the aforementioned companies were transferred to the ownership of Pihlajalinna Oy on 1 January 2014.

In municipal operations, the Group initiated and continued negotiations on several significant outsourcing projects and the expansion of existing complete outsourcing agreements. The negotiations are being continued during the current financial year. The aim is to launch one or two new full outsourcing projects every year.

Organisational and financing arrangements

During the past financial year, the Group carried out the merger of Helmihoiva Oy and Pirkanmaan Hoitajapalvelu Oy with Hoivakoti Johanna Oy. The merger was executed on 3 January 2013.

The merger of Pihlajalinna Kangasala Oy and Pihlajalinna Hämeenkyrö Oy with Dextra Oy was initiated during the past financial year with the purpose of streamlining the Group's structure. The execution of the merger is planned for February 2014.

Key events after the end of the financial year

Since the end of the financial year, an appeal has been filed with the Market Court against the invitation for tenders for Mänttä-Vilppula's health care and social care services. The appeal process is still pending.

Estimate of probable future developments

The Pihlajalinna Group has a wide range of business operations and its financial success is not materially dependent on economic cycles. During the current financial year, the volume of business operations is estimated to continue its strong growth, and relative profitability is expected to remain stable.

The Pihlajalinna Group has strongly built up its business operations in recent years through development projects and direct financial investments, expanding its medical centre network, increasing its service provision, launching new operations and investing heavily in the development of various operating concepts.

Maintaining the profitability of business operations by boosting efficiency and increasing cost-awareness will remain an important theme in the current and future financial years. With these measures, the Pihlajalinna Group is estimated to have an opportunity to further improve its profitability with a general recovery in economic conditions.

Information on the scope and extent of research and development operations

Pihlajalinna invests in training and development operations. Development of service concepts and more effective health care service models are special areas of focus. Development projects are expected to create a competitive edge and business opportunities for Pihlajalinna for years to come.

In August 2012, Pihlajalinna launched the two-year SYKKI project, which is financed with support from Tekes – the Finnish Funding Agency for Innovation. The purpose of the project is to create an effective and cost-efficient model for public health care and social services. During the past financial year, the development project was furthered in accordance with the project plan.

In addition, a significant health care and social services development project was carried out in Mänttä-Vilppula during the past financial year.

Assessment of key risks and sources of uncertainty

The Pihlajalinna Group continued to expand its service provision during the past financial year. The Group's operations have become wide-ranging in recent years, and its business operations consist of diverse activities. Thanks to the acquisitions carried out and new initiatives introduced in the past financial year, the Group has increased the diversity and scope of its operations considerably, which decreases dependence on individual sources of revenue and materially minimises risks arising from changes in the operating environment.

As the population ages and the structures of health care services change, social policies may have a material impact on the private health care sector's business environment both in the short and long term. New policies may particularly have an effect on the availability of skilled expert personnel, thus impacting business opportunities in the future.

In addition to the aforementioned factors, the Pihlajalinna Group's long-term operational risks and sources of uncertainty 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. The competitive situation in the Pihlajalinna Group's business areas is estimated to remain unchanged.

The Pihlajalinna Group has no significant credit risk concentrations. The Group's business operations are profitable and its parent company has strong financial investments from its shareholders, and therefore the company is not exposed to any risks related to the availability of additional financing. Financial risks are managed by using both equity financing and loans, and in various forms of financing.

The Pihlajalinna Group's business model involves constant assessment and management of business risks and financial risks. The management of financial risks is presented in Note 23 "Financial risk management" to the financial statements.

Estimate and key indicators for financial position, the result and other factors influencing the development of business operations

Pihlajalinna Oy's operations were profitable. The company has good solvency and liquidity. Pihlajalinna Oy's result for 2013 includes group contributions totalling EUR 4,790,000 (EUR 610,000 in 2012).

Financial year	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2011
Revenue (EUR 1,000)	31,352	24,329	19,432
Operating profit (EUR 1,000)	4,574	2,740	1,969
Operating profit as % of revenue	14.6%	11.3%	10.1%
Profit for the financial year (EUR 1,000)	6,460	1,715	1,227
Profit for the financial year as % of revenue	20.6%	7.1%	6.3%
Return on equity	8.6%	7.2%	9.1%
Equity ratio	43.5%	35.4%	40.3%

The Pihlajalinna Group's key indicators, IFRS for 2013 and 2012, FAS for 2011

Financial year	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2011
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Revenue (EUR 1,000)	104,425	47,252	42,109
Operating profit (EUR 1,000)	7,292	3,439	3,372
Operating profit as % of revenue	7.0%	7.3%	8.0%
Profit for the financial year (EUR 1,000)	4,502	1,349	1,481
Profit for the financial year as % of revenue	4.3%	2.9%	3.5%
Return on equity	13.7%	6.9%	17.4%
Equity ratio	35.4%	30.6%	33.0%

The profitability of operations was in line with estimates. The goal for the current financial year is to improve profitability and return on equity invested in the company.

Personnel

Key indicators describing Pihlajalinna Oy's personnel

	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2011
Average number of personnel in the financial year	397	311	238
Wages and salaries in the financial year (EUR 1,000)	13,497	10,687	7,672

Key indicators describing the Pihlajalinna Group's personnel

	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2011
Average number of personnel in the financial year	1,197	617	517
Salaries and fees in the financial year (EUR 1,000)	39,608	20,200	16,721 (FAS)

Proposal by the Board of Directors on the use of profit of the company and distribution of other unrestricted equity

Pihlajalinna Oy's result for the financial year was a post-tax profit of EUR 6,459,773.45. The Board of Directors proposes that, on the basis of the Articles of Association, a total of EUR 1,759,606.81 of the result for the financial year be distributed as dividend exclusively to Series B shares. The remaining amount of the result for the financial year will be transferred to the profit and loss account of previous financial years.

The company's shares

The company's share capital is broken down as follows:

Series A shares (1 vote per share)	1,286,195 shares
Series B shares (no votes)	141,000 shares

The company's different share classes differ from each other in terms of the votes they convey on their holders in that each Series A share carries one (1) vote at a General Meeting of the shareholders, whereas Series B shares do not carry any votes in any situation, including situations specified in Chapter 3, Section 4(1)(2) of the Limited Liability Companies Act. A rise in the company's value is never allocated to Series B shares in any situation.

The company's different share classes convey the following rights in the distribution of assets:

- the dividend paid on any of the company's share classes may differ in its amount from the dividend paid on another share class;
- the amount of dividend paid on each of the company's shares is confirmed by the Annual General Meeting;
- there is a contingency fund for each Series B, the shares of which carry an exclusive right to any assets accrued in the fund regardless of the asset distribution method;
- in the event of a wind-up of the company, repayment of capital to the shareholders, or acquisition or redemption of the company's own shares, an amount equivalent to the shares' original subscription price shall primarily be paid to all of the company's shares. Any assets exceeding this amount shall be paid to the company's Series A shares, with the exception of assets in the contingency funds related to Series B shares.

During the financial year, the company acquired 1,834 of its own Series A shares and 7,000 of its own Series B shares using funds from its retained earnings, for a total sum of EUR 220,664.56. At the end of the financial year, the company held 1,834 Series A and 9,000 Series B treasury shares.

Company's organisation, management and auditors

During the past financial year, Mika Uotila served as the Chairman of the company's Board of Directors. The other members of the Board were Heikki Dunder, Teija Santala, Marjatta Rytömaa, Leena Niemistö and Veli-Matti Qvintus. Mikko Wirén served as the company's Managing Director.

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

Consolidated statement of financial position

EUR 1,000

Note 31 Dec. 2013 31 Dec. 2012 1 Jan. 2012

ASSETS**Non-current assets**

Property, plant and equipment	11	24,738	23,458	5,445
Goodwill	12	47,182	45,242	18,122
Other intangible assets	12	8,629	9,143	241
Interests in associates	14	41	1	335
Available-for-sale financial assets	14	70	77	38
Other receivables	15	53	25	18
Deferred tax assets	16	938	558	455
		81,651	78,503	24,654

Current assets

Inventories	17	809	732	421
Trade and other receivables	18	11,908	8,020	5,878
Current tax assets		725	208	
Cash and cash equivalents	19	11,321	7,849	3,582
		24,762	16,810	9,882

Total assets		106,413	95,313	34,536
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EQUITY AND LIABILITIES

Equity attributable to owners of the parent	20			
Share capital		3	3	3
Share premium reserve				
Other reserves				623
Reserve for invested unrestricted equity		30,969	26,853	8,993
Retained earnings		6,153	1,856	485
		37,124	28,711	10,103
Non-controlling interests		1,146	901	920
Total equity		38,271	29,612	11,023

Liabilities**Non-current liabilities**

Deferred tax liabilities	16	3,595	4,369	132
Financial liabilities	21	36,712	27,541	12,036
Other liabilities		895		
		41,201	31,910	12,167

Current liabilities

Trade and other payables	22	19,909	13,280	9,550
Current tax liabilities		1,655	233	516
Financial liabilities	21	5,377	20,278	1,280
		26,941	33,791	11,346

Total liabilities		68,142	65,701	23,513
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		106,413	95,313	34,536
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Total equity and liabilities

Consolidated statement of comprehensive income

EUR 1,000	Note	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Revenue	2	104,425	47,252
Other operating income	3	383	159
Materials and services	4	-32,138	-11,095
Employee benefit expenses	5	-48,756	-24,819
Depreciation, amortisation and impairment	6	-4,471	-1,378
Other operating expenses	7	-12,150	-6,679
Operating profit		7,292	3,439
Financial income	8	34	31
Financial expenses	9	-1,979	-1,141
Financial income and expenses		-1,946	-1,110
Profit before tax		5,346	2,329
Income taxes	10	-844	-980
* Profit for the financial year		4,502	1,349
Total comprehensive income for the financial year		4,502	1,349
Total comprehensive income for the financial year attributable			
To the owners of the parent		4,429	1,120
To non-controlling interests		74	229

* The Group does not have any items of other comprehensive income.

Consolidated statement of cash flows

EUR 1,000

Note 31 Dec. 2013 31 Dec. 2012

Cash flow from operating activities:

Cash receipts from sales	104,252	47,579
Cash receipts from other operating income	365	159
Operating expenses paid	-87,137	-41,538
Operating cash flow before financial items and taxes	17,480	6,200
Interest received	34	18
Taxes paid	-1,088	-1,076
Net cash flow from operating activities	16,426	5,143

Investing cash flow:

Acquisitions of property, plant and equipment and intangible assets	-7,256	-4,432
Proceeds from disposal of property, plant and equipment and intangible assets	14,017	
Acquisitions of other investments	-24	-35
Changes in loan receivables	390	-500
Acquisition of subsidiaries less cash and cash equivalents at time of acquisition	1 -645	-44,725
Prepayments on acquisition of subsidiaries	-2,703	
Dividends received from investments		9
Net cash flow from investing activities	3,779	-49,684

Cash flow from financing activities:

Proceeds from issuing shares	4,116	9,574
Acquisition of own shares	-131	-65
Sale of own shares		270
Sale of non-controlling interests	152	
Proceeds from non-current borrowings	2,047	30,402
Repayments of non-current borrowings	-4,529	-5,017
Interest and payments paid	-1,776	-1,101
Proceeds from current borrowings		16,190
Repayments of current borrowings	-16,611	-1,200
Dividends paid and other profit distribution		-245
Net cash flow from financing activities	-16,733	48,808

Changes in cash and cash equivalents	3,472	4,267
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Cash at the beginning of the financial year	7,849	3,582
Cash at the end of the financial year	11,321	7,849

Consolidated statement of changes in equity

Equity attributable to owners of the parent

	Note	Share capital	Other reserve	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2012		3	623	8,993	485	920	11,023
Profit for the financial year					1,120	229	1,349
Total comprehensive income for the financial year					1,120	229	1,349
Share issue	20			10,011	214		10,225
Distribution of dividends						-245	-245
Conversion of loans into equity			-623	7,849			7,226
Transactions with owners, total			-623	17,860	214	-245	17,206
Changes in non-controlling interests					37	-3	34
Total equity, 31 Dec. 2012		3	0	26,853	1,856	901	29,612
Total equity, 1 Jan. 2013		3		26,853	1,856	901	29,612
Profit for the financial year					4,429	74	4,503
Total comprehensive income for the financial year					4,429	74	4,503
Share issue	20			4,116	-131		4,116
Distribution of dividends							
Other							
Transactions with owners, total				4,116	-131		3,985
Changes in non-controlling interests						172	172
Total equity, 31 Dec. 2013		3		30,969	6,153	1,146	38,271

Accounting policies for the consolidated financial statements

About the Group

The Group provides health care services, social care services and senior citizen services. The Group only operates in Finland.

The Group's parent company is Pihlajalinna Oy. The parent company is domiciled in Tampere, and its registered address is Kehräsaari B, FI-33200 Tampere, Finland.

Copies of the consolidated financial statements are available at the website www.pihlajalinna.fi from the head office of the Group's parent company.

The Board of Directors of Pihlajalinna Oy approved these financial statements for publication in its meeting on 19 March 2014. In accordance with the Finnish Limited Liability Companies Act, shareholders may adopt or reject the financial statements at the General Meeting held after their publication. The General Meeting may also decide upon requesting changes in the financial statements.

Basis for 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 2013. 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 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.

Consolidation principles

Subsidiaries are entities where the Group has control. The Group has control of an entity when it owns more than 50 per cent of the voting power or otherwise has control. Control is understood as the right to decide upon the entity's financial and operating principles so as to gain from the entity's operations.

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

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. Associates are consolidated by using the equity method. If the Group's share of the loss in an associate 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 associates. An investment in an associate includes the goodwill generated through the acquisition. Unrealised profits between the Group and an associate are eliminated in proportion to the Group's ownership interest. The Group's pro rata share of an associate's profit for the financial year is presented as a separate item after operating profit. Correspondingly, the Group's share of the changes recognised under items of other comprehensive income of an associate is recognised under other comprehensive income of the Group. The Pihlajalinna Group's associates had no such items during the financial years 2012 and 2013.

Joint ventures

Joint ventures are companies where the Group exercises control jointly with other parties based on a contractual arrangement. The Group's joint ventures are shares in housing companies and mutual real estate companies, giving entitlement to control certain premises. They are treated as jointly controlled assets, which are consolidated by way of proportionate consolidation.

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.

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.

If an item of property, plant and equipment consists of a number of components with different useful lives, each component shall be accounted for as a separate asset. The costs related to the replacement of the component are then capitalised, and any remaining carrying amount is derecognised in connection with the replacement. In other cases, costs incurred subsequently are included in the carrying amount of an item of property, plant and equipment 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 recognised through profit or loss at the time they are incurred.

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

Buildings and structures	5 - 15 years
Machinery and equipment	4 - 10 years
Motor vehicles	3 - 4 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.

Government grants

Government grants, such as grants received from the government for 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 is tested for impairment, both annually and always when it appears that goodwill may have been impaired. For this purpose, goodwill is allocated to cash-generating units (CGUs). Goodwill is measured at original cost less impairment.

Research and development costs

Research costs are expensed in profit or loss. 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.

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 useful lives are amortised using the straight-line method in profit or loss during their known or estimated useful lives.

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

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

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 normal sales price less the estimated product completion costs and the necessary sales costs.

Leases**Group as lessee**

Leases of property, plant and equipment that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. An asset acquired 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 on the date the lease is entered into or at the present value of minimum lease payments, whichever is lower. An asset acquired with finance leases is depreciated during the asset's 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 the same in each period. Contingent rents are recognised for the periods during which they are realised. Lease obligations are included in financial liabilities.

Leases in which substantially all of the risks and rewards incidental to ownership remain with the lessor are treated as operating leases. 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 the same 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 tangible assets in the Group's own use. Lease income is recognised over the lease term on a straight-line basis.

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 of property, plant and equipment and intangible assets

On each date of the financial statements, the Group estimates whether there are indications that assets may be impaired. If any 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 each 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 recoverable amount is understood as the future net cash flows expected to be generated by the asset or the CGU in question, discounted to their present value. The 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/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 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 for fulfilling the present obligation on the date of the financial statements.

The Pihlajalinna Group had no provisions on the date of the financial statements.

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 items 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.

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 differences result from depreciation of property, plant and equipment, fair value measurement of derivative contracts and fair value-based adjustments made in business combinations.

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 or 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

Revenue consists of income from the sales of products and services at fair value, adjusted with any discounts and other adjustment items.

Goods and services sold

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. Revenue from services is recognised when the service has been rendered. The consolidated revenue mainly consists of rendering of services. The services provided by the Group consist of occupational health care service, services provided in the course of medical centre/hospital operations, diagnostics services, oral health services and senior citizen services.

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

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. Transaction 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.

Financial assets that are acquired to be held for trading are classified into the category "Financial assets at fair value through profit or loss". Financial assets held for trading have mainly been acquired to gain profit from changes in short-term market prices. Derivatives that are not financial guarantee contracts or 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 and discounted values of future cash flows. 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 and 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 are 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 the investment.

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 trade receivables, when there is objective evidence showing that the receivable will not be recovered in full.

Financial liabilities

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 are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in both non-current and current liabilities.

The fair value of a convertible bond is measured by using the market rate of interest of a corresponding liability at the time of issue. The liability component is extinguished by converting the liability into shares and paying a part of the liability in cash. The share of the funds received that is attributable to equity component is recognised in the reserve for invested unrestricted equity.

The principles for measuring the fair value of all financial assets and liabilities are presented in Note 13 "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. On the date of the financial statements, the Group has an interest rate swap in place, whose fair value is presented in Note 13 "Financial assets and liabilities".

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.

Operating profit

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 and amortisation, impairment losses, if any, and other operating expenses. All other items than those stated above are presented below operating profit.

Accounting policies requiring management judgement and major sources of estimation uncertainty

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 judgement in the application of the accounting policies. The following estimates and assumptions are the most significant ones:

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 12 "Intangible assets" to the financial statements.

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 the business combinations is provided in Note 1 "Business combinations" to the financial statements.

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 2013, the fair value of the contingent consideration is EUR 1,250,000.

New, revised and amended standards to be applied later

The Group has not yet applied the next new, revised or amended standards and interpretations already published by 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 period 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.

IFRS 10 *Consolidated Financial Statements* including subsequent amendments (to be applied within the EU for financial years beginning on or after 1 January 2014): According to the existing principles, IFRS 10 defines control as the key criterion in determining whether a given entity is to be consolidated. Furthermore, the standard provides additional guidance on how to determine control in cases where it is difficult to assess. It is estimated that the new standard will not have a material effect on the consolidated financial statements of Pihlajalinna.

IFRS 11 *Joint Arrangements* including subsequent amendments (to be applied within the EU for financial years beginning on or after 1 January 2014): IFRS 11 emphasises the rights and obligations that result in the accounting treatment of joint arrangements over their judicial form. There are two types of joint arrangements: joint operations and joint ventures. Joint venturers shall account for that investment using a single method, the equity method, and the former alternative of proportionate consolidation is no longer allowed. It is estimated that the new standard will not have a material effect on the consolidated financial statements of Pihlajalinna.

IFRS 12 *Disclosure of Interests in Other Entities* including subsequent amendments (to be applied within the EU for financial years beginning on or after 1 January 2014): IFRS 12 compiles the disclosure requirements for interests in other entities such as associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard extends the notes that the Group shall present regarding its interests in other entities. It is estimated that the new standard will not have a material effect on the consolidated financial statements of Pihlajalinna.

IFRS 9 *Financial instruments* including subsequent amendments (The effective date has been postponed, and the standard has not yet been approved for application within the EU.) The project, originally planned for implementation in three phases, is intended to replace the currently effective IAS 39 *Financial Instruments: Recognition and Measurement*. The new requirements issued in the first phase (published in November 2009) concern the classification and measurement of financial assets. Financial assets are divided into two main groups based on the measurement method: those measured at amortised cost and those measured at fair value. The classification depends on the entity's business model and the characteristics of contractual cash flows. The amendments issued in October 2010 concern the classification and measurement of financial liabilities, and the related regulations in IAS 39 were transferred to the new standard mostly as such. Amendments concerning general hedge accounting were published in November 2013. The yet unfinished part of IFRS 9 relates to the impairment of financial assets. Moreover, IASB will present certain amendments to the principles applied in the classification and measurement of financial assets. The phase concerning macro hedging has been separated from IFRS 9 as an independent project. Because the IFRS 9 project is still in progress, no estimates can be made at this time concerning the effect of the standard on the consolidated financial statements.

1. Business operations acquired

Acquisitions in the 2013 financial year

The Group expanded in the 2013 financial year with several corporate acquisitions.

In March 2013, the Group gained control of the business operations of the Nordström Hospital for Plastic Surgery, which was acquired in the name of Annankadun Klinikka Oy in December 2012. Annankadun Klinikka Oy's name was changed to Dextra Plastiikkakirurginen Sairaala Oy.

In April, Pihlajalinna acquired the entire share capital of Tampere-based Tammerkosken Hammasklinikka Oy and Zirlab Oy dental laboratory.

In June, the Group expanded further by acquiring the Lappeenranta-based Lääkärikeskus Labeho Oy, and in July it acquired Lääkärikeskus Irmeli Elomaa Oy and Visita Oy, which are based in Kankaanpää and Jyväskylä, respectively.

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

The transaction price consisted of EUR 890,000 paid in cash and EUR 1,223,000 in the form of a contingent purchase price paid additionally.

EUR 1,000	2013
Consideration paid	
Cash	890
Contingent consideration	1,223
Total acquisition cost	2,113

The Group is committed to paying EUR 1,223,000 in contingent consideration if the cumulative EBITDA of the business operations acquired exceeds EUR 500,000 in 2013–2014 and EUR 514,000 in 2014–2015.

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

EUR 1,000	Note	2013
Property, plant and equipment	11	274
Goodwill	12	55
Inventories		49
Trade receivables and other receivables		458
Cash and cash equivalents		245
Total assets		1,081
Financial liabilities		-96
Other liabilities		-739
Total liabilities		-835
Net assets		246
Goodwill generated in the acquisition		
Consideration paid		2,113
Net identifiable assets of acquired entity		-246
Goodwill	12	1,867
Transaction price paid in cash		890
Cash assets of acquired entities		-245
Effect on cash flow		645

The acquisition of Rolf Nordström's business was a significant move to give the Pihlajalinna Group access to the field of plastic surgery.

In addition, the goodwill generated was affected by expectations of a competitive edge created by a nationwide network of doctors, the Group's skilled workforce and synergy benefits. The goodwill generated is not tax deductible.

The revenue and results for the acquired business operations beginning from the time of acquisition (total turnover EUR 3,261,000 and total result EUR -14,000) are included in the consolidated statement of comprehensive income. Annankadun Klinikka Oy's business premises were renovated during the financial year.

The renovation caused an interruption to business weakening the result for the financial period.

The costs of acquisition, a total of EUR 12,000, have been recorded under other operating expenses.

As a separate business transaction separate from the acquisitions, the Group has undertaken to pay EUR 191,000 as an additional transaction price, which has been recorded under employee benefit expenses.

1. Business operations acquired

Acquisitions in the 2012 financial year

Acquisition of Dextra Oy

On 14 December 2012, Pihlajalinna Oy acquired 99.7% of Dextra Oy, which operates at business locations in Kamppi and Munkkivuori in Helsinki. With this acquisition, the Group gained a strong market position in the Greater Helsinki area as well as in surgical operations covered by insurance companies and magnetic resonance imaging. The transaction price of EUR 48,985 was paid in cash.

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

EUR 1,000	Note	2012
Property, plant and equipment	11	13,555
Trademarks	12	5,268
Other intangible assets	12	3,596
Available-for-sale financial assets		8
Inventories		299
Trade receivables and other receivables		1,648
Cash and cash equivalents		4,592
Total assets		28,965
Deferred tax liabilities	16	-3,666
Financial liabilities		-211
Other liabilities		-2,398
Total liabilities		-6,275
Net assets		22,689
Goodwill generated in the acquisition		
Consideration paid		48,985
Net identifiable assets of acquired entity		-22,689
Goodwill	12	26,296
Transaction price paid in cash		48,985
Cash assets of acquired entities		-4,592
Effect on cash flow		44,393

Intangible assets have been recognised separately from goodwill at fair value on the acquisition date. In the combination of Dextra, the Group has acquired the Dextra brand, customer agreements, patient databases, non-compete agreements and certificates. The fair value of intangible assets is determined on the basis of the standardised price level in corporate acquisitions and the discounted values of future cash flows.

The remaining goodwill consists of income expectations, the professionally skilled workforce of the acquired company and synergy benefits. Goodwill is not tax deductible.

Half of Dextra's turnover (EUR 597,000) and result (EUR 128,000) for December is included in the consolidated statement of comprehensive income. If Dextra had been included into the consolidated financial statements from the beginning of 2012, the consolidated revenue and result for 2012 would have been EUR 62,849,000 and EUR 2,345,000, respectively.

The acquisition costs of EUR 815,000 in 2012 and EUR 335,000 in 2013 have been recognised under other operating expenses.

The gross trade receivables at the time of acquisition correspond to their fair value.

Other acquisitions in the 2012 financial year

During the financial year, the Pihlajalinna Group acquired the entire share capital of Pirkanmaan Hoitajapalvelu Oy, in which the Group earlier held a non-controlling interest. Owing to the acquisition of Pirkanmaan Hoitajapalvelu Oy, Helmihoiva Oy also became a wholly-owned group company, as Pihlajalinna Oy and Pirkanmaan Hoitajapalvelu Oy each held a 50% stake in the company. The Group also acquired the business operations of Rengon Rosamaria and Pieksämäen Työterveys Oy.

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

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

EUR 1,000	Note	2012
Property, plant and equipment	11	13
Available-for-sale financial assets		27
Inventories		
Trade receivables and other receivables		47
Cash and cash equivalents		196
Total assets		270
Financial liabilities		
Other liabilities		-124
Total liabilities		-124
Net assets		145
Goodwill generated in the acquisition		
Consideration paid		982
Net identifiable assets of acquired entity		-145
Goodwill	12	837
Consideration paid		
Cash		527
Fair value of shares issued		430
Contingent consideration		25
Total acquisition cost		982
Effect on cash flow		
Transaction price paid in cash		527
Cash assets of acquired subsidiaries		-196
Effect on cash flow		331

The goodwill generated was affected by expectations that the group's senior citizen service business will be strengthened, the professionally skilled workforce and synergy benefits.

The revenues and results of the acquired business operations since the time of acquisition (total revenue EUR 2,826,000 and total result EUR 214,000) are included in the consolidated statement of comprehensive income, and there would not have been a material effect on their amounts if they had been consolidated since the start of the financial period.

The costs of acquisition, a total of EUR 5,000, have been recognised under other operating expenses.

EUR 1,000 2,013 2,012

2. Revenue

Sale of services	104,425	47,252
Total	104,425	47,252

3. Other operating income

Capital gains on property, plant and equipment	61	
Rental income	120	103
Public funding	118	27
Insurance compensation	3	3
Other income items	81	26
Total	383	159

4. Materials and services

Materials	-4,797	-2,443
Change in stocks	77	6
External services	-27,418	-8,658
Total	-32,138	-11,095

5. Employee benefit expenses

Salaries and fees	-39,608	-20,200
Pension costs – defined contribution	-7,077	-3,663
Other social security expenses	-2,071	-956
Total	-48,756	-24,818

Average number of personnel in the financial period 1,197 617

Information on the employee benefits and loans of members of management considered to be related parties is presented in note 27 Related party transactions.

6. Depreciation and impairment

Depreciation by asset type

Intangible assets		
Trademarks	-527	-22
Other intangible assets	-1,466	-205
	-1,993	-227
Tangible assets		
Buildings	-1,308	-510
Machinery and equipment	-1,170	-641
	-2,478	-1,151
Total depreciation and impairment	-4,471	-1,378

EUR 1,000	2013	2012
7. Other operating expenses		
Voluntary social security expenses	1,031	515
Costs of facilities	4,145	2,186
Vehicle costs	572	555
ICT machinery, equipment and licences	1,436	599
Machinery and equipment expenses	979	418
Sales, marketing and travel expenses	1,573	521
Administration, telephone and telecommunications expenses	2,217	1,814
Other expenses	197	72
Total	12,150	6,679
Auditor's fees		
Audit, other auditing firms	33	21
Audit, KPMG Oy Ab	84	33
Other services, KPMG Oy Ab	44	48
Total	161	102
8. Financial income		
Dividend income from available-for-sale financial assets		9
Interest income from loans and other receivables	34	22
Total	34	31
9. Financial expenses		
Interest expenses from financial liabilities carried at amortised cost	-1,481	-882
Other financial expenses	-498	-259
	-1,979	-1,141

EUR 1,000	2013	2012
10. Income taxes		
Current taxes	-2,020	-374
Taxes for prior financial periods	22	-139
Deferred taxes		
Origination and reversal of temporary differences	659	-467
Change in Finnish tax rate	495	
Total	-844	-980

Reconciliation of tax expenses and taxes calculated on the basis of the Group's tax rate of 24.5%:

	2013	2012
Profit before taxes	5,346	2,329
Taxes calculated on the basis of the Finnish tax rate	-1,310	-571
Income and expenses not subject to tax	-34	-271
Change in deferred tax – Change in Finnish tax rate	478	
Taxes for prior financial periods	22	-139
Taxes in the income statement	-844	-980

11. Property, plant and equipment

EUR 1,000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Procurements in progress	Total
Acquisition cost at 1 January 2013	82	20,446	5,253	52		25,833
Additions		13,708	2,662	37	143	16,550
Combination of businesses		87	187			274
Disposals		-13,000	-66			-13,066
Acquisition cost at 31 December 2013	82	21,241	8,037	89	143	29,592
Accumulated depreciation at 1 January 2013		-860	-1,516			-2,376
Depreciation		-1,308	-1,178			-2,486
Disposals			8			8
Accumulated depreciation at 31 December 2013		-2,168	-2,686			-4,854
Carrying amount at 1 January 2013	82	19,586	3,737	52		23,458
Carrying amount at 31 December 2013	82	19,073	5,350	89	143	24,738

	Land areas	Buildings	Machinery and equipment	Other tangible assets		Total
Acquisition cost at 1 January 2012	38	3,294	3,309	28		6,669
Additions	44	4,152	1,376	24		5,596
Combination of businesses		13,000	568			13,568
Disposals						
Acquisition cost at 31 December 2012	82	20,446	5,253	52		25,833
Accumulated depreciation at 1 January 2012		-350	-875			-1,224
Depreciation		-510	-641			-1,151
Disposals						
Accumulated depreciation at 31 December 2012		-860	-1,516	0		-2,376
Carrying amount at 1 January 2012	38	2,944	2,434	28		5,445
Carrying amount at 31 December 2012	82	19,586	3,737	52		23,458

Finance leases

Tangible assets include the following assets procured under finance lease agreements:

31/12/2013	Buildings	Machinery and equipment	Total
Acquisition costs	11,423	117	11,540
Accumulated depreciation	-470	-45	-515
Carrying amount	10,953	72	11,025
31/12/2012			
Acquisition costs		160	160
Accumulated depreciation		-29	-29
Carrying amount		132	132

Additions to the acquisition costs of tangible assets include assets leased with finance lease agreements totalling EUR 11,280,000 (EUR 160,000 in 2012).

12. Intangible assets

EUR 1,000	Goodwill	Trademark s	Developme nt costs	Other intangible assets	Total
Acquisition cost at 1 January 2013	45,242	5,268	61	4,139	54,710
Additions			1,166	314	1,479
Combination of businesses	1,940				1,940
Disposals					
Acquisition cost at 31 December 2013	47,182	5,268	1,227	4,453	58,130
Accumulated depreciation at 1 January 2013		-22	0	-303	-325
Depreciation		-527		-1,466	-1,993
Disposals					
Accumulated depreciation at 31 December 2013					
		-549	0	-1,769	-2,318
Carrying amount at 1 January 2013	45,242	5,246	61	3,836	54,385
Carrying amount at 31 December 2013	47,182	4,719	1,227	2,683	55,812

EUR 1,000	Goodwill	Trademark s	Developme nt costs	Other intangible assets	Total
Acquisition cost at 1 January 2012	18,122			340	18,461
Additions			61	203	265
Combination of businesses	27,120	5,268		3,596	35,984
Disposals					
Acquisition cost at 31 December 2012	45,242	5,268	61	4,139	54,710
Accumulated depreciation at 1 January 2012				-98	-98
Depreciation		-22		-205	-227
Disposals					
Accumulated depreciation at 31 December 2012		-22		-303	-325
Carrying amount at 1 January 2012	18,122	0	0	241	18,363
Carrying amount at 31 December 2012	45,242	5,246	61	3,836	54,385

Other intangible assets include patents, licences, computer software and customer agreements and related customer relationships, non-compete agreements and certificates acquired through combinations of business operations.

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs), which are the legal companies.

The recoverable amounts from the CGUs are determined based on value-in-use calculations. Cash flow forecasts are based on forecasts approved by the management, covering a period of four years. Cash flows beyond the four-year period approved by the management are capitalised using an even 2% growth rate. Goodwill from the acquisition of Dextra was not tested in 2012, as the date of acquisition was close to the balance sheet date.

Jokilaakson Terveys Oy's value in use has been calculated by discounting cash flows over a fixed agreement period, during which the company provides health care services in Jämsä in cooperation with the City of Jämsä and the Central Finland Health Care District. The fixed-term agreement is valid until 31 August 2014, after which there is an option of 2 + 1 years.

The key assumptions in the value-in-use calculations are based on the average EBITDA and market share.

The discount rate is defined using the weighted average cost of capital (WACC), which describes the total cost of equity and liabilities, taking into account the specific risks to which different assets are exposed. The discount rate is defined before taxes. The discount rates used were 9.7–9.9% (10.0–10.4% in 2012). The growth rate in the forecast period corresponds to the sector's actual long-term growth rate.

EUR 1,000	2013	2012
Total carrying amount of tested goodwill	47,182	18,921

Sensitivity analysis in impairment testing

Based on the impairment tests, there is no need for impairment. Based on the calculations, the companies' recoverable amount exceeded their carrying amount by EUR 22,691,000 (EUR 12,953,000 in 2012).

If any of the following changes occur, *ceteris paribus*, the company's carrying amount will not correspond to its recoverable amount:

- drop in the growth rate from 2% to -4.0% (from 2% to -7.1% in 2012)
- rise in the discount rate from 9.9% to 12.2% (from approximately 10% to 14% in 2012)

13 Financial assets and liabilities

EUR 1,000

	31/12/2013	Note	Loans and other receivables	Other financial liabilities	Total carrying amounts of the income statement items	Total fair values
Current financial assets						
Derivatives – hedge accounting not applied						
Trade receivables	18		7,151		7,151	7,151
Other receivables	18		197		197	197
Cash and cash equivalents	19		11,324		11,324	11,324
Total			18,672		18,672	18,672
Non-current financial liabilities						
Loans from financial institutions	21			24,445	24,445	24,445
Finance lease liabilities	21			10,296	10,296	10,296
Other liabilities	21			1,970	1,970	1,970
Current financial liabilities						
Loans from financial institutions	21			4,135	4,135	4,135
Finance lease liabilities	21			619	619	619
Derivatives – hedge accounting not applied	22			100	100	100
Other liabilities	21			623	623	623
Trade and other payables	22			5,051	5,051	5,051
Total				47,240	47,240	47,240
	31/12/2012	Note	Loans and other receivables	Other financial liabilities	Total carrying amounts of the income statement	Total fair values
Current financial assets						
Trade receivables	18		6,625		6,625	6,625
Other receivables	18		500		500	500
Cash and cash equivalents	19		7,849		7,849	7,849
Total			14,974		14,974	14,974
Non-current financial liabilities						
Loans from financial institutions	21			26,404	26,404	26,404
Finance lease liabilities	21			101	101	101
Other liabilities	21			1,036	1,036	1,036
Current financial liabilities					0	0
Loans from financial institutions	21			20,190	20,190	20,190
Finance lease liabilities	21			32	32	32
Other liabilities	21			56	56	56
Trade and other payables	22			3,576	3,576	3,576
Total				51,395	51,395	51,395

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, assumption: and measurement models have been used:

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 variable interest rate and the Group's risk premium has not materially changed

Trade receivables and other receivables

The initial carrying amount of receivables other than those based on derivatives agreements 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 payables other than those based on derivatives contracts 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 recognised 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 available from the market. Fair values of level 3 instruments are based on market information that can be determined (input information that cannot be determined)

All of the Group's financial assets and liabilities that are recognised at fair value (i.e. all of the Group's derivatives) belong to fair value hierarchy level 2, in accordance with IFRS 7. The fair value of these instruments at the close of the period under review was EUR 100,000. Non-current financial liabilities (loans from financial institutions and finance lease liabilities) similarly belong to fair value hierarchy level 2. Contingent consideration of EUR 1,250,000 included in other debts belongs to fair value hierarchy level 3

14. Interests in associates and available-for-sale financial assets

EUR 1,000	Interests in associates	Unlisted equity investments
Acquisition cost at 1 January 2013	1	77
Disposals/Additions	40	-7
Acquisition cost at 31 December 2013	41	70
Carrying amount at 31 December 2013	41	70
Carrying amount at 31 December 2012	1	77

15. Other non-current receivables	2013	2012
Lease deposits paid	53	25
Total	53	25

16. Deferred tax assets and liabilities

Changes in deferred taxes during 2013:

Deferred tax assets	EUR 1,000	Recorded in		31/12/2013
		#####	the income statement Subsidiaries acquired	
Losses confirmed		43	60	103
Debt to holders of Series B shares		514	108	622
Other items		0	212	212
Deferred tax assets on the balance sheet		558	380	938
Deferred tax liabilities				
Tangible and intangible assets		472	246	718
Recognition of tangible and intangible assets at fair value in the combination of business operations		3,650	-875	2,774
Other items		247	-145	102
Deferred tax liabilities on the balance sheet		4,369	-774	3,595

Changes in deferred taxes during 2012:

Deferred tax assets	#####	Recorded in		31/12/2012
		the income statement	Subsidiaries acquired	
Losses confirmed		47	-3	43
Debt to holders of Series B shares		408	106	514
Other items			0	0
Deferred tax assets on the balance sheet		455	103	558
Deferred tax liabilities				
Tangible and intangible assets		132	340	472
Recognition of tangible and intangible assets at fair value in the combination of business operations			-17	3,666
Other items			247	247
Deferred tax liabilities on the balance sheet		132	571	3,666

EUR 1,000

	2,013	2,012
17. Inventories		
Materials and supplies	809	732
Total	809	732

No impairment on the carrying amounts of inventories was recorded as expenses during the period under review.

	2013	2012
18. Trade receivables and other receivables		
Trade receivables	7,151	6,625
Prepayments and accrued income	1,075	761
Loan receivables from related parties	117	500
Receivables from associates	80	
Prepayments	2,703	
Other receivables	782	134
Total	11,908	8,020

The Group recognised EUR 60,000 in impairment losses for trade receivables during the financial year (EUR 6,000 in 2012). There are no major credit risk concentrations associated with receivables.

Age distribution of trade receivables	2013	Impairment losses	Net 2013	2012	Impairment losses	Net 2012
	5,194		5,194	4,067		4,067
Overdue						0
Less than 30 days	661		661	1,320		1,320
30–60 days	498		498	511		511
61–90 days	427		427	500		500
More than 90 days	456	-85	371	287	-60	226
Total	7,236	-85	7,151	6,685	-60	6,625

Material items included under prepayments and accrued income	2013	2012
Rental income	238	211
Sales and income accruals	304	240
Social security payments	318	67
Expenses paid in advance	214	244
	1,075	761

	2013	2012
19. Cash and cash equivalents		
Cash in hand and at bank	10,721	5,049
Certificates of deposit (1–3 months)	600	2,800
Total	11,321	7,849

EUR 1,000

20. Notes on equity

Reconciliation of the number of shares

EUR 1,000	Number of Series A shares	Number of Series B shares	Share capital	Reserve for invested non- restricted equity	Reserve for invested non- restricted equity, Series B	Other reserve	Total
01/01/2012	912,680	116,000	3	8,882	111	623	9,618
Conversion of convertible bond into shares				7,849		-623	7,226
Share subscriptions during the financial year	135,000			10,000	11		10,011
31/12/2012	1,047,680	116,000	3	26,731	122	0	26,855
01/01/2013	1,047,680	116,000	3	26,731	122	0	26,855
Share subscriptions during the financial year	238,515	25,000		4,095	21		4,116
31/12/2013	1,286,195	141,000	3	30,826	143	0	30,972

Pihlajalinna has two share classes, Series A and Series B. The shares belong to the book-entry system. Each Series A share carries one vote. Series A shares have no nominal value.

Series B shares do not carry any voting rights, nor is any rise in the company's value allocated to these shares. The value of each share is always EUR 1 per share, and each Series B always has 1,000 shares. The maximum number of Series B is 200, of which 143 were subscribed for at the balance sheet date.

There is also a contingency fund for Series B shares, which carry an exclusive right to any assets accrued in the fund. Contingency funds are recognised as liabilities to holders of Series B shares.

Below are descriptions of the different equity reserves.

Share capital

Share capital was subscribed when the company was founded.

Reserve for invested non-restricted equity

The reserve for invested non-restricted equity consists of the bonds converted into equity and the subscription price for Series A shares.

Reserve for invested non-restricted equity, Series B

Share subscriptions for Series B are included in the Series B reserve for invested non-restricted equity.

EUR 1,000

21. Financial liabilities	2013	2012
Non-current financial liabilities carried at amortised cost		
Bank loans	24,445	26,402
Other liabilities	1,154	1,038
Finance lease liabilities	10,296	101
Contingent consideration measured at fair value	817	
Total	36,712	27,541
Current financial liabilities carried at amortised cost		
Bank overdrafts		1,602
Bank loans	4,135	18,588
Other liabilities	190	56
Finance lease liabilities	619	32
Contingent consideration measured at fair value	433	
	5,377	20,278

The fair values of liabilities are presented in Note 13 Financial assets and liabilities.

Finance lease liabilities	2013	2012
Maturity periods of finance lease liabilities:		
– amount of minimum leases by maturity period		
Within one year	1,023	32
Between one and five years	3,964	101
Over five years later	9,213	
Total	14,200	133
Financial expenses accrued in the future	-3,285	-5
Current value of finance lease liabilities	10,915	128

The current value of finance lease liabilities will mature as follows:

Within one year	616	29
Between one and five years	2,573	99
Over five years later	7,727	
Total	10,915	128

Finance lease liabilities consist of passenger car leasing agreements and one real estate property lease, which is valid for 15 years and includes extension options. The rent is tied to the consumer price index.

22. Trade and other payables	2013	2012
Trade payables	1,939	1,445
Accrued liabilities	12,107	7,105
Prepayments	1,612	1,573
Other liabilities	4,251	3,157
Total	19,909	13,280
Material items included under accrued liabilities:		
Salaries and social security payments	7,703	4,422
Financial items	100	62
Other accrued liabilities	4,305	2,621
	12,107	7,105

EUR 1,000

23. Financial risk management

The Group is exposed to a number of financial risks in its normal business operations. The main financial risks are the interest rate risk and the liquidity risk. The goal of the Group's risk management policy is to minimise the adverse effects of financial market movements on the Group's result. The Group's general risk management policies are approved by the Board of Directors. The practical implementation of financial risk management is the responsibility of the Group's CFO, who identifies and assesses risks, and procures the necessary instruments for hedging against risks. The Group uses interest rate swaps for risk management purposes. The Group does not apply hedge accounting in accordance with IAS 39.

Interest rate risk

The Group is exposed to interest rate risks mainly through its external loan portfolio. In accordance with the Group's risk management policies, the Board of Directors decides on the extent of interest rate hedging coverage for the Group's loan portfolio. The group hedges against interest rate risks by fixing some of the interest rates on its variable rate loans to a fixed rate using interest rate swaps. In 2013, the average annual interest rate on the Group's interest-bearing debt was around 3.8% (4.0% in 2012). The table below presents the Group's interest rate position at the closing date of the reporting period.

	2013	2012
Fixed rate financial liabilities	12,232	1,228
Variable rate financial liabilities	28,607	46,592
Interest rate swaps	-12,400	0
Total variable rate position	16,207	46,592

The table below presents the effects on consolidated profit before tax and effects on equity should 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.

EUR 1,000	2013	2012
Change	+/-0.5%	+/-0.5%
Effect on profit before tax	31	-233
Effect on equity	-	-

Currency risk

The Group operates mainly in Finland and is not therefore exposed to material currency risks in its operations.

Credit risk

The Group is exposed to credit risks related to receivables from business operations and counterparty risks related to other financial instruments.

The Group has no significant credit risk concentrations related to receivables because it has a widely diversified clientele and no single customer or customer group is of material importance to the Group.

A list of the age distribution of trade receivables is presented in Note 18 "Trade receivables and other receivables". The amount of credit losses recognised through profit or loss during the financial year was not significant. The Group's maximum credit risk corresponds to the carrying amount of financial assets at the close of the financial year (see Note 13 "Financial assets and liabilities").

Liquidity risk

The Group strives to monitor 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 debt. The Group aims to ensure the availability and flexibility of financing with adequate credit limit reserves, a balanced maturity distribution and sufficiently long maturities for loans, as well as by obtaining financing from several financial institutions and using various financing instruments.

The Group's business operations are profitable and its parent company has strong financial investments from its shareholders and therefore the company has not identified any major risks related to the availability of additional financing. The table below describes the distribution of the maturities for the Group's financial liabilities. The figures are not discounted and they include both future interest payments and repayments of principal.

EUR 1,000

Maturity analysis of cash flows based on agreements made for financial liabilities

	Balance sheet value at 31 Dec. 2013	Cash flows based on agreements made				
		Less than 1 year	1–2 years	2–3 years	3–4 years	over 4 years
Loans from financial institutions	28,580	-5,225	-5,234	-5,087	-15,937	-455
Finance lease liabilities	10,915	-1,023	-1,004	-994	-983	-10,196
Other interest-bearing liabilities	1,344	-259	-214	-162	-61	-1,143
Contingent consideration	1,250	-433	-637	-222		
Trade payables	1,939	-1,939				
Interest rate swaps	100	-67	-49			
Other liabilities	3,112	-3,112				
Total	47,240	-12,058	-7,139	-6,466	-16,981	-11,794

	Balance sheet value at 31 Dec. 2012	Cash flows based on agreements made				
		Less than 1 year	1–2 years	2–3 years	3–4 years	over 4 years
Loans from financial institutions	44,990	-20,148	-4,894	-4,762	-4,633	-15,460
Bank limit	1,602	-1,602				
Finance lease liabilities	133	-34	-47	-54		
Other interest-bearing liabilities	1,094	-115	-116	-101	-58	-1,220
Trade payables	1,445	-1,445				
Interest rate swaps						
Other liabilities	2,131	-2,131				
Total	51,395	-25,475	-5,057	-4,918	-4,691	-16,679

The figures are not discounted and they include both interest payments and repayments of principal.

25. Capital management

The goal of the Group's capital management policies is to maintain an optimal capital structure in line with the Group's strategy. By managing its capital, the Group ensures that the normal requirements of business operations are met, enables investments in line with the Group's strategy and increases long-term shareholder value. capital structure mainly through

The key goal for capital management concerns the net debt/EBITDA ratio.
The target for the Group's ratio is approved by the Board of Directors.

The covenants for the Group's bank loans (in accordance with FAS accounting principles) consist of normal agreement clauses. The covenants for the Group's bank loans have been accounted for in the capital management targets. The company has fulfilled its external capital requirements in the financial year.

	2013
Interest-bearing debt, loans from financial institutions	29,924
Less: Cash and cash equivalents	11,321
Interest-bearing net debt	18,603
 EBITDA	 11,763
 Interest-bearing net debt/EBITDA	 1.6
 Covenant terms	 2.4

EUR 1,000

25. Operating leases

Group as the lessee

The Group leases many of the premises it uses. The lengths of the leases range 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 rents payable on the basis of non-cancellable operating leases:

	2013	2012
Within one year	1,768	1,265
More than one year and a maximum of five years later	4,658	2,984
Over five years later	2,618	1,963
Total	9,044	6,211

Group as the lessor

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

26. Contingent assets and liabilities and commitments

	2013	2012
Collateral given on behalf of shareholders		
Business mortgages	67,600	65,000
Pledged shares in subsidiaries	55,298	54,961

Pihlajalinna Oy has pledged the shares of Dextra Oy, Pihlajalinna Kangasala Oy, Pihlajalinna Hämeenkyrö Oy and Hoivakoti Johanna Oy as collateral for its debts.

EUR 1,000

27. Related party transactions

The Group's related parties include the subsidiaries. Key management personnel also considered to be related parties are the members of the Board and the Group Management Team, including the Managing Director and Deputy Managing Director.

The Group's parent company and subsidiary relationships are as follows:

Company	Domicile	Holding	% of votes	
Parent company Pihlajalinna Oy	Tampere			
Pihlajalinna Kangasala Oy	Kangasala	100%	100%	
Pihlajalinna Hämeenkyrö Oy	Hämeenkyrö	100%	100%	
Hoivakoti Johanna Oy	Finland	100%	100%	
Jokilaakson Terveys Oy	Finland	51%	51%	
Dextra Oy	Helsinki	100%	100%	
Mäntänvuoren Terveys Oy	Finland	51%	51%	
Dextra Plastiikkakirurginen Sairaala Oy	Helsinki	78%	78%	
Tammerkosken Hammasklinikka Oy	Tampere	100%	100%	
Zirlab Oy	Tampere	100%	100%	
Labeho Oy	Lappeenranta	100%	100%	
Dextra Lapsettomuusklinikka Oy	Helsinki	51%	51%	
Lääkärikeskus Irmeli Elomaa Oy	Kankaanpää	100%	100%	
Visita Oy	Jyväskylä	100%	100%	

Information on the associates is presented in Note 14 "Interests in associates".

Employee benefits of management	2013	2012
Salaries and other short-term employee benefits	524	360
Total	524	360

Salaries and fees

Managing Director	50	50
Deputy Managing Director	161	
Members of the Board, total	48	24
	209	74

Business transactions with key management personnel:	2013	2012
Rents paid	370	352
Services procured from related parties	93	117
Receivables from related parties	117	572
Trade payables to related parties	5	

Sinister Oy holds 25,000 Pihlajalinna Oy Series A shares. Sinister Oy is owned by private persons belonging to Pihlajalinna's management and key persons. Pihlajalinna Oy has not financed Sinister Oy nor pledged any collateral for it.

EUR 1,000

28. Transition to IFRS financial statements

Adjustments to FAS financial statements

Reconciliation of equity, 1 January 2012 and 31 December 2012

	Note	FAS, 31 Dec. 2011	Adjustment s to FAS financial statements	Adjusted FAS financial statements	FAS, 31 Dec. 2012	Adjustmen ts to FAS financial statements	Adjusted FAS financial statements
Assets							
Non-current assets							
Property, plant and equipment	A	3,466	-17	3,450	20,370		20,370
Goodwill	A	18,321	-200	18,122	51,587		51,587
		1,384		1,384	2,387		2,387
Other intangible assets	A,B		335	335		1	1
Interests in associates	A,B	908	-18	891	944	10	954
Investments		18		18	25		25
Receivables		47		47	43		43
		24,145	101	24,246	75,356	11	75,367
Current assets							
Inventories		421		421	732		732
Trade receivables and other receivables	A	5,942	-64	5,878	8,229		8,229
Financial securities					2,800		2,800
Cash and cash equivalents	A	3,719	-137	3,582	5,052		5,052
		10,083	-201	9,882	16,813		16,813
Total assets		34,228	-100	34,128	92,168	11	92,179
Equity and liabilities							
Share capital		3		3	3		3
Reserve for invested non-restricted equity		8,993		8,993	26,604		26,604
Retained earnings	A,B,C,D	1,763	93	1,857	1,593	48	1,641
		10,759	93	10,852	28,199	48	28,247
Non-controlling interests	A,E	1,008	-88	920	938	-37	901
Total equity		11,766	6	11,772	29,137	11	29,148
Non-current liabilities							
Deferred tax liabilities		132		132	1,686		1,686
Interest-bearing liabilities		12,544		12,544	28,069		28,069
		12,675		12,675	29,755		29,755
Current liabilities							
Trade and other payables	A	7,990	-105	7,885	12,618		12,618
Current tax liabilities		516		516	213		213
Current interest-bearing liabilities		1,280		1,280	20,445		20,445
		9,786	-105	9,681	33,276		33,276
Total liabilities		22,461	-105	22,356	63,031		63,031
Total equity and liabilities		34,228	-100	34,128	92,168	11	92,179

EUR 1,000

29. Transition to IFRS financial statements

Adjustments to FAS financial statements

Adjustments to FAS financial statements

- A The acquisition cost and balance sheet items of an associate consolidated as a subsidiary have been eliminated and the Group's share of the company is recognised under interests in associates.
- B Unduly eliminated share holdings
- C Elimination of gains from intragroup mergers
- D Items recognised directly under equity
- E Inaccuracy in the calculation of minority interests.

		FAS 1 Jan.–31 Dec. 2012	Adjustments to FAS financial statements	Adjusted FAS financial statements 1 Jan.–31 Dec. 2012
Revenue		47,252		47,252
Other operating income	C	238	-78	159
Use of materials and supplies	D	-3,219	-34	-3,253
External services		-6,242		-6,242
Employee benefit expenses	D	-24,850	-17	-24,867
Depreciation		-3,659		-3,659
Other operating expenses	A	-5,859	-32	-5,891
Operating profit		3,661	-161	3,500
Financial income		31		31
Financial expenses		-2,015		-2,015
Profit before tax		1,677	-161	1,516
Income taxes		-576		-576
Non-controlling interests	E	-272	43	-229
Profit for the period		830	-118	712

EUR 1,000

Reconciliation of equity, 1 January 2012 and 31 December 2012

	Note	Adjusted FAS, 31 Dec. 2011	Effect of transition to IFRS	IFRS, 31 Dec. 2011	Adjusted FAS, 31 Dec. 2012	Effect of transition to IFRS	IFRS, 31 Dec. 2012
Assets							
Non-current assets							
Property, plant and equipment	1,2,6,11	3,450	1,995	5,445	20,370	3,088	23,458
Goodwill	7,8,9	18,122		18,122	51,587	-6,345	45,242
Other intangible assets	1,5,9	1,384	-1,143	241	2,387	6,756	9,143
Interests in associates		335		335	1		1
Investments	2	891	-853	38	954	-877	77
Receivables		18		18	25		25
Deferred tax assets	3.6	47	408	455	43	515	558
		24,246	408	24,654	75,367	3,136	78,503
Current assets							
Inventories		421		421	732		732
Trade receivables and other receivables		5,878		5,878	8,229		8,229
Financial securities					2,800		2,800
Cash and cash equivalents	9.12	3,582		3,582	5,052	-3	5,049
		9,882		9,882	16,813	-3	16,810
Total assets		34,128	408	34,536	92,179	3,134	95,313
Equity and liabilities							
Equity belonging to the shareholders of the parent							
Share capital		3		3	3		3
Other reserve	4		623	623		0	0
Reserve for invested non-restricted equity	4	8,993		8,993	26,604	249	26,853
Retained earnings	3,4,6	1,857	-1,372	485	1,641	215	1,856
		10,852	-749	10,103	28,247	464	28,711
Non-controlling interests	12	920		920	901	0	901
Total equity		11,772	-749	11,023	29,148	464	29,612
Non-current liabilities							
Deferred tax liabilities		132		132	1,686	2,683	4,369
Interest-bearing liabilities	4,6,10,12	12,544	-508	12,036	28,069	-497	27,572
		12,675	-508	12,167	29,755	2,186	31,941
Current liabilities							
Trade and other payables	3.12	7,885	1,665	9,550	12,618	865	13,482
Current tax liabilities		516		516	213		213
Current interest-bearing liabilities	6.10	1,280		1,280	20,445	-380	20,065
		9,681	1,665	11,346	33,276	485	33,761
Total liabilities		22,356	1,157	23,514	63,031	2,670	65,701
Total equity and liabilities		34,128	408	34,536	92,179	3,134	95,313

EUR 1,000

EFFECTS OF TRANSITION TO IFRS

- 1 In accordance with the prior accounting principles, basic renovation costs of leased premises 2,100 (-1,143) recognised as immaterial rights have been transferred to property, plant and equipment because they do not meet the definition of intangible assets under IAS 38.
- 2 Shares in buildings 879 (-853) presented as investments give control over a certain share of the property, in which case they are deemed to be assets under joint control, as referred to in IAS 31 *Interests In Joint Ventures* , which are accounted for by proportionate consolidation.
- 3 Retained earnings for Series B shares -1,611 (-1,257) less taxes 106 (408) do not fulfil the requirements of IAS 32 for equity instruments, and have been recognised as debt to holders of Series B shares 2,100 (1,665).
- 4 The equity component of the convertible bond (-508) has been recognised under other reserves (623) and the interest under retained earnings (-115). In connection with the conversion and repayment, an interest expense of -133 was recognised and the reserve for of invested non-restricted equity was charged -374 and credited 623. The separation the equity component from the convertible bond is based on the IAS 32 Financial Instruments: Presentation standard.
- 5 Recognition of a product development project 61 in accordance with IAS 38 on the balance sheet adjusted for tax 15.
- 6 Leases (rents 30) and their interest (-3) and tax effects have been classified as finance leasing (160, of which depreciation -29) on the basis of IAS 17.
- 7 Fees for experts and asset transfer taxes -823 related to acquisitions have been recognised as expenses in accordance with IFRS 3.
- 8 In accordance with IAS 36, depreciation of goodwill 2,379 has been reversed and a deferred tax liability 266 has been recognised for the tax-deductible share of depreciation.
- 9 In accordance with IFRS 3, identifiable intangible assets received in the acquisition of Dextra Oy, 8,863 with tax effects (-2,172) accounted for, have been recognised separately from goodwill. The aforementioned intangible assets were depreciated by -69 during the financial year. The tax effect of the depreciation was 17.
- 10 In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* , loan servicing costs are included under items measured at amortised cost using the effective interest method. Financial expense credits of 1,010 were recognised, of which -598 was recognised under non-current financial liabilities and -412 under current financial liabilities. A deferred tax liability of 247 was recorded for the adjustment.
- 11 In accordance with IFRS 3, control over Annankadun Klinikka was not gained before 2013. The effect of the adjustment on property, plant and equipment is -23.5, on goodwill -1,236 and on trade payables and other liabilities -1,260.

Reconciliation of consolidated profit for the financial period of 1 January–31 December 2012

	Note	Adjusted FAS 1 Jan.–31 Dec. 2012	Effect of transition to IFRS 1 Jan.–31 Dec. 2012	IFRS 1 Jan.–31 Dec. 2012
Revenue		47,252		47,252
Other operating income		159		159
Use of materials and supplies		-3,253		-3,253
External services	3,5	-6,242	-1,601	-7,842
Employee benefit expenses	5	-24,867	48	-24,819
Depreciation	6,8,9	-3,659	2,281	-1,378
Other operating expenses	5,6,7	-5,891	-789	-6,679
Operating profit		3,500	-61	3,439
Financial income		31		31
Financial expenses	4,6,10	-2,015	874	-1,141
Profit before tax		1,516	813	2,329
Income taxes	3,5,6,7,8,9,11	-576	-404	-980
Non-controlling interests		-229		-229
Profit for the period		712	409	1,120

EUR 1,000

29. Events after the close of the reporting period

With a transaction concluded on 1 January 2014, the Pihlajalinna Group acquired Hämeenlinnan Hoivapalvelu Ky and Kiinteistö Oy Hämeenlinnan Nuutintupa in Hämeenlinna, Kuusama-Koti Oy in Kokemäki and Tampereen Hammashoito Oy in Tampere.

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

EUR 1,000	2013
Consideration paid	
Cash	2,996
Total acquisition cost	2,996

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

	2013
Property, plant and equipment	3,016
Goodwill	28
Intangible assets	22
Inventories	22
Trade receivables and other receivables	304
Cash and cash equivalents	392
Total assets	3,785
Deferred tax liabilities	-90
Financial liabilities	-1,627
Other liabilities	-543
Total liabilities	-2,261
Net assets	1,524
Goodwill generated in the acquisition	
Consideration paid	2,996
Net identifiable assets of acquired entity	-1,524
Goodwill	1,472
Transaction price paid in cash	2,996
Cash assets of acquired entities	-392
Effect on cash flow	2,604

In addition, the goodwill generated was affected by expectations of a competitive edge created by a nationwide network of business locations, the Group's skilled workforce and synergy benefits. The goodwill generated is not tax deductible.

BALANCE SHEET

EUR 1,000	Note	31 Dec. 2013	31 Dec. 2012
A S S E T S			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		125	27
Goodwill		10,965	12,426
Other non-current expenditure		1,993	2,125
		13,084	14,578
Tangible assets	10		
Land and water areas		36	36
Buildings and structures		817	881
Machinery and equipment		1,967	1,501
Other tangible assets		54	51
		2,873	2,468
Investments	11		
Interests in Group companies		58,110	56,649
Interests in associates		41	1
Other shares and interests		48	48
		58,199	56,698
TOTAL NON-CURRENT ASSETS		74,156	73,745
CURRENT ASSETS			
Inventories			
Materials and supplies		165	198
		165	198
Non-current receivables			
Receivables from Group companies		170	
Other receivables		46	25
		216	25
Current receivables			
Trade receivables		2,390	2,082
Receivables from Group companies		6,250	4,219
Receivables from associates		80	
Loan receivables		0	390
Other receivables		401	223
Prepayments and accrued income	12	2,816	395
		11,938	7,310
Cash and cash equivalents		1,135	913
TOTAL CURRENT ASSETS		13,454	8,446
TOTAL ASSETS		87,610	82,190

EUR 1,000	Note	31 Dec. 2013	31 Dec. 2012
E Q U I T Y A N D L I A B I L I T I E S			
EQUITY	13		
Share capital		3	3
Reserve for invested unrestricted equity		30,720	26,604
Retained earnings		914	747
Profit (loss) for the financial year		6,460	1,715
TOTAL EQUITY		38,097	29,068
ACCUMULATED APPROPRIATIONS			
Accumulated depreciation difference		279	227
LIABILITIES			
Non-current			
Loans from financial institutions		23,000	27,000
Hire purchase debts		211	103
Other liabilities		1,020	966
		24,231	28,069
Current			
Loans from financial institutions		4,000	20,602
Hire purchase debts		184	56
Prepayments received			20
Trade payables		433	509
Other liabilities to Group companies		15,501	427
Other liabilities		416	701
Accrued liabilities	14	4,469	2,511
		25,003	24,826
TOTAL LIABILITIES		49,233	52,895
TOTAL EQUITY AND LIABILITIES		87,610	82,190

INCOME STATEMENT

EUR 1,000	Note	1 Jan. 2013 - 31 Dec. 2013	1 Jan. 2012 - 31 Dec. 2012
REVENUE		31,352	24,329
Other operating income	1	187	198
Materials and services			
Materials, supplies and goods			
Purchases in the financial year		-952	-852
Increase/decrease in inventories		-35	34
External services		-2,288	-2,285
		-3,275	-3,103
Personnel expenses			
Wages and salaries	2	-13,497	-10,687
Social security expenses			
Pension expenses		-2,443	-1,960
Other social security expenses		-812	-556
		-16,752	-13,202
Depreciation, amortisation and impairment			
Depreciation and amortisation according to plan	3	-2,835	-2,366
		-2,835	-2,366
Other operating expenses	4	-4,103	-3,115
OPERATING PROFIT (LOSS)		4,574	2,740
Financial income and expenses	5		
Dividend income			
From Group companies			775
Sijoitustuotot pysyvien vastaavien sijoituksista		0	0
Osinkotuotot		0	0
Income from participating interests			
Dividend income			9
Korkotuotot pitkäaikaisista sijoituksista		0	0
Saman konsernin yrityksiltä		0	0
Other interest and financial income			
From others		2	4
Interest and other financial expenses			
To others		-1,057	-1,976
		-1,055	-1,188
PROFIT (LOSS) BEFORE EXTRAORDINARY		3,519	1,552
Extraordinary items			
Extraordinary income	6	4,790	610
		4,790	610
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		8,309	2,162
Appropriations			
Increase (-) or decrease (+)	7	-52	-182
		-52	-182
Income taxes			
Tax for the financial year	8	-1,797	-266
		-1,797	-266
PROFIT (LOSS) FOR THE FINANCIAL YEAR		6,460	1,715

CASH FLOW

EUR 1,000	31 Dec. 2013	31 Dec. 2012
Cash flow from operating activities		
Cash receipts from sales	29,623	23,548
Cash receipts from other operating income	185	198
Operating expenses paid	-23,242	-18,692
Operating cash flow before financial income and taxes	6,567	5,053
Interest received	2	4
Direct taxes paid	-243	-660
Cash flow from operating activities	6,326	4,397
Cash flow from investing activities:		
Acquisitions of tangible and intangible assets	-1,803	-2,261
Proceeds from disposal of tangible and intangible assets	1	0
Changes in loan receivables	390	-2,630
Dividends received from investments	0	784
Shares acquired in subsidiaries and associates	-1,401	-49,691
Prepayments on acquisition of subsidiaries	-2,703	
Other investments	0	-28
Cash flow from investing activities	-5,515	-53,826
Cash flow from financing activities:		
Investments in the reserve for invested unrestricted equity	4,116	9,574
Acquisition of own shares	-227	-65
Sale of own shares		270
Proceeds from non-current borrowings	19,044	31,000
Repayments of non-current borrowings	-4,102	-3,660
Interest paid and payments for other financial expenses of operations	-1,498	-2,133
Proceeds from current borrowings	0	16,602
Repayments of current borrowings	-16,602	-1,200
Dividends paid and other profit distribution	-1,320	-1,164
Cash flow from financing activities	-588	49,224
Changes in cash and cash equivalents	222	-205
Cash and cash equivalents at 1 January	913	1,118
Cash and cash equivalents at 31 December	1,135	913

The financial year was the company's fourth. Pihlajalinna Oy is the parent company of the Pihlajalinna Group. Pihlajalinna Oy is domiciled in Tampere, Finland. Copies of the Pihlajalinna Group's consolidated financial statements are available at the Group's headquarters in Tampere, at the address Kehräsaari B, Tampere, Finland.

ACCOUNTING POLICIES APPLIED TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Valuation of non-current assets

Non-current assets are recognised in the balance sheet at cost less planned depreciation and amortisation.

The depreciation and amortisation periods are as follows:

License fees	straight-line amortisation, 3 years
Goodwill	straight-line amortisation, 5–10 years
Renovation costs	straight-line amortisation, 5 years and 10
IT software	straight-line amortisation, 3 years and 5 y
Buildings and structures	reducing balance depreciation, 7%
Machinery and equipment	reducing balance depreciation, 15–25%

Goodwill is amortised by the Group over 5–10 years. In health care service operations, generation of revenues and the useful life of goodwill is estimated at 7–10 years for acquired business operations.

Valuation of inventories

Inventories are valued at variable cost using the first in, first out (FIFO) method and the principle of lowest value in accordance with Section 5(6)(1) of the Accounting Act.

Pensions

The pension security of the company's personnel is handled by an external pension insurance company. Pension contributions and expenses allocated to the financial year are based on actuarial calculations. Pension costs are expensed during the year to which the contributions relate.

NOTES TO THE INCOME STATEMENT

EUR 1,000

2013

2012

1. Other operating income

Capital gains from the sale of tangible and intangible assets	1	0
Rental income	64	96
Government grants	70	4
Other income	51	98
	187	198

2. Personnel expenses and average number of personnel

Average number of personnel	397	311
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Personnel expenses are disclosed in the income statement.

The members of the Board of Directors were paid a total of EUR 48,000 in compensation for their work on the Board.

3. Depreciation, amortisation and impairment

Intangible assets	57	10
Goodwill	1,606	1,564
Other non-current expenditure	652	453
Buildings	65	43
Machinery and equipment	456	296
	2,835	2,366

	2013	2012
4. Auditors' fees		
Firm of Authorised Public Accountants KPMG Oy Ab		
Audit fees	58	22
Fees for statements	0	4
Tax consultation	3	0
Other fees	41	44
	103	70
5. Interest income and interest and other financial expenses		
Interest income	2	4
Interest expenses	-1,084	-669
Other financial expenses	27	-1,306
	-1,055	-1,971
6. Extraordinary income and expenses		
Group contributions received	4,790	610
7. Appropriations		
Depreciation difference from machinery and equipment	-52	-182
8. Income taxes		
Income taxes on extraordinary items	-1	-149
Income taxes on normal operations	-1,818	22
Taxes for the previous financial years	23	-138
	-1,797	-266

NOTES TO THE BALANCE SHEET / ASSETS

EUR 1,000

9. Intangible assets	2013	2012
Intangible rights		
At the start of the financial year	27	10
Additions	155	27
Amortisation according to plan	-57	-10
At the end of the financial year	125	27
Goodwill		
At the start of the financial year	12,426	13,685
Additions	145	306
Amortisation according to plan	-1,606	-1,564
At the end of the financial year	10,965	12,426
Other non-current expenditure		
At the start of the financial year	2,125	1,118
Additions	520	1,460
Amortisation according to plan	-652	-453
At the end of the financial year	1,993	2,125
Intangible assets at 31 December	13,084	14,578
10. Tangible assets		
Land and water areas		
At the start of the financial year	36	0
Additions	0	36
At the end of the financial year	36	36
Buildings and structures		
At the start of the financial year	881	0
Additions	0	924
Depreciation according to plan	-65	-43
At the end of the financial year	817	881

	2013	2012
Machinery and equipment		
At the start of the financial year	1,501	1,132
Additions	944	656
Disposals	-22	
Depreciation according to plan	-456	-287
At the end of the financial year	1,967	1,501
Other tangible assets		
At the start of the financial year	51	27
Additions	4	24
At the end of the financial year	54	51
Tangible assets at 31 December	2,873	2,468
11. Investments		
Group companies		
At the start of the financial year	56,649	6,226
Additions	1,461	50,424
Group companies at the end of the financial year	58,110	56,649
Shares in associates		
At the start of the financial year	1	0
Additions	40	1
Shares in associates at the end of the financial year	41	1
Other shares and interests		
At the start of the financial year	48	20
Additions	0	28
Other shares and interests at the end of the financial year	48	48
Investments at 31 December	58,199	56,698
12. Material items included under Prepayments and accrued income		
Sales and income accruals	0	188
Income tax assets	0	115
Receivables from Kela (the Social Insurance Institution of Finland)	106	51
Expenses paid in advance and their accruals	7	42
Tampereen Hammashuolto Oy	871	0
Kuusamakoti Oy	757	0
KOY Hämeenlinnan Nuutintupa	804	0
Hämeenlinnan Hoivapalvelu Ky	272	0
	2,816	395

NOTES TO THE BALANCE SHEET / LIABILITIES

	2013	2012
13. Equity specifications		
Restricted equity		
Share capital at the start of the financial year	3	3
Increase in share capital		
Share capital at the end of the financial year	3	3
Restricted equity at the end of the financial year	3	3
Unrestricted equity		
Reserve for invested unrestricted equity at the start of the financial year	26,604	8,993
Additions to the reserve for invested unrestricted equity, increase in number of shares	0	5,650
Additions to the reserve for invested unrestricted equity, payments of subscription price	4,116	11,961
Reserve for invested unrestricted equity at the end of the financial year	30,720	26,604
Retained earnings	2,192	1,706
Acquisition of own shares	-227	-65
Sale of own shares	270	270
Dividends paid and other profit distribution	-1,320	-1,164
Profit for the financial year	6,460	1,715
Total unrestricted equity	38,094	29,066
Distributable funds		
Reserve for invested unrestricted equity	30,720	26,604
Retained earnings	914	747
Profit for the financial year	6,460	1,715
Total distributable funds	38,094	29,066
14. Material items included under Accrued liabilities	2013	2012
Accrued wages and salaries, including social security expenses	338	233
Holiday pay accrual, including social security expenses	1,205	888
TyEL and other social security expense accruals (TyEL - the Finnish Employees Pensions Act)	833	755
Accrued interest expenses	0	62
Accrued income tax liabilities	1,439	0
Accrued performance-based expenses	653	550
Other accrued liabilities	0	23
	4,469	2,511

GUARANTEES AND COMMITMENTS

Liabilities and their guarantees by balance sheet item and type of guarantee

Specification of liabilities	Amount of liabilities
Loans from financial institutions, Pihlajalinna Oy	27,000
Loans from financial institutions, Pihlajalinna Group	27,000
*= Special pledge commitment	

The company has pledged business mortgages totalling EUR 65,000 and shares in subsidiaries totalling EUR 55,297 as security.

Future lease payments

Payable within one year	1,014	848
Payable after one year	3,244	3,410

List of accounting books and document types used

General journal	Electronic record
General ledger	Electronic record
Balance book	Bound copy

DOCUMENT TYPES

Memorandum documents	1.89
Sales invoices	2
Purchasing invoices	3, 17
Wages and salaries	7
VAT	5
Depreciation and amortisation	9
Bank account statements	4
Bank account statements	11
Bank account statements	13

SIGNATURES OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Tampere, 19 March 2014

Pihlajalinna Oy, Board of Directors

Mika Uotila
Chairman of the Board of Directors

Heikki Dunder
Member of the Board of Directors

Teija Santala
Member of the Board of Directors

Marjatta Rytömaa
Member of the Board of Directors

Leena Niemistö
Member of the Board of Directors

Veli-Matti Qvintus
Member of the Board of Directors

Wiren Mikko
Managing Director

The Auditor's Note

A report on the audit performed has been issued today.

Tampere, 19 March 2014

KPMG Oy Ab

Frans Kärki
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Pihlajalinna Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Pihlajalinna Oy for the financial year 1 January – 31 December 2013. 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 and 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, 25 March 2014

KPMG Oy Ab

(signed)

Frans Kärki

Authorised Public Accountant

KPMG Oy Ab, a Finnish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Business ID 1805485-9
Domicile Helsinki