

Pihlajalinna Oy

BALANCE BOOK

31 December 2014

Translation from the Finnish Original

FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2014

CONTENTS

Report of the Board of Directors	1 -8
Key figures	9 -10
Shares and shareholders	11
Consolidated statement of financial position, IFRS	12
Consolidated statement of comprehensive income, IFRS	13
Consolidated statement of cash flows, IFRS	14
Consolidated statement of changes in equity, IFRS	15
Notes to the consolidated financial statements, IFRS	16 -53
Parent company balance sheet and income statement, FAS	54
Parent company cash flow statement, FAS	55
Notes to the parent company financial statements, FAS	56 -58
List of accounting books used	59
Signatures of the financial statements	60

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.

REPORT OF THE BOARD OF DIRECTORS OF PIHLAJALINNA OY

THE GROUP'S FINANCIAL PERFORMANCE, 1 JANUARY 2014 – 31 DECEMBER 2014

- Revenue EUR 148.9 million (EUR 104.4 million) – up 42.5%
- Operating profit EUR 6.0 million (EUR 7.3 million) – down 18.2%
- Operating profit amounted to 4.0% of revenue (7.0%)
- Operating profit excluding non-recurring items EUR 8.2 million (EUR 7.7 million)
- Net cash flow from operating activities EUR 9.4 million (EUR 16.4 million)
- Net cash flow from operating activities excluding non-recurring items EUR 11.6 million (EUR 16.8 million)
- Gross investments in the financial year EUR 28.3 million (EUR 8.8 million)
- Average number of personnel in the financial year 1,619 (1,197)
- The City of Parkano outsourced its healthcare and social care services to Pihlajalinna as of the beginning of 2015.

Pihlajalinna reports in accordance with International Financial Reporting Standards (IFRS).

Business

The Pihlajalinna Group is the largest private healthcare and social care services provider under Finnish ownership. The Group provides healthcare and social care services to private persons, companies and public entities (such as municipalities and hospital districts). Services are provided at private clinics, health centres, dental clinics and hospitals across Finland. At its private clinics and hospitals operating under the *Dextra* brand, the Group provides a broad range of services such as general and specialised care services, emergency and on-call services, various surgical services and occupational healthcare and oral healthcare services. Under its *Pihlajalinna* brand, the Group offers public entities innovative models for the provision of healthcare and social care, including complete outsourcings and health centre outsourcings, the purpose of which is to cost-effectively provide better services to customers through cooperation between the public and private sectors.

Pihlajalinna Oy was registered on 29 April 2014. It started its operations on 14 July 2014 following a restructuring arrangement of the Pihlajalinna Group. Prior to the share swap carried out in the restructuring arrangement, the Group's parent company was Pihlajalinna Terveys Oy (previously Pihlajalinna Oy). Under this arrangement carried out under common control, Pihlajalinna Terveys Oy's shareholders received ten (10) Pihlajalinna Oy shares, with a book value of EUR 5.05 each, for every Series A share they held in Pihlajalinna Terveys Oy. As a result of the arrangement, Pihlajalinna Oy became the parent company of the Pihlajalinna Group. The Group was also refinanced in conjunction with this restructuring arrangement.

Reporting

The Pihlajalinna Group has two operating segments: Private Clinics and Specialised Care (L&E), and Primary and Social Care (P&S).

The *Private Clinics and Specialised Care (L&E) segment* provides general and specialist medical consultation services, surgical services, occupational healthcare services and oral healthcare services at private clinics and hospital units. The segment's customers comprise private persons of all age groups, companies, entrepreneurs, public enterprises, cities, municipalities, other public entities, and associations and foundations.

The *Primary and Social Care (P&S) segment* provides services to public entities under the *Pihlajalinna* brand. The services include primary healthcare, social care and care services and are provided through complete outsourcings, health centre outsourcings, staffing services or separate care services units.

The Group's performance

During the financial year, the Pihlajalinna Group's revenue grew by EUR 44.4 million to EUR 148.9 million over the previous year (EUR 104.4 million). Corporate arrangements in the Private Clinics and Specialised Care segment accounted for EUR 14.6 million of the growth in operations. M&A transactions in Care Services accounted for EUR 3.8 million of the growth in operations. The rate of organic growth was 24.9%, attributable to new healthcare and social care services outsourcings in Juupajoki, Mänttä-Vilppula and Tampere.

Consolidated operating profit amounted to EUR 6.0 million (EUR 7.3 million). Operating profit represented 4.0% of revenue (7.0%). Consolidated operating profit excluding non-recurring items was EUR 8.2 million (EUR 7.7 million). The non-recurring items which burdened operating profit totalled EUR 2.2 million, consisting mainly of the Group's restructuring and refinancing carried out in summer 2014 (EUR 1.8 million) and other non-recurring items of EUR 0.4 million. In the 2013 financial year, other non-recurring items that burdened operating profit amounted to EUR 0.4 million. More specific information on the Group's non-recurring items can be found in the accounting policies applied to the consolidated financial statements and Note 7 "Other operating expenses" to the financial statements.

The Group's materials and services amounted to 39.4% (30.8%) of consolidated revenue, or EUR 58.7 million (EUR 32.1 million). The Group's employee benefit expenses amounted to 41.8% (46.7%) of consolidated revenue, or EUR 62.2 million (EUR 48.8 million). Other operating expenses totalled EUR 17.1 million (EUR 12.2 million). Operating expenses represented 11.5% of revenue (11.6%). Costs related to facilities were the largest expense item under other operating expenses.

Depreciation and amortisation for the financial year totalled EUR 5.8 million (EUR 4.5 million). Amortisation on intangible assets during the financial year was EUR 2.3 million (EUR 2.0 million), of which amortisation on intangible assets recognised separately from goodwill in business combinations at the date of acquisition totalled EUR 2.0 million (EUR 1.8 million). Depreciation on property, plant and equipment totalled EUR 3.5 million (EUR 2.5 million).

Consolidated financial income amounted to EUR 0.1 million (EUR 0 million). Consolidated financial expenses were EUR 3.2 million (EUR 2.0 million). The Group recorded non-recurring financial expenses totalling EUR 0.8 million for its refinancing arrangements. Other non-recurring financial expenses of EUR 0.2 million have been recorded in the financial statements for 2014.

Profit before taxes was EUR 2.9 million (EUR 5.3 million). Taxes for the financial year totalled EUR -1.0 million (EUR -0.8 million). The Group has paid all of its taxes in Finland. Profit for the financial year amounted to 1.3% (4.3%) of consolidated revenue, or EUR 1.9 million (EUR 4.5 million). Earnings per share were EUR 0.11 (EUR 0.35). The comparative figure presented is the earnings per share of Pihlajalinna Terveys for 2013, which is an adjusted like-for-like figure that reflects the terms and conditions of the directed share issue carried out in July 2014.

Performance of the segments

	L&E			P&S		
	2014	2013	change, %	2014	2013	change, %
Revenue, EUR million	92.9	56.3	65.0	57.9	48.1	20.4
Operating profit, EUR million	6.3	5.0	26.0	1.9	2.6	-26.9
Operating profit, %	6.7	8.9		3.3	5.3	

Financing and investments

At the end of the financial year, the Pihlajalinna Group's total statement of financial position was EUR 130.7 million (EUR 106.4 million). Consolidated cash and cash equivalents totalled EUR 11.0 million (EUR 11.3 million).

Net cash flow from operating activities during the financial year was EUR 9.4 million (EUR 16.4 million). Net cash flow from operating activities was weakened by a total of EUR 1.8 million due to asset transfer tax and

professional fees for the restructuring arrangement carried out during the year. Other non-recurring items reduced cash flow from operating activities by EUR 0.4 million. In the previous financial year, net cash flow from the healthcare and social care outsourcing business was exceptionally strong due to front-loaded contract fees, with an effect of EUR 5.0 million. Other non-recurring items reduced net cash flow from operating activities in 2013 by EUR 0.4 million.

Net cash flow from investing activities during the financial year was EUR -17.5 million (EUR 3.8 million). In the previous financial year, the Group sold its Munkkivuori business premises for EUR 14.0 million.

Net cash flow from financing activities during the financial year was EUR 7.7 million (EUR -16.7 million). Payments received from share issues during the financial year amounted to EUR 3.7 million (EUR 4.1 million). In conjunction with the restructuring arrangement carried out in summer 2014, the Group repaid capital EUR 29.6 million and distributed dividends of approximately EUR 3.4 million to the holders of Pihlajalinna Terveys Oy Series A shares. In addition, the Group drew down a bank loan of EUR 69.7 million during the financial year, with which it refinanced its earlier bank loans and the business combinations carried out during the rest of the year.

The Company's gross investments in property, plant and equipment and intangible assets, which consisted of normal additional and replacement investments required for growth, amounted to EUR 6.1 million (EUR 2.6 million) during the financial year. Gross investments related to the opening of new units totalled EUR 4.8 million (EUR 3.9 million). Gross investments in non-current assets attributable to business combinations, including goodwill, totalled EUR 17.4 million (EUR 2.2 million). Gross investments for the financial year were EUR 28.3 million (EUR 8.8 million).

The Group's equity ratio was 8.0% (36.5%). Interest-bearing liabilities excluding contingent considerations measured at fair value amounted to EUR 82.5 million (EUR 40.8 million), of which current liabilities accounted for EUR 9.0 million (EUR 4.9 million). The decrease in the equity ratio was due to the extensive restructuring arrangement and refinancing arrangement carried out during the financial year. Return on capital employed in the financial year was 7.1% (9.4%), and return on equity was 7.7% (13.3%).

Personnel

In 2014, the Group's personnel numbered 1,619 on average (1,197), an increase of 35.2%. At the end of the financial year, the number of personnel stood at 1,714 (1,270). The number of Group personnel grew by over 200 employees due to business combinations during the financial year. The other increase in personnel came through organic growth. The Group's employee benefit expenses totalled EUR 62.2 million (EUR 48.8 million), an increase of 27.6%.

Shares and share capital

At the end of the period under review, Pihlajalinna Oy's share capital amounted to EUR 2,500 and the total number of shares outstanding was 13,398,860. The Company has one share series, with each share entitling its holder to one vote at a General meeting of the Company. All shares vest their holders with equal rights to dividends and other distribution of the Company's assets. The Company's Articles of Association include a redemption clause. At the end of the financial year, the Company had 173 (174) shareholders. The Company does not hold any treasury shares.

At the end of the financial year, the funds managed by Sentica Partners Oy, namely Sentica BuyOut III Ky and Sentica BuyOut III Co-Investment Ky, held a total of 50.3 per cent of the Company's shares. Chief Executive Officer Mikko Wirén and his related parties held a total of 14.9 per cent of the Company's shares, LähiTapiola held a total of 10.2 per cent through LähiTapiola General Mutual Insurance Company and LähiTapiola Mutual Life Insurance Company, Deputy CEO Leena Niemistö held 6.2 per cent, Chief Financial Officer Joni Aaltonen held 0.9 per cent, Business Area Director Juha Rautio held 0.7 per cent, Director of Marketing and Communications Terhi Kivinen held 0.07 per cent and HR Director Susanna Huuskonen 0.04 per cent of the Company's shares. In addition, Board member Heikki Dunder held 0.06 per cent of the Company's shares.

Governance and General Meetings of the shareholders

Since 30 October 2014, Mikko Wirén has served as the Chief Executive Officer of Pihlajalinna Oy and Leena Niemistö has served as the Deputy CEO. Mikko Wirén has served as the CEO of the Group's parent company since 2005. Leena Niemistö has served as the Deputy CEO of Pihlajalinna Terveys Oy since the beginning of 2013.

The 2014 financial year was Pihlajalinna Oy's first year of operation. Between 15 April 2014 and 23 October 2014, the Company's Board of Directors had three (3) members: Marjatta Rytömaa, Mikko Wirén and Mika Uotila. At the Extraordinary General Meeting of the shareholders held on 23 October 2014, six (6) members were elected to the Board of Directors: Aarne Aktan, Heikki Dunder, Leena Niemistö, Veli-Matti Qvintus, Marjatta Rytömaa and Mika Uotila. The Board convened after the Extraordinary General Meeting and elected Mika Uotila as its Chairman. General Counsel Hanne Keidasto serves as the secretary to the Board of Directors.

On 18 November 2014, the Board of Directors decided to form an Audit Committee from amongst its number, electing Mika Uotila as the Chairman and Aarne Aktan and Marjatta Rytömaa as members of the Audit Committee until the end of the next Annual General Meeting.

At the same meeting, the Board decided to form a Nomination and Remuneration Committee from amongst its number, electing Aarne Aktan as the Chairman and Veli-Matti Qvintus and Marjatta Rytömaa as members of the Nomination and Remuneration Committee until the end of the next Annual General Meeting. The Chairman of the Nomination and Remuneration Committee may be invited to participate in the committee formed by the largest shareholders for preparing the election of the Board of Directors.

In its Memorandum of Association, the Company elected as its auditors the firm of authorised public accountants KPMG Oy, with Frans Kärki, APA, as the principal auditor.

The Board of Directors does not have a valid authorisation for buying back or disposal of any of the Company's shares.

Management Team

The Group Management Team confirmed by the Board of Directors is composed of Chief Executive Officer Mikko Wirén, the Group's Chief Financial Officer Joni Aaltonen, Deputy CEO Leena Niemistö, Director of Marketing and Communications Terhi Kivinen, HR Director Susanna Huuskonen and Business Area Director Juha Rautio. General Counsel Hanne Keidasto serves as the secretary to the Management Team.

The Business Area Director of the L&E segment is Deputy CEO Leena Niemistö (M.D., Ph.D.), and the Business Area Director of the P&S segment is Juha Rautio (Master of Administrative Sciences).

Remuneration system

The objective of the Group's remuneration system is to reward good performance, motivate the personnel and to ensure the long-term commitment of the Group's management and other personnel to the Company's goals.

Remuneration of the members of the Board of Directors

The Annual General Meeting decides every year on the Board members' fees and the basis for compensating their expenses. On 23 October 2014, the Extraordinary General Meeting of Pihlajalinna decided that the Chairman and the other members of the Board of Directors will each be paid a monthly fee of EUR 1,000.

In addition, the Chairman and the other members of the Board will each be paid a meeting fee of EUR 1,000 for each Board meeting. The Chairmen and the other members of the Board's committees will each be paid a meeting fee of EUR 500 for each committee meeting. Per diem allowances for travelling in Finland and abroad will be paid in accordance with the Tax Administration's tax-exempt allowances for travel expenses.

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

The CEO's remuneration system

The Board of Directors appoints the Chief Executive Officer and decides on the terms and conditions of his service contract. The CEO's salary and other benefits in the 2014 financial year amounted to EUR 346,238.31. The salary for the financial year consisted entirely of a fixed monthly salary. There are no share-based option schemes for the CEO and other management. The management's shareholding is presented in the notes to the financial statements.

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

The financial benefits of the Board of Directors, the CEO, the Deputy CEO and other management for the 2014 financial year are presented in Note 30 to these financial statements.

Risks and short-term uncertainties in business operations

The Pihlajalinna Group's risk management is guided by the risk management policy approved by the Board of Directors on 18 November 2014, which defines the objectives, principles, roles and responsibilities of the Group's risk management. Risk management aims to ensure that risks affecting the Group's business operations are appropriately identified, assessed and monitored. The Company's Board of Directors is responsible for risk management and supervises its implementation.

The Pihlajalinna Group continued to expand its service provision during the past financial year. The Group's operations have become extensive in recent years, and its business operations consist of diverse activities. Thanks to the business combinations 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.

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 impact business opportunities in the future, particularly with respect to the availability of skilled expert personnel.

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 Company and its operating companies have insured their personnel, property and operations with appropriate personal, medical malpractice, property, business interruption and liability insurance policies. Responsibility for the management of the insurance policies and monitoring of their cost-effectiveness is concentrated with the Chief Financial Officer. The insurance policies' coverage, deductibles and insured values are revised with the insurance companies at least once every year.

Information on the Group's financial risks and their management is provided in Note 26 to these financial statements.

Goodwill has been tested in connection with preparation of the financial statements. According to the impairment testing calculations carried out, no impairment has taken place in goodwill.

Business combinations and changes in the Group structure

The Group expanded in the 2014 financial year with several business combinations. In transactions dated in early January, 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. Similarly, MediLappi Oy, located at Levi in Kittilä, has been consolidated as of 1 January, although the arbitration proceedings concerning the business combination were still pending at the end of the financial year and the transaction price is presented in the financial statements as a liability, in accordance with the estimate of the Company's management.

In January, the Group acquired from Plusterveys the oral healthcare business of its Harjun Hammas and Ilmarisen Hammas business units in Jyväskylä. UPM-Kymmene Corporation outsourced its occupational healthcare services to Dextra Oy in a business acquisition signed on 29 April. In May, the Group acquired the Jyväskylä-based Mathilda-koti ry's business and Plusterveys Oy's dental care business in Hämeenkyrö. In a transaction concluded in July, Laser Tilkka Oy became a subsidiary of the Pihlajalinna Group. In August, the Group acquired Imatran Kliininen Laboratorio Oy in Imatra, and in September it acquired Palvelukoti Sarahovi Oy and Palvelukoti Sofianhovi Oy in Mänttä-Vilppula.

The deed of sale for the acquisition of Medicenter Oy in Pietarsaari was signed in August 2014, but control had not yet been transferred to the Group at the end of the financial year. The business will be consolidated as of the beginning of February 2015.

In October 2014, the Group acquired the business of Lääkäriasema Laboratorio Kompus Tmi in Mänttä-Vilppula.

The total cost of these transactions was EUR 15.8 million, of which cash payments totalled EUR 10.2 million and contingent considerations totalled EUR 4.8 million. The contingent considerations are based on the budgets for 2015 approved by the Board of Directors and on the management's estimates at the end of the financial year on the performance of operations in 2016–2017. The acquisitions in the 2014 financial year generated a total of EUR 9.0 million in goodwill.

In a deed of sale dated in January, the Group sold 2% of Dextra Lapsettomuuskliniikka Oy's shares to the operative management. Dextra Lapsettomuuskliniikka has been consolidated as an associate in the 2014 financial year.

The merger of Pihlajalinna Kangasala Oy and Pihlajalinna Hämeenkyrö Oy with Dextra Oy was carried out during the financial year.

In the 2013 financial year, the Group carried out the following M&A transactions: In March 2013, the Group gained control of Rolf Nordströmin plastiikkakirurginen sairaala, which was acquired in the name of Annankadun Klinikka Oy in December 2012. The name of Annankadun Klinikka Oy was changed to Dextra Plastiikkakirurginen Sairaala Oy.

In April 2013, Pihlajalinna acquired the entire share capital of Tammerkosken Hammaskliniikka Oy and Hammaslaboratorio Zirlab Oy in Tampere. In June, the Group acquired Lääkärikeskus Labeho Oy in Lappeenranta, and in July, it acquired Lääkärikeskus Irmeli Elomaa Oy in Kankaanpää and Visita Oy in Jyväskylä.

The total cost of the M&A transactions in 2013 was EUR 2.1 million. EUR 0.9 million of this sum was paid in cash, while contingent considerations were EUR 1.2 million. The acquisitions generated a total of EUR 1.9 million in goodwill.

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 three-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 optimal and cost-efficient model for public health care and social care 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 care services development project was carried out in Mänttä-Vilppula during the previous financial year.

Outlook for 2015

The Pihlajalinna Group has a wide range of business operations and its financial success is not materially dependent on economic cycles. In 2015, business volumes are estimated to grow especially due to healthcare and social care outsourcing projects.

The Pihlajalinna Group has strongly built up its business operations in recent years through development projects and direct financial investments, by expanding its private clinic network, increasing its service provision, launching new operations and investing heavily in the development of various operating concepts. The Group continues to invest in quality systems, customer service and harmonisation of operations, as well as focusing on good management and building a good working community. A particular emphasis is put on streamlining the customer service processes and ensuring compliance with data security standards. 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. In addition, the aim is to take better advantage within the Group of the synergies between the different functions' service provision.

Key events after the end of the financial year

The City of Parkano outsourced its healthcare and social care services as of the beginning of 2015. Following a public tendering process, Pihlajalinna was selected as the service provider. The City Council's decision on the selection was unanimous. Under the contract's terms, the services will be provided in Parkano for ten years, and the volume and quality of the services will remain at least at their present level. The contract includes a five-year extension option. On 9 February, both Kihniö and Mänttä-Vilppula decided to join Parkano's joint cooperation area.

Pihlajalinna was also selected by Kuusiokunnat as its healthcare and social care services partner when the City Council of Alavus, at its meeting held on 16 February, approved the city government's proposal for the outsourcing of Alavus's healthcare and social care services and Pihlajalinna's selection as a partner for a jointly owned company. Previously, Pihlajalinna's selection as a partner had been approved by Kuortane, Ähtäri and Soini. The Board of the Kuusiokunnat joint municipal healthcare authority (which is formed by Alavus, Ähtäri and Kuortane) confirmed the decision on 17 February 2015. Through a jointly owned company established with the municipalities, Pihlajalinna will provide healthcare and social care services for ten years, with the condition that their volume and quality remain at least at their present level. The contract also includes an option for a five-year extension. Service provision will be started in Alavus, Kuortane and Ähtäri on 1 January 2016, and in Soini on 1 January 2017 when the latter's agreement with the Järvi-Pohjanmaa joint cooperation area will expire.

Similarly on 16 February 2015, the City Council of Jämsä approved the selection of Pihlajalinna as the partner for the jointly owned company providing the city's healthcare and social care services. At its meeting, the City Council approved an amendment to the city code that assigned decision-making power in the matter concerning the healthcare and social care services to the city government. Through a jointly owned company established with the City of Jämsä, Pihlajalinna will provide the city's healthcare and social care services for ten years, with the condition that their volume and quality remain at least at their present level. The contract also includes an option for a five-year extension. Service provision will start on 1 September 2015, when Jämsä's healthcare and social care services will be transferred to the jointly owned company to be established.

In autumn 2014, the City of Tampere held a public tendering process for the provision of enhanced sheltered housing at three care homes in Pappilanpuisto, which is located in the district of Takahuhti. The units have places for 45 customers. The tendering process saw the participation of 13 service providers and was won by Pihlajalinna Terveys Oy. Pihlajalinna will provide the services at Pappilanpuisto for a period of three years from 1 March 2015 to 28 February 2018. The contract also includes an option for an extension period. The transfer of the unit's personnel to Pihlajalinna Terveys Oy will be agreed upon with the current service

provider. Operations will continue in the current premises, as determined by the city. Enhanced sheltered housing consists of 24h care for customers, including meals.

The Pihlajalinna Group signed an agreement for the acquisition of the entire share capital of Suomen Keinojuuriklinikka from dentist Anneli Asikainen and oral surgery specialist Pekka Asikainen in February 2015. As a result of this acquisition, Suomen Keinojuuriklinikka became a part of the nationwide Dextra chain from the beginning of March. Suomen Keinojuuriklinikka is the market leader in dental implants, and its revenue in 2014 totalled around five million euros.

In January 2015, Dextra opened a new dental clinic on the 7th floor of the Stockmann department store in Helsinki, while Suomen Keinojuuriklinikka is located beside the Stockmann department store in Tapiola in Espoo.

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

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

Proposal by the Board of Directors on the use of profit of the Company

At the end of the 2014 financial year, the parent company's distributable equity was EUR 67,061,496.05. The Board of Directors proposes to the Annual General Meeting of the shareholders that no dividend be distributed for 2014.

Tampere, 20 February 2015
PIHLAJALINNA OY
Board of Directors

	IFRS	IFRS	IFRS
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Revenue, EUR million	148.9	104.4	47.3
Change, %	42.5	121.0	
EBITDA	11.8	11.8	4.8
% of revenue	7.9	11.3	10.2
Operating profit, EUR million	6.0	7.3	3.4
% of revenue	4.0	7.0	7.3
Net financial expenses, EUR million	-3.1	-1.9	-1.1
% of revenue	-2.1	-1.9	-2.3
Profit before tax, EUR million	2.9	5.3	2.3
% of revenue	1.9	5.1	4.9
Income taxes, EUR million	-1.0	-0.8	-1.0
Profit for the financial year	1.9	4.5	1.3
Interest-bearing net debt, EUR million	71.1	29.5	40.0
% of revenue	47.8	28.3	84.6
Return on equity (ROE), %	7.7	13.3	6.6
Return on capital employed (ROCE), %	7.1	9.4	6.8
Equity ratio, %	8.0	36.5	31.6
Capital expenditure, EUR million	28.3	8.8	55.4
% of revenue	19.0	8.4	117.3
Personnel at the end of the period	1,714	1,270	711
Average number of personnel	1,619	1,197	617
Earnings per share, EUR *	0.11	0.35	0.12
Equity/share, EUR *	0.70	2.89	2.34

* The per share indicators for comparative years are adjusted like-for-like figures that reflect the terms and conditions of the directed share issue carried out in July 2014.

Return on equity (ROE), %	$\frac{\text{Profit for the financial year} \times 100}{\text{Equity (average)}}$
Return on capital employed (ROCE), %	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses} \times 100}{\text{Statement of financial position, total} - \text{non-interest-bearing liabilities (average)}}$
Equity ratio, %	$\frac{\text{Equity} \times 100\%}{\text{Statement of financial position, total} - \text{prepayments received}}$
Gearing, %	$\frac{\text{Interest-bearing net debt} \times 100}{\text{Equity}}$
Earnings per share (EPS), EUR	$\frac{\text{Profit for the financial year attributable to owners of the parent}}{\text{Average number of shares during the financial year (excluding treasury shares held by the company)}}$
Equity per share, EUR	$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of shares at period-end (excluding treasury shares held by the company)}}$

SHARES AND SHAREHOLDERS

Largest shareholders, 31 Dec. 2014	Number of shares	Percentage of shares and votes
1 SENTICA BUYOUT III KY	6,483,152	48.4
2 MWW YHTIÖ OY	1,819,480	13.6
3 LÄHITAPIOLA GENERAL MUTUAL INSURANCE COMPANY	910,770	6.8
4 NIEMISTÖ LEENA KATRIINA	800,000	6.0
5 LÄHITAPIOLA MUTUAL LIFE INSURANCE COMPANY	455,380	3.4
6 SINISTER DUO OY	300,000	2.2
7 SENTICA BUYOUT III CO-INVESTMENT KY	252,838	1.9
8 SINISTER OY	250,000	1.9
9 MWW GROUP OY	77,580	0.6
10 AALTONEN JONI RAIMO MIKAEL	66,920	0.5
10 largest, total	11,416,120	85.2 %
Other shareholders	1,982,740	14.8 %
Total	13,398,860	100.0 %

Breakdown of shareholding, 31 Dec. 2014

Shares per shareholder	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1–1000	3	1.7 %	3,000	0.02%
1001–5000	42	24.3 %	137,910	1.03%
5001–10000	53	30.6 %	397,000	2.96%
10001–100000	67	38.7 %	1,589,330	11.86%
100001–1000000	6	3.5 %	2,968,988	22.16%
1000001–	2	1.2 %	8,302,632	61.97%
	173	100.0 %	13,398,860	100.00%
Nominee-registered shares	0		0	0.00%
Joint account	0		0	0.00%
Total			13,398,860	100.00%

Owner groups, 31 Dec. 2014

	Number of owners	Percentage of shareholders	Number of shares	Percentage of shares
Private companies	10	5.8 %	9,293,050	69.4 %
Financial and insurance institutions	2	1.2 %	1,366,150	10.2 %
Households	161	93.1 %	2,739,660	20.4 %
	173	100.0 %	13,398,860	100.0 %

Consolidated statement of financial position

EUR 1,000	Note	31 Dec. 2014	31 Dec. 2013
ASSETS			
Non-current assets			
Property, plant and equipment	12	35,333	24,738
Goodwill	13	56,249	47,182
Other intangible assets	13	9,722	8,629
Interests in associates	16	41	41
Available-for-sale financial assets	16	77	70
Other receivables	17	1,642	53
Deferred tax assets	19	1,094	938
		104,157	81,651
Current assets			
Inventories	20	1,281	809
Trade receivables and other receivables	21	14,137	11,908
Current tax assets		138	725
Cash and cash equivalents	22	10,962	11,321
		26,518	24,762
Total assets		130,675	106,413
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	23		
Share capital		3	3
Reserve for invested unrestricted equity		5,081	30,969
Retained earnings		4,270	6,153
		9,353	37,124
Non-controlling interests		1,002	1,146
Total equity		10,356	38,271
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	4,092	3,595
Financial liabilities	24	73,601	36,712
Other liabilities		840	895
		78,532	41,201
Current liabilities			
Trade and other payables	25	26,525	19,909
Current tax liabilities		885	1,655
Financial liabilities	24	14,377	5,377
		41,787	26,941
Total liabilities		120,319	68,142
Total equity and liabilities		130,675	106,413

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5).
In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

Consolidated statement of comprehensive income

EUR 1,000

Note 1 Jan.–31 Dec. 2014 1 Jan.–31 Dec. 2013

Revenue	1.2	148,853	104,425
Other operating income	3	909	383
Materials and services	4	-58,661	-32,138
Employee benefit expenses	5	-62,212	-48,756
Depreciation, amortisation and impairment	6	-5,849	-4,471
Other operating expenses	7	-17,076	-12,150
Operating profit		5,964	7,292
Financial income	8	111	34
Financial expenses	9	-3,203	-1,979
Financial income and expenses		-3,092	-1,946
Profit before tax		2,872	5,346
Income taxes	10	-1,007	-844
* Profit for the financial year		1,865	4,502
Total comprehensive income for the financial year		1,865	4,502
Total comprehensive income for the financial year attributable			
To the owners of the parent		1,471	4,429
To non-controlling interests		393	74
Earnings per share calculated on the basis of profit for the financial year attributable to owners of the parent, EUR			
Basic	11	0.11	0.35
Diluted		0.11	0.35

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

Consolidated statement of cash flows

EUR 1,000

Note 31 Dec. 2014 31 Dec. 2013

Cash flow from operating activities:

Cash receipts from sales	145,565	104,252
Cash receipts from other operating income	689	365
Operating expenses paid	-135,583	-87,137
Operating cash flow before financial items and taxes	10,671	17,480
Interest received	86	34
Taxes paid	-1,354	-1,088
Net cash flow from operating activities	9,402	16,426

Cash flow from investing activities:

Acquisitions of property, plant and equipment and intangible assets	-10,449	-7,256
Proceeds from disposal of property, plant and equipment and intangible assets		14,017
Acquisitions of other investments	-3	-24
Changes in loan receivables	-1,345	390
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	14 -5,062	-645
Prepayments on acquisition of subsidiaries		-2,703
Disposal of subsidiaries less cash and cash equivalents	-613	
Net cash flow from investing activities	-17,472	3,779

Cash flow from financing activities:

Proceeds from issuing shares	3,663	4,116
Acquisition of own shares		-131
Repayment of capital	-29,621	
Changes in non-controlling interests		152
Proceeds from borrowings	69,672	2,047
Repayment of borrowings	-29,204	-20,768
Repayment of finance lease liabilities	-601	-373
Interest and payments paid	-2,351	-1,776
Dividends paid and other profit distribution	-3,847	
Net cash flow from financing activities	7,711	-16,734

Changes in cash and cash equivalents

	-359	3,472
Cash at the beginning of the financial year	11,321	7,849
Cash at the end of the financial year	10,962	11,321

Consolidated statement of changes in equity

Equity attributable to owners of the parent

	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2014	3	30,969	6,153	1,146	38,271
Profit for the financial year			1,471	393	1,865
Total comprehensive income for the financial year			1,471	393	1,865
Share issue		3,733			3,733
Distribution of dividends			-3,355		-3,355
Repayment of capital		-29,621		-490	-30,111
Transactions with owners, total		-25,888	-3,355		-29,243
Changes in non-controlling interests				-47	-47
Total equity, 31 Dec. 2014	3	5,081	4,270	1,002	10,356

	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
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		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

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5).
In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

Accounting policies for the consolidated financial statements

About the Group

The Pihlajalinna Group provides healthcare and social care services for municipalities, hospital districts, companies, insurance companies and private persons. The services are provided at private clinics, health centres, dental clinics and hospitals across Finland, the geographical focus areas being the Pirkanmaa region and the Greater Helsinki region. The parent company Pihlajalinna Oy is domiciled in Tampere, and its registered address is Kehräsaari B, FI-33200 Tampere, Finland.

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

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

Copies of the consolidated financial statements can be obtained from the head office of the Group's parent company.

The Board of Directors of Pihlajalinna Oy approved these financial statements in its meeting on 20 February 2015. In accordance with the Finnish Limited Liability Companies Act, the 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 to 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 2014. International Financial Reporting Standards, as intended in the Finnish Accounting Act and the regulations issued pursuant to the Act, refer to the standards that have been approved for application within the EU in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council as well as the interpretations thereof. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation that complements the IFRS regulations.

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

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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

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

New standards and interpretations applied

As from 1 January 2014, the Group has applied the following new, revised or amended standards and interpretations:

IFRS 10 *Consolidated Financial Statements* (to be applied within the EU for financial years beginning on or after 1 January 2014). According to the existing principles, the standard 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. The standard has not had a material effect on the consolidated financial statements.

IFRS 11 *Joint Arrangements* (to be applied within the EU for financial years beginning on or after 1 January 2014). The standard 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. Furthermore, the standard requires that joint venturers account for their investment using a single method, the equity method, and the former alternative of proportionate consolidation is no longer allowed. The Group has one real estate company that is consolidated as a joint operation.

IFRS 12 *Disclosure of Interests in Other Entities* (to be applied within the EU for financial years beginning on or after 1 January 2014). The standard compiles the disclosure requirements for interests in other entities, including associates, joint arrangements, structured entities and other unconsolidated companies. The new standard extended the notes that the Group presents regarding its interests in other entities.

IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (to be applied within the EU for financial years beginning on or after 1 January 2014). The standard includes the requirements for the treatment of both associates and joint ventures using the equity method, as a result of the issuance of IFRS 11.

IAS 32 *Financial Instruments: Presentation*, the amendment *Offsetting Financial Assets and Financial Liabilities* (to be applied for financial years beginning on or after 1 January 2014). The amendment provide clarifications on the rules concerning the presentation requirements for offsetting financial assets and financial liabilities and provides additional application guidance. Amendment of the standard has not had a material effect on the consolidated financial statements.

IAS 36 *Impairment of Assets*, the amendment *Recoverable Amount Disclosures for Non-Financial Assets* (to be applied for financial years beginning on or after 1 January 2014). The amendment clarifies the disclosure requirements concerning such cash-generating units (CGUs) to which impairment has been allocated. Amendment of the standard has not had a material effect on the consolidated financial statements.

IFRIC 21 *Levies* (to be applied within the EU no later than from the beginning of the financial year that begins on or after 17 June 2014). The interpretation addresses the accounting treatment of a liability to pay levies, when these are triggered. The interpretation did not have an effect on the consolidated financial statements.

Consolidation principles **Subsidiaries**

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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

Intragroup shareholdings are eliminated using the acquisition method. The consideration transferred and the acquired entity's identifiable assets and assumed liabilities are measured at fair value at the date of acquisition. Acquisition-related costs, apart from costs incurred from the issue of debt securities or equity securities, are expensed. The consideration transferred does not include transactions that are treated separately from the acquisition. Their effect is recognised in profit or loss in the context of the acquisition. Any contingent consideration is measured at fair value at the date of acquisition and classified as a liability. A contingent consideration classified as a liability is measured at fair value at the end of each reporting period, and any resulting gain or loss is recognised in profit or loss. If there are non-controlling interests in the acquiree, these interests will be measured at an amount that corresponds to their pro rata share of the acquiree's total identifiable net assets. The treatment of goodwill generated through the acquisition of a subsidiary is explained under "Goodwill".

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

Acquired subsidiaries are consolidated from the date when the Group obtained control, and disposed subsidiaries are consolidated until the date when the Group lost control. All intragroup transactions, receivables, liabilities, unrealised profits and internal profit distribution are eliminated in the preparation of the consolidated financial statements. Unrealised losses will not be eliminated in case of impairment losses. Profit or loss for the financial year attributable to the owners of the parent company and to the non-controlling interests is presented in the consolidated statement of comprehensive income. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interests, even if this would lead to a situation where the portion attributable to the non-controlling interests is negative. The portion of equity attributable to the non-controlling interests is presented as a separate item under equity in the consolidated statement of financial position. Such changes in the parent company's ownership interest in a subsidiary that do not lead to loss of control are treated as equity transactions. In connection with step-by-step acquisitions, the former ownership interest is measured at fair value, and the resulting gain or loss is recognised in profit or loss. When the Group loses control of a subsidiary, any remaining interest is measured at fair value at the date of loss of control, and the resulting difference is recognised in profit or loss.

Associates and joint arrangements

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

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

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

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

between the Group and an associate or a joint venture are eliminated in proportion to the Group's ownership interest. The Group's pro rata share of an associate's or a joint venture's profit for the financial year is included in operating profit. Correspondingly, the Group's share of the changes recognised under other comprehensive income of an associate or a joint venture is recognised under other comprehensive income of the Group. The Group has two investments that are consolidated as associates.

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.

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

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

Buildings and structures	10 - 25 years
Machinery and equipment	3 - 10 years
Other assets	3 - 5 years

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

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

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

Government grants

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 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 sales price in the ordinary course of business, 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 at the inception of the lease or at the present value of minimum lease

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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 equal 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 equal in each period.

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

Sale and leaseback

If a finance lease is created as a result of a sale and leaseback agreement, the difference between the carrying amount and the sales price will be recognised in the consolidated statement of financial position and recognised as income over the lease term. In 2013, the Group entered into a 15-year sale and leaseback agreement concerning a hospital property of Dextra Oy, and this agreement met the criteria laid down for a finance lease.

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 such indications exist, the asset's recoverable amount is estimated. The recoverable amount is also estimated annually for the following assets regardless of whether or not there are indications of impairment: Goodwill and intangible assets not yet available for use. The Group has no intangible assets with indefinite useful lives. In addition to the annual testing, goodwill is always tested for impairment when there are indications that a given unit may be impaired. The need to recognise an impairment loss is assessed at the level of cash-generating units (CGUs), in other words at the lowest level of units that is mainly independent of other units and whose cash flows are separable and largely independent of the cash flows of other corresponding units. A CGU is the lowest such level in the Group

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

whose goodwill is monitored for internal management purposes. Such corporate assets that serve a number of CGUs and do not generate a separate cash flow have been attributed to CGUs and are tested as part of the relevant CGU.

The recoverable amount is the fair value of an asset less costs of disposal or the asset's value-in-use, whichever is greater. The value-in-use is understood as the future net cash flows expected to be derived from the asset or the CGU in question, discounted to their present value. The discount rate applied is the pre-tax rate, which reflects current market assessments of the time value of money and particular risks associated with the asset.

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

Employee benefits

Pension obligations

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

Provisions and contingent liabilities

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

On the date of the financial statements, the Group had neither provisions nor contingent liabilities.

Current taxes and deferred taxes

The tax expense consists of current tax and deferred tax. Taxes are recognised in profit or loss, except when they are directly attributable to items recognised under equity or other comprehensive income. In such cases, also the tax is recognised under the item in question. Current tax is calculated on taxable profit, based on the enacted tax rate. Tax is adjusted with any taxes associated with prior financial years.

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 and amortisation of property, plant and equipment and intangible assets, unpaid dividends based on work contributions and fair value-based adjustments made in connection with business combinations.

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

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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

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

Revenue recognition principles

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

Services and goods sold

Revenue from services is recognised when the service has been rendered. The consolidated revenue mainly consists of provision of services. The services provided by the Group consist of occupational health care services, services provided at private clinics and hospitals, diagnostics services, oral healthcare services and services for the elderly.

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.

Rental income

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

Interest and dividends

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

Financial assets and liabilities

Financial assets

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

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

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

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

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

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

Financial liabilities and borrowing costs

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

The 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, net of tax.

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

Derivative financial instruments

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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 18 "Financial assets and liabilities".

Dividend based on work contributions

Pihlajalinna Terveys Oy, a Group subsidiary, has issued a second series of shares (Series B) and established contingency funds associated with them. Funds accumulate in the contingency funds based on the work contributions of the holders of Series B shares. This work contribution is included in profit or loss under the item External services. The liability indicated by the contingency fund is included in current liabilities under the item Other liabilities, presented in Note 25 "Trade and other payables" and Note 18 "Financial assets and liabilities". Work contribution-based dividends paid by the company are an income tax deductible item.

Equity

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

EBITDA

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

Operating profit

IAS 1 *Presentation of Financial Statements* does not provide a definition for the concept of operating profit. The Group has defined it as follows: Operating profit is the net sum consisting of revenue plus other operating income less materials and services, employee benefit expenses, depreciation, amortisation and impairment losses, if any, and other operating expenses. All other items than those stated above are presented below operating profit.

Non-recurring items

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

Accounting policies requiring management judgement and major sources of estimation uncertainty

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

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

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

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

The fair value of the contingent consideration on the acquisition date is recognised as part of the consideration transferred for the acquiree. When a contingent consideration is classified as a financial liability, it is measured at fair value on each date of the financial statements. Any changes in fair value will be recognised in profit or loss. The key variables are the estimate of future EBITDA and the discount rate. In the financial statements as at 31 December 2014, the contingent considerations totalled EUR 5,450,000 (EUR 1,250,000).

Impairment testing

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

New, revised and amended standards to be applied later

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

* = The regulation in question has not been approved for application within the EU as at 31 December 2014.

An amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative** (to be applied for financial years beginning on or after 1 January 2016). The amendments are intended to encourage entities to exercise judgment in determining the information to be presented in the financial statements. For example, the amendments provide clarification on how to apply the concept of materiality and how to exercise judgment in determining the order in which each statement and each line item is presented and where they are presented in the notes. Amendment of the standard will not have a material effect on the consolidated financial statements.

*Annual Improvements to IFRSs 2010–2012 Cycle** and *2011–2013 Cycle* (to be applied for the most part for financial years beginning on or after 1 July 2014.) and *2012–2014 Cycle** (to be applied for financial years beginning on or after 1 January 2016) Such amendments to IFRSs that are considered minor and non-urgent are compiled together and implemented once a year through the annual improvements process. The effects of these amendments vary by standard but are nevertheless non-material.

In the comparative year of 2013, the Group's parent company was Pihlajalinna Terveys Oy (Business ID 2303024-5). In the 2014 financial statements, the Group's parent company is Pihlajalinna Oy (Business ID 2617455-1).

IFRS 11 *Joint Arrangements*, the amendment *Accounting for Acquisitions of Interests in Joint Operations** (to be applied for financial years beginning on or after 1 January 2016). Amendment of the standard requires the application of the principles of business combinations accounting to acquisitions of interests in a joint operation in which the activity constitutes a business. Amendment of the standard will not have an effect on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, the amendments *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**. Amendments of the standard further specify the instructions concerning a sale or a contribution of assets between an investor and its associate or joint venture. Amendments will not have an effect on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* (to be applied for financial years beginning on or after 1 January 2017)*. The new standard features a five-step model for recognising revenue based on contracts with customers and replaces the current IAS 18 and IAS 11 and related interpretations. Revenue can be recognised over time or at a point in time, and the key criterion is transfer of control. The Group is currently preparing estimates on the effects that the standard may have.

IFRS 9 *Financial Instruments* and its amendments* (to be applied for financial years beginning on or after 1 January 2018). The new standard will replace the current standard IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 will change the classification and measurement of financial assets and feature a new expected credit loss model for calculating impairment on financial assets. Classification and measurement of financial liabilities largely correspond with the current requirements of IAS 39. For hedge accounting, there are still three types of hedging relationships. More risk positions than before can be included in hedge accounting, and the principles of hedge accounting have been brought in line with risk management. The Group is currently preparing estimates on the effects that the standard may have.

1. Operating segments

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

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

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

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

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

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

Operating segments

31 December 2014	L&E	P&S	Total
Total external revenue	92,344	56,509	148,853
Inter-segment revenue	563	1,353	1,915
Depreciation and amortisation	-4,938	-845	-5,783
Operating segment's EBITDA	11,196	2,780	13,976
Operating segment's EBITDA, %	12.1	4.8	9.3
Operating segment's operating profit	6,258	1,934	8,193
Operating segment's operating profit, %	6.7	3.3	5.4
Assets			
Operating segment's assets	88,284	32,738	121,021
Capital expenditure	19,450	8,618	28,068
Liabilities			
Operating segment's liabilities	14,717	10,875	25,592
31 December 2013	L&E	P&S	Total
Total external revenue	56,278	48,147	104,425
Inter-segment revenue			
Depreciation and amortisation	-3,620	-802	-4,422
Operating segment's EBITDA	8,641	3,371	12,012
Operating segment's EBITDA, %	15.4	7.0	11.5
Operating segment's operating profit	5,021	2,569	7,590
Operating segment's operating profit, %	8.9	5.3	7.3
Assets			
Operating segment's assets	68,689	23,611	92,300
Capital expenditure	5,899	2,824	8,723
Liabilities			
Operating segment's liabilities	7,757	10,144	17,901

EUR 1,000

29

Reconciliations	2014	2013
Revenues		
Operating segments' revenue	150,768	104,425
Elimination of inter-segment revenue	-1,915	0
Total consolidated revenue	148,853	104,425
Operating profit		
Operating segments' operating profit	8,193	7,590
Items unallocated to the segments	-2,229	-298
Consolidated operating profit	5,964	7,292
Assets		
Operating segments' assets	121,021	92,300
Inter-segment elimination	-3,173	0
Items unallocated to the segments	12,826	14,113
Total consolidated assets	130,675	106,413

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

Liabilities		
Operating segments' liabilities	25,592	17,901
Inter-segment elimination	-3,188	0
Items unallocated to the segments	97,915	50,241
Total consolidated liabilities	120,319	68,142

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

31 Dec. 2014	Operating segments, total	Unallocated	Group, total
Financial income and expenses	0	-3,092	-3,092
Capital expenditure	28,068	232	28,300
Depreciation and amortisation	-5,783	-66	-5,849
31 Dec. 2013	Operating segments, total	Unallocated	Group, total
Financial income and expenses	0	-1,946	-1,946
Capital expenditure	8,723	0	8,723
Depreciation and amortisation	-4,422	-49	-4,471

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

Information on key customers

The Group's revenues from two customers of the Primary and Social Care segment totalled approximately EUR 44.2 million in 2014 (EUR 41.4 million in 2013), representing 30% (40%) of the consolidated revenue.

2. Revenue	2014	2013
Sale of services	148,785	104,425
Sales of goods	67	0
Total	148,853	104,425

All of the Group's income came from Finland.

3. Other operating income

Capital gains on property, plant and equipment	95	61
Rental income	292	120
Government grants	290	118
Other income items	231	84
Total	909	383

4. Materials and services

Materials	-6,899	-4,797
Change in inventories	95	77
External services	-51,857	-27,418
Total	-58,661	-32,138

5. Employee benefit expenses

Wages and salaries	-49,999	-39,608
Pension costs – defined contribution plans	-9,521	-7,077
Other social security expenses	-2,692	-2,071
Total	-62,212	-48,756

Average number of personnel in the financial year	1,619	1,197
--	--------------	--------------

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

6. Depreciation, amortisation and impairment

Amortisation by asset type

Intangible assets		
Trademarks	-527	-527
Capitalised development costs	-115	0
Other intangible assets	-1,678	-1,466
	-2,320	-1,993

	2014	2013
Property, plant and equipment		
Buildings	-1,554	-1,308
Machinery and equipment	-1,975	-1,170
Other tangible assets	0	0
	-3,529	-2,478
Total depreciation, amortisation and impairment	-5,849	-4,471
7. Other operating expenses		
Facility expenses	-5,987	-4,145
Equipment and information management expenses	-4,193	-2,987
Sales and marketing expenses	-2,226	-1,361
Other expenses	-2,446	-3,271
Non-recurring expenses	-2,223	-386
Total	-17,076	-12,150
Non-recurring expenses affecting operating profit		
Extensive restructuring arrangement in 2014	-1,765	
Significant brand launch in 2013		-212
Items arising from the integration of business operations	-96	
Rearrangement of operations and other non-recurring items	-362	-174
Total	-2,223	-386
Auditor's fees		
Audit, other auditing firms	-33	-33
Audit, KPMG Oy Ab	-124	-84
Other services, KPMG Oy Ab	-94	-44
Total	-251	-161
8. Financial income		
Dividend income from available-for-sale financial assets	7	0
Interest income from loans and receivables	30	34
Other financial income	74	0
Total	111	34
9. Financial expenses		
Interest expenses from financial liabilities carried at amortised cost	-1,930	-1,481
Other financial expenses	-261	-498
Non-recurring financial expenses	-1,011	
Total	-3,203	-1,979
Non-recurring financial expenses		
Refinancing expenses	-841	
Other non-recurring financial expenses	-170	
Total	-1,011	-

EUR 1,000

32

10. Income taxes	2014	2013
Current taxes	-1,159	-2,020
Taxes for the previous financial years	-58	22
Deferred taxes		
Origination and reversal of temporary differences	210	659
Change in Finnish tax rate	0	495
Total	-1,007	-844

Reconciliation of tax expenses in the income statement and taxes calculated on the basis of the Group's tax rate of 20% (24.5% in 2013):

	2014	2013
Profit before taxes	2,872	5,346
Taxes calculated on the basis of the Finnish tax rate	-574	-1,310
Income not subject to tax	1	0
Non-deductible expenses	-309	-34
Change in deferred tax – Change in Finnish tax rate		478
Unrecorded deferred tax assets from tax losses	-120	
Use of previously recorded tax losses	37	
Share of associates' profit	-15	
Other items	31	
Taxes for prior financial years	-58	22
Taxes in the income statement	-1,007	-844

11. Earnings per share

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

	2014	2013
Profit for the financial year attributable to owners of the parent	1,471,440.95	4,428,559.27
Number of shares outstanding, weighted average	13,299,614	12,759,469
Earnings per share, EUR/share	0.11	0.35

The number of shares outstanding in 2013 is an adjusted like-for-like figure reflecting the terms and conditions of the directed issue carried out in July 2014.

12. Property, plant and equipment

	Land areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at 1 January 2014	82	21,241	8,037	89	143	29,592
Additions		4,652	3,854	9	1,058	9,573
Business combinations	71	4,232	3,465	25		7,793
Transfers between classes	9	226	-92		-143	0
Disposals		-1,261	-644			-1,905
Cost at 31 December 2014	163	29,090	14,621	122	1,058	45,053
Accumulated depreciation at 1 January 2014		-2,168	-2,686			-4,854
Depreciation		-1,554	-1,975	0		-3,529
Business combinations		-109	-1,325	-1		-1,435
Disposals			97			97
Accumulated depreciation at 31 December 2014		-3,831	-5,888	-1	0	-9,720
Carrying amount at 1 January 2014	82	19,073	5,350	89	143	24,738
Carrying amount at 31 December 2014	163	25,259	8,732	120	1,058	35,333
	Land areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at 1 January 2013	82	20,446	5,253	52		25,833
Additions		13,708	2,662	37	143	16,550
Business combinations		87	187			274
Disposals		-13,000	-66			-13,066
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

Security for the Group's bank loans consists of real estate properties. More detailed information on guarantees and commitments is presented in Note 29.

Finance leases

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

	Buildings	Machinery and equipment	Total
At 31 Dec. 2014			
Cost	11,423	482	11,905
Accumulated depreciation	-1,231	-93	-1,324
Carrying amount	10,192	389	10,581
	Buildings	Machinery and equipment	Total
At 31 Dec. 2013			
Cost	11,423	117	11,540
Accumulated depreciation	-470	-45	-515
Carrying amount	10,953	72	11,025

Additions to the costs of property, plant and equipment include assets leased with finance leases totalling EUR 408,000 (EUR 11,280,000 in 2013).

13. Intangible assets

	Goodwill	Trade- marks	Develop- ment costs	Other intangible assets	Pre- pay- ments	Total
Cost at 1 January 2014	47,182	5,268	1,227	4,453		58,130
Additions			64	881	469	1,414
Business combinations	9,066		41	1,980		11,088
Disposals				-9		-9
Cost at 31 December 2014	56,249	5,268	1,333	7,305	469	70,622
Accumulated amortisation at 1 January 2014		-549	0	-1,769		-2,318
Amortisation		-527	-115	-1,678		-2,320
Business combinations			-10	-4		-14
Disposals						
Accumulated amortisation at 31 December 2014						
		-1,076	-125	-3,451		-4,652
Carrying amount at 1 January 2014	47,182	4,719	1,227	2,683		55,812
Carrying amount at 31 December 2014	56,249	4,192	1,208	3,853	469	65,971
	Goodwill	Trade- marks	Develop- ment costs	Other intangible assets		Total
Cost at 1 January 2013	45,242	5,268	61	4,139		54,710
Additions			1,166	314		1,479
Business combinations	1,940					1,940
Disposals						
Cost at 31 December 2013	47,182	5,268	1,227	4,453		58,130
Accumulated amortisation at 1 January 2013		-22		-303		-325
Amortisation		-527		-1,466		-1,993
Disposals						
Accumulated amortisation 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

Other intangible assets include licences and computer software; in business combinations Group has also acquired customer agreements and related customer relationships, non-compete agreements and certificates.

Allocation of goodwill

For the purpose of impairment testing, goodwill has been allocated to the operating segments, Private Clinics and Specialised Care (L&E) and Primary and Social Care (P&S). In 2014, the Group determined the operating segments as the cash-generating units (CGUs), instead of the legal companies. This alteration is due to the management's method of monitoring operations internally.

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

	2014	2013
Private Clinics and Specialised Care (L&E)	45,061	37,538
Primary and Social Care (P&S)	11,189	9,644
	56,249	47,182

Impairment testing

Impairment testing of goodwill for the financial year has been carried out based on the situation prevailing at the end of the financial year.

The recoverable amounts from the CGUs are determined based on value-in-use calculations. Cash flow forecasts are based on the budget for 2015 approved by the Board of Directors, and the cash flow estimates for 2016–2017 are based on the estimates of the segments' management on the growth and profitability of the business. Cash flows arising beyond the four-year forecast period approved by the management are capitalised using an even 2% growth rate.

The key assumptions in the value-in-use calculations are:

Budgeted and forecast operating profit are based on actual average operating profit and the view of each segment's management on the development of volumes. The possibility of intensified competition in the sector has been accounted for when preparing estimates on the volumes and profitability of the business.

The discount rate is determined using the weighted average cost of capital (WACC), which describes the total cost of equity and liabilities, taking into account the asset-specific risks. The pre-tax discount rate used for the Private Clinics and Specialised Care segment was 8.17% (11.4%) and for the Primary and Social Care segment, 9.80% (11.4%).

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

Sensitivity analyses in impairment testing

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

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

	2014	2013
Private Clinics and Specialised Care (L&E)		
- decline in volume	4.8 %	11.1 %
- decrease in the operating profit percentage	0.9 percentage points	3 percentage points
- decrease in the growth rate	1.8 percentage points	4.6 percentage points
- rise in the discount rate	1.3 percentage points	2.5 percentage points
Primary and Social Care (P&S)		
- decline in volume	5.1 %	11.4 %
- decrease in the operating profit percentage	0.7 percentage points	2.5 percentage points
- decrease in the growth rate	4.2 percentage points	8.5 percentage points
- rise in the discount rate	2.7 percentage points	3.9 percentage points

14. Business combinations

Acquisitions in the 2014 financial year

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

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

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

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

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

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

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

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

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

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

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

EUR 1,000	Note	2014
Property, plant and equipment	12	6,357
Intangible assets	13	2,007
Inventories		431
Available-for-sale financial assets		385
Trade receivables and other receivables		1,153
Cash and cash equivalents		2,597
Total assets		12,931
Deferred tax liability		-475
Financial liabilities		-2,756
Other liabilities		-2,991
Total liabilities		-6,222
Net assets		6,708

EUR 1,000

37

EUR 1,000	Note	2014
Goodwill generated in the acquisition		
Consideration transferred		15,775
Net identifiable assets of acquiree		-6,708
Goodwill	13	9,066
Transaction price paid in cash		
Prepayments in 2013		-2,703
Cash and cash equivalents of acquirees		-2,597
Effect on cash flow*		4,864

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

The acquisition-related costs, a total of EUR 132,000, have been recorded under other operating expenses.

The revenue and results for the acquired business operations beginning from the date of acquisition (total revenue EUR 16,129,000 and total operating profit EUR 1,074,000) are included in the consolidated statement of comprehensive income. Had the business operations acquired in the financial year been consolidated as of the beginning of 2014, consolidated revenue would have amounted to EUR 156,292,000 and operating profit for the financial year would have been EUR 6,506,000.

Contingent consideration

The Group is committed to paying EUR 4,810,000 in contingent consideration for the acquisitions in the 2014 financial year. Payment of the consideration is contingent on various indicators measuring profit-making ability.

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

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

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

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

In a transaction separate from the acquisition, the Group has undertaken to pay EUR 60,000 (EUR 191,000 in 2013) as an additional transaction price, which has been recognised under employee benefit expenses.

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

Acquisitions in the 2014 financial year, effect on cash flow	4,864
Contingent consideration paid during the financial year	198
Total	5,062

EUR 1,000

38

14. Business combinations

Acquisitions in the 2013 financial year

The Group expanded in the 2013 financial year through several business combinations

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.

EUR 1,000	2013
Consideration transferred	
Cash	890
Contingent consideration	1,223
Total cost of the combination	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 date of acquisition, the values of assets acquired and liabilities assumed were as follows

EUR 1,000	Note	2013
Property, plant and equipment	12	274
Inventories		49
Trade receivables and other receivables		440
Cash and cash equivalents		245
Total assets		1,008
Financial liabilities		-96
Other liabilities		-739
Total liabilities		-835
Net assets		173
Goodwill generated in the acquisition		
Consideration transferred		2,113
Net identifiable assets of acquiree		-173
Goodwill	13	1,940
Transaction price paid in cash		890
Cash and cash equivalents of acquirees		-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 skilled workforce and synergy benefits. The goodwill generated is not tax deductible.

The revenue and results for the acquired business operations beginning from the date of acquisition (total revenue 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 operations, weakening the result for the financial year.

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

In a transaction separate from the acquisition, the Group undertook to pay EUR 191,000 as an additional transaction price, which has been recorded under employee benefit expenses.

EUR 1,000

39

15. Subsidiaries and material non-controlling interests

The Group's structure

The Group had 21 subsidiaries in 2014 (13). Of these subsidiaries, 17 (9) are wholly-owned and 4 (4) are partially owned.

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

In 2014, the Group had 2 (0) associates and 1 (1) joint operation.

Structured companies, of which there were 2 (1), are not included in the consolidated financial statements

Breakdown of material non-controlling interests in the Group

EUR 1,000	Subsidiary	Main business location	Non-controlling interests' share of the votes		Non-controlling interests' share of profit or loss		Non-controlling interests' share of equity	
			2014	2013	2014	2013	2014	2013
	Jokilaakson Terveys Oy	Jämsä	49%	49%	390	252	1,018	1,119
	Mäntänvuoren Terveys Oy	Mänttä-Vilppula	49%	49%	106	-2	113	8
	Dextra Plastiikkakirurginen Sairaala Oy	Helsinki	22%	22%	-36	-29	-65	-28
	Dextra Lapsettomuuslinikka Oy*	Helsinki		49%		-147		49
	Dextra Suunterveys Oy	Jyväskylä	49%		-66		-64	
					393	74	1002	1146

* In a deed of sale dated in January, the Group sold 2% of Dextra Lapsettomuuslinikka Oy's shares. In 2014

Dextra Lapsettomuuslinikka Oy has been consolidated as an associate, while in 2013 it was consolidated as a subsidiary.

Pihlajalinna's holding decreased to below 50%, as compared to 2013, as a result of the above-mentioned share transaction. Pihlajalinna no longer has the right to appoint two (2) of the four (4) members of Dextra Lapsettomuuslinikka Oy's Board of Directors, nor the Chairman. Pihlajalinna has no obligation to finance Dextra Lapsettomuuslinikka Oy and no longer exerts significant influence in the company.

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

EUR 1,000	Jokilaakson Terveys Oy		Mäntänvuoren Terveys Oy		Dextra Plastiikkakirurginen Sairaala Oy		Dextra Lapsettomuuslinikka Oy*	Dextra Suunterveys Oy
	2014	2013	2014	2013	2014	2013	2013	2014
Current assets	6,225	5,684	4,318	3,918	258	524	769	223
Non-current assets	1,518	1,360	1,525	1,245	658	1,314	1,772	1,654
Current liabilities	5,416	4,564	5,578	5,134	394	1,110	589	1,956
Non-current liabilities					815	856	1,778	
Revenue	22,257	19,397	39,498	23,104	1,283	881	6	1,794
Operating profit	1,027	758	283	7	-603	-131	-352	-116
Profit/loss	795	515	216	-5	-165	-131	-301	-134
Share of profit/loss attributable to owners of the parent	406	263	110	-2	-129	-102	-153	-68
Non-controlling interests' share of profit/loss	390	252	106	-2	-36	-29	-147	-66
Net cash flow from operating activities	1,606	1,502	-205	4,891	262	-131	-47	102
Net cash flow from investing activities	-510	-293	-420	-1,281	-191	-661	-1,697	-1,776
Net cash flow from financing activities, of which dividends paid to non-controlling interests	-1,000	0	0	20	-41	859	2,376	1,689

Interests in unconsolidated structured entities

Sinister Oy holds 250,000 Pihlajalinna Oy shares. Sinister Oy is owned by private persons belonging to Pihlajalinna's management and key management personnel. Pihlajalinna Oy has not financed Sinister Oy nor arranged any collateral for it.

Sinister Duo Oy holds 300,000 Pihlajalinna Oy shares. Sinister Duo Oy is owned by private persons belonging to Pihlajalinna's management and key management personnel. Pihlajalinna Oy has not financed Sinister Duo Oy nor arranged any collateral for it.

16. Interests in associates and joint ventures

	2014	2013
Interests in associates	41	1
Interests in joint operations	40	40
Total carrying amount	81	41

Interests in associates

Holding, %

Name	Main business location	Sector	2014	2013
Dextra Lapsettomuusklinikka Oy	Helsinki	Private clinics, private doctors and similar specialist medical services	49%	51%
Insta Care Oy	Tampere	Software design and production	35%	

Dextra Lapsettomuusklinikka Oy was consolidated as a subsidiary in the 2013 financial statements, but the Group sold 2% of its shares in an agreement dated on 3 January 2014.

	Insta Care Oy	Dextra Lapsettomuusklinikka Oy
	2014	2014
Current assets	98	600
Non-current assets		2,262
Current liabilities	78	239
Non-current liabilities		3,349
Revenue	191	1,375
Operating profit	-92	-951
Profit/loss	-90	-825
Associate's net assets	20	-726
Group's holding	35%	49%
Associate's carrying amount in the consolidated statement of financial position	40	0

In the 2014 financial year, the Group recorded its share of Dextra Lapsettomuusklinikka's accumulated losses of EUR 153,000 under other income due to the loss of control. The share of associates' profit is presented under other operating expenses up to the carrying amount of the Group's investment in their shares (EUR 196,000). The Group has given a guarantee on behalf of Dextra Lapsettomuusklinikka Oy.

Interests in joint operations

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

17. Other non-current receivables

	2014	2013
Loan receivables from associates	1,345	0
Lease deposits paid	297	53
Total	1,642	53

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

EUR 1,000

41

18. Financial assets and liabilities

At 31 Dec. 2014	Note	Loans and receivables	Financial assets and liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total carrying amounts	Total fair values
<i>Non-current financial assets</i>						
Loan receivables from associates	17	1345			1345	1345
<i>Current financial assets</i>						
Trade receivables	21	11,254			11,254	11,254
Other receivables	21	118			118	118
Cash and cash equivalents	22	10,962			10,962	10,962
Total		23,679		0	23,679	23,679
<i>Non-current financial liabilities</i>						
Loans from financial institutions	24			58,638	58,638	58,638
Finance lease liabilities	24			9,936	9,936	9,936
Other liabilities	24			5,027	5,027	5,027
<i>Current financial liabilities</i>						
Loans from financial institutions	24			8,284	8,284	8,284
Cheque account with credit limit	24			2,858	2,858	2,858
Finance lease liabilities	24			722	722	722
Derivatives – not included in hedge accounting	25		70		70	70
Other liabilities	24			2,513	2,513	2,513
Trade and other payables	25			6,796	6,796	6,796
Total			70	94,774	94,844	94,844

At 31 Dec. 2013	Note	Loans and receivables	Financial assets and liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total carrying amounts	Total fair values
<i>Non-current financial assets</i>						
Derivatives – not included in hedge accounting						
Trade receivables	21	7,151			7,151	7,151
Other receivables	21	197			197	197
Cash and cash equivalents	22	11,321			11,321	11,321
Total		18,669			18,669	18,669
<i>Non-current financial liabilities</i>						
Loans from financial institutions	24			24,445	24,445	24,445
Finance lease liabilities	24			10,296	10,296	10,296
Other liabilities	24			1,970	1,970	1,970
<i>Current financial liabilities</i>						
Loans from financial institutions	24			4,135	4,135	4,135
Finance lease liabilities	24			619	619	619
Derivatives – not included in hedge accounting	25		100		100	100
Other liabilities	24			623	623	623
Trade and other payables	25			5,052	5,052	5,052
Total			100	47,140	47,240	47,240

Fair value determination principles applied by the Group on financial instruments

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

Loan receivables from associates

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

Derivatives

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

Loans from financial institutions

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

Trade receivables and other receivables

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

Trade and other payables

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

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

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

All of the Group's financial assets and liabilities measured at fair value (i.e. all of the Group's derivatives) are included in the fair value hierarchy level 2 under IFRS 7. The fair value of these instruments at the end of the reporting period was EUR 70,000 (EUR 100,000). Non-current financial liabilities (loans from financial institutions and finance lease liabilities) are similarly included in the fair value hierarchy level 2. The contingent consideration of EUR 5,450,000 (EUR 1,250,000 in 2013) under Other liabilities is included in the fair value hierarchy level 3.

19. Deferred tax assets and liabilities

Changes in deferred taxes during 2014:

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

Changes in deferred taxes during 2013:

	1 Jan. 2013	Recorded in profit or loss	Subsidiaries acquired		31 Dec. 2013
Deferred tax assets					
Tax losses carried forward confirmed by tax authorities	43	60			102.801
Liability to holders of Series B shares	514	108			622
Other items	0	212			212
Deferred tax assets on the statement of financial position	558	380			938
Deferred tax liabilities					
Property, plant and equipment and intangible assets	472	246			718
Recognition of property, plant and equipment and intangible assets at fair value in business combinations	3,650	-875			2,774
Other items	247	-145			102
Deferred tax liabilities on the statement of financial position	4,369	-774			3,595

At 31 December 2014, the Group had confirmed losses of EUR 138,000, for which deferred tax assets of EUR 28,000 were recognised. In addition, deferred tax assets of EUR 118,000 have been recognised for losses for the 2014 financial year. The recognition of deferred tax assets on the statement of financial position is justified, as the Group is likely to accrue taxable income against which the losses in question can be used before they expire. The losses have mostly arisen from exceptional costs during the start-up of companies established, for which the company believes the situation will change once operations have been started. The losses in question will expire in 2023–2024. During the 2014 financial year, the Group's parent company incurred losses for which deferred tax assets have not been recorded. The losses will expire in 2019.

EUR 1,000

44

	2014	2013
20. Inventories		
Materials and supplies	1,281	809
Total	1,281	809

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

	2014	2013
21. Trade receivables and other receivables		
Trade receivables	11,254	7,151
Prepayments and accrued income	2,469	1,075
Prepayments and accrued income from related parties	118	117
Receivables from associates	0	80
Prepayments	0	2,703
Other receivables	295	782
Total	14,137	11,908

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

The Group recognised EUR 26,000 (EUR 60,000) in impairment losses on trade receivables during the financial year. There are no major credit risk concentrations associated with receivables.

Ageing analysis of trade receivables	2014	Impairment losses	Net 2014	2013	Impairment losses	Net 2013
Past due	9,177		9,177	5,194		5,194
Less than 30 days	989		989	661		661
30–60 days	204		204	498		498
61–90 days	298		298	427		427
More than 90 days	866	-280	586	456	-85	371
Total	11,534	-280	11,254	7,236	-85	7,151

	2014	2013
Credit loss provision, at 1 January	85	60
Credit losses recorded	26	60
Credit loss provision, used	-26	-60
Credit loss provision, increase	195	25
Credit loss provision, at 31 December	280	85

Material items included under Prepayments and accrued income:	2014	2013
Rental income	0	238
Sales and income accruals	698	304
Social security payments	456	318
Expenses paid in advance	932	214
Other	383	0
	2,469	1,075

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

	2014	2013
22. Cash and cash equivalents		
Cash in hand and at bank	10,962	10,721
Certificates of deposit (1–3 months)	0	600
Total	10,962	11,321

23. Notes on equity

Reconciliation of the number of shares

EUR 1,000	Number of shares	Share capital	Reserve for invested unrestricted equity	Total
Establishment	250	3		3
Share issue	13,398,610		5,081	5,081
At 31 December 2014	13,398,860	3	5,081	5,084

Pihlajalinna has one share series, with each share entitling its holder to one vote at a General Meeting of the shareholders. The company's shares have no nominal value. All shares vest their holders with equal rights to dividends and other distribution of the company's assets.

The shares belong to the book-entry system.

Below are descriptions of the equity reserves.

Share capital

Share capital was subscribed when the company was founded.

Directed share issue

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

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

Note 27 "Capital management" contains a more detailed description of the extensive refinancing and restructuring arrangement carried out in the Group during the financial year.

24. Interest-bearing liabilities **2014** **2013**

Non-current financial liabilities carried at amortised cost

Bank loans	58,638	24,445
Other liabilities	1,808	1,154
Finance lease liabilities	9,936	10,296

Contingent consideration measured at fair value **3,219** **817**

Total **73,601** **36,712**

Current financial liabilities carried at amortised cost

Bank loans	8,284	4,135
Cheque accounts with credit limit	2,858	0
Other liabilities	282	190
Finance lease liabilities	722	619

Contingent consideration measured at fair value **2,231** **433**

Total **14,377** **5,377**

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

Finance lease liabilities **2014** **2013**

Maturity periods of finance lease liabilities:

Gross finance lease liabilities

– amount of minimum lease payments by maturity period

Within one year	1,114	1,023
Between one and five years	4,207	3,964
Over five years later	8,231	9,213

Total **13,552** **14,200**

Financial expenses accrued in the future **-2,894** **-3,285**

Present value of finance lease liabilities **10,658** **10,915**

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

Within one year	722	616
Between one and five years	3,802	2,573
Over five years later	6,134	7,727
Total	10,658	10,915

Finance lease liabilities consist of lease agreements for passenger cars, machinery and equipment 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.

25. Trade and other payables **2014** **2013**

Trade payables	3,095	1,939
Accrued liabilities	16,605	12,107
Prepayments	1,538	1,612
Other liabilities	5,287	4,251

Total **26,525** **19,909**

Material items included under Accrued liabilities:

Wages and salaries and social security payments	10,447	7,703
Financial items	216	100
Other accrued liabilities	5,942	4,305
Total	16,605	12,107

26. Financial risk management

The Group's main financial risks consist of interest rate and liquidity risks, credit risks and counterparty risks. The Group operates mainly in Finland and is not therefore exposed to material foreign exchange risks in its operations. The Group's general risk management policies are approved by the Board of Directors. The Group's Chief Financial Officer, together with the operative management, is responsible for identifying financial risks and for practical risk management.

Interest rate risk

The Group's revenues and cash flows from operations are mostly independent of fluctuations in market interest rates. The Group is exposed to interest rate risks mainly through its external loan portfolio. In accordance with the principles of risk management, the Board of Directors decides on the extent of interest rate hedging coverage for the Group's loan portfolio. The Group has hedged against interest rate risks by fixing some of the interest rates on its floating rate borrowings to a fixed rate using interest rate swaps. In 2014, the average annual interest rate on the Group's interest-bearing liabilities, with interest rate hedging accounted for, was 2.52% (3.80%). The table below presents the Group's interest rate position at the end of the reporting period. The Group does not apply hedge accounting in accordance with IAS 39.

	2014	2013
Fixed rate financial liabilities	12,458	12,232
Variable rate financial liabilities	70,069	28,607
Interest rate swaps	-9,300	-12,400
Total variable rate position	60,769	16,207

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

	2014 0.5 percentage points higher	2014 0.5 percentage points lower	2013 0.5 percentage points higher	2013 0.5 percentage points lower
Change				
Effect on profit before tax	-296	22	31	-31

The bank loan margins are tied to a leverage covenant (net debt/EBITDA). At the end of the reporting period, the leverage covenant was 5.1. This will result in an increase of 0.5 percentage points in the margins of the Group's bank loans.

Liquidity risk

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

The Group refinanced its bank loans in June 2014. Loans from financial institutions consist of four different facilities, all of which have a floating rate. The loans will be repaid by June 2017.

The Group aims to ensure the availability and flexibility of financing with adequate credit limits, a balanced maturity profile and sufficiently long maturities for borrowings, as well as by obtaining financing through several financial instruments. At the end of the reporting period, the Group's financial assets stood at EUR 11.0 million (11.3), in addition to which the Group had EUR 7.8 million (4.0) in unused credit limits available.

The Group's business operations are profitable, and therefore the company has not identified any significant risks related to the availability of additional financing. Despite the extensive restructuring and refinancing arrangement carried out during the financial year, the Group's liquidity remained good in 2014.

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

	Carrying amount at 31 Dec. 2014	Contractual cash flows				
		Less than 1 year	1–2 years	2–3 years	3–4 years	over 4 years
Loans from financial institutions	66,922	-10,045	-8,075	-53,322	-14	-69
Finance lease liabilities	10,658	-1,114	-1,052	-1,052	-1,052	-9,283
Other interest-bearing liabilities	2,090	-316	-646	-85	-57	-1,560
Contingent consideration	5,450	-2,303	-2,858	-590		
Cheque credit limit	2,858	-2,900				
Trade payables	3,095	-3,095				
Interest rate swaps	0	-70				
Other liabilities	3,701	-3,701				
Total	94,773	-23,544	-12,631	-55,049	-1,123	-10,912

	Carrying amount at 31 Dec. 2013	Contractual cash flows				
		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

Loan covenants

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

The financial covenants included in the loans are based on the Group's EBITDA and leverage, and the ratio between cash flows and net interest expenses and loan servicing expenses. In addition, the loans include a covenant concerning maximum investments, as well as the obligation to report on a monthly, quarterly and annual basis. The loans also include an Excess Cashflow obligation for making extra repayments should cash flow allow it. At the end of the reporting period, 31 December 2014, the loan amount to which the covenants apply, was EUR 69.7 million.

At the end of the reporting period, the covenants closest to being breached were the covenant concerning the amount of capital expenditure and the Group's leverage covenant. The Group's capital expenditure, in accordance with the terms and conditions of the loan agreement, totalled EUR 3.1 million in the 2014 financial year. The loan covenant for capital expenditure in accordance with the agreement is EUR 3.4 million. The leverage covenant, which concerns the ratio of net interest-bearing debt to EBITDA, would have been breached if the Group's EBITDA percentage in accordance with the financing agreement had been about 9.2% lower than the actual for the financial year. The leverage covenant was 5.6, while the Group's leverage was 5.1.

The Group will make an extra loan repayment (totaling EUR 3.1 million) by the end of March 2015 in accordance with the Excess Cashflow obligation in the loan agreement.

Credit risk

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

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

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

Currency risk

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

27. Capital management

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

The key indicators concerning capital management are the equity ratio and interest-bearing net debt/EBITDA. The ratio of interest-bearing net debt to EBITDA (i.e. leverage) is also a loan covenant, the calculation of which is presented in Note 26.

Total equity	10,356	38,271
Statement of financial position, total – prepayments received	129,137	104,801
Equity ratio	8.0 %	36.5 %

During the financial year, an extensive restructuring and refinancing arrangement was carried out with the purpose of streamlining the Group's ownership structure. Prior to the arrangement, Pihlajalinna Terveys Oy was the parent company of the Pihlajalinna Group. Pihlajalinna Terveys Oy has two share series: Series A and Series B. Pihlajalinna Oy owns all of Pihlajalinna Terveys Oy's Series A shares. Pihlajalinna Terveys Oy's Series B shares are non-voting contingency fund shares owned by the employees.

The resolution for the arrangement was made at Pihlajalinna Terveys Oy's General Meeting on 12 May 2014. Pihlajalinna Terveys Oy distributed about EUR 3.35 million in dividends to the holders of Series A shares, and about EUR 1.46 million in work contribution-based dividends to holders of Series B shares. In addition, Pihlajalinna Terveys Oy negotiated a bank loan limit of approximately EUR 80 million, with which it refinanced its earlier loans. Pihlajalinna Terveys also returned funds amounting to about EUR 29.6 million from its reserve for invested unrestricted equity. On 14 July 2014, a share swap was carried out, with Pihlajalinna acquiring all of Pihlajalinna Terveys Oy's Series A shares for a consideration consisting of new shares it had issued. As a result of this share swap, Pihlajalinna Oy now owns all of Pihlajalinna Terveys Oy's Series A shares. The shares were recorded in the Trade Register on 18 July 2014.

Pihlajalinna Terveys Oy's old shareholders hold Pihlajalinna shares in the same proportion as they held Pihlajalinna Terveys Oy's Series A shares prior to the share swap.

28. Operating leases

Group as the lessee

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

Minimum lease payments under non-cancellable operating leases:

	2014	2013
Within one year	3,424	1,768
More than one year and a maximum of five years later	8,933	4,658
Over five years later	3,586	2,618
Total	15,943	9,044

Group as the lessor

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

29. Contingent assets and liabilities and commitments

<i>Collateral given on own behalf</i>	2014	2013
Pledged collateral notes	416,624	67,600
Properties	4,619	
Other shares	2,455	
Pledged bank accounts and other receivables	5,102	

<i>Collateral given on behalf of associates</i>	2014	2013
Other contingent liabilities	2,284	-

The associate Dextra Lapsettomuusklinikka is covered by the financing arrangement of the subsidiary Pihlajalinna Terveys Oy.

<i>Other contingent liabilities</i>	2014	2013
Value added tax (VAT) adjustment liability on property investments	53	-

Lawsuits and official proceedings

In connection with the acquisition of 81% of MediLappi Oy's shares during the financial year, Pihlajalinna independently initiated arbitration proceedings for confirming the transaction price of the sale agreement between the parties involved. The arbitration proceedings were pending at the end of the reporting period.

A complaint on the City of Mänttä-Vilppula's procurement decision was filed with the Market Court. At the end of the reporting period, Mänttä-Vilppula had a temporary outsourcing contract which is valid until the Market Court issues a legally binding ruling. The client for the services has the right to terminate the temporary contract and resubmit the procurement to public tendering if the Market Court overturns its procurement decision.

30. Related party transactions

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

The Group's parent company and subsidiary relationships

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

Company	Domicile	Holding	% of votes
Parent company Pihlajalinna Oy	Tampere		
Pihlajalinna Terveys Oy	Tampere	100%	100%
Hoivakoti Johanna Oy	Jämsä	100%	100%
Jokilaakson Terveys Oy	Jämsä	51%	51%
Dextra Oy	Helsinki	100%	100%
Mäntänvuoren Terveys Oy	Mänttä-Vilppula	51%	51%
Dextra Plastiikkakirurginen Sairaala Oy	Helsinki	78%	78%
Tammerkosken Hammasklinikka Oy	Tampere	100%	100%
Zirlab Oy	Tampere	100%	100%
Lääkärikeskus Labeho Oy	Lappeenranta	100%	100%
Lääkärikeskus Irmeli Elomaa Oy	Kankaanpää	100%	100%
Visita Oy	Jyväskylä	100%	100%
Tampereen Hammashoito Oy	Tampere	100%	100%
Kiinteistö Oy Hämeenlinnan Nuutintupa	Hämeenlinna	100%	100%
Hämeenlinnan Hoivapalvelu Ky	Hämeenlinna	100%	100%
Kuusama-Koti Oy	Kokemäki	100%	100%
MediLappi Oy	Sirkka	19% => 100%	19% => 100%
Dextra Suunterveydenhoito Oy	Jyväskylä	51%	51%
Laser Tilkka Oy	Helsinki	100%	100%
Imatran Kliininen Laboratorio Oy	Imatra	100%	100%
Palvelukoti Sarahovi Oy	Mänttä-Vilppula	100%	100%
Palvelukoti Sofianhovi Oy	Mänttä-Vilppula	100%	100%

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

<i>Employee benefits of management</i>	2014	2013
Salaries and other short-term employee benefits, Management Team	359	475
Total	359	475
Management remuneration (Pihlajalinna Oy and Pihlajalinna Terveys Oy)		
CEO Mikko Wirén	348	50
Deputy CEO Leena Niemistö	188	161
Members of the Board of Directors		
Mika Uotila	11	9
Marjatta Rytömaa	11	9
Leena Niemistö	11	7
Heikki Dunder	10	9
Veli-Matti Qvintus	11	7
Aarne Aktan (member of the Board since 12 May 2014)	14	
Teija Santala (member of the Board until 12 May 2014)	4	8
Total	608	259

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

Related party transactions and related party receivables and liabilities:

	2014	2013
<i>Key management personnel</i>		
Rents paid	598	370
Payments received	441	773
Receivables	118	117
Trade payables	4	5
<i>Other related parties</i>		
Services procured	110	93
Trade payables	8	-
<i>Associates</i>		
Services procured	224	-
Trade payables	62	-
Loan receivables	1335	-

The Group has signed an agreement with a company owned by a member of the key management personnel, under which the company in question has returned a part of the transaction price it received in a business transaction signed on 1 September 2010 to one of the Group's subsidiaries. The payments received totalled EUR 441,000 in the 2014 financial year (EUR 773,000).

In the 2014 financial year, the Group sold 1,436 shares (0.4%) of Dextra Lapsettomuusklinikka Oy to other related parties.

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

Sinister Oy holds 250,000 Pihlajalinna Oy shares. Sinister Oy is owned by private persons belonging to Pihlajalinna's management and key management personnel. Pihlajalinna Oy has not financed Sinister Oy nor arranged any collateral for it.

Sinister Duo Oy holds 300,000 Pihlajalinna Oy shares. Sinister Duo Oy is owned by private persons belonging to Pihlajalinna's management and key management personnel. Pihlajalinna Oy has not financed Sinister Oy nor arranged any collateral for it.

31. Events after the end of the reporting period

Healthcare and social care outsourcings

The City of Parkano outsourced its healthcare and social care services to the Pihlajalinna Group as of the beginning of 2015. The contract is valid for ten years. The contract also includes an option for a five-year extension. In February, Kihniö and Mänttä-Vilppula also decided to join Parkano's joint cooperation area.

Pihlajalinna was also selected as the healthcare and social care partner of Kuusiokunnat (Kuortane, Ähtäri, Alavus and Soini) in February 2015. Pihlajalinna will provide healthcare and social care services for ten years through a jointly owned company established with the municipalities. The contract includes a five-year extension option. Service provision will be started in Alavus, Kuortane and Ähtäri on 1 January 2016, and in Soini on 1 January 2017 when the latter's agreement with the Järvi-Pohjanmaa joint cooperation area will expire.

The City of Jämsä approved the selection of Pihlajalinna as the partner for the jointly owned company providing the city's healthcare and social care services on 16 February 2015. Pihlajalinna will provide the city's healthcare and social care services for ten years through a jointly owned company established with the City of Jämsä. This contract also includes a five-year option. Service provision will start on 1 September 2015.

Pihlajalinna won the public tender for the provision of enhanced sheltered housing at three care homes in Pappilanpuisto, which is located in the district of Takahuhti in Tampere. Pihlajalinna will provide the services at Pappilanpuisto for a period of three years from 1 March 2015 to 28 February 2018. The contract includes an option for an extension period.

Business combinations

In January, the Group paid the first instalment of the transaction price for Pietarsaaren Medicecenter Oy. The business will be consolidated as of the beginning of February 2015.

In a transaction concluded in February 2015, the Group acquired 100% of the shares in Wiisuri Oy, a Jyväskylä-based clinic providing dental care and oral surgery services.

At the end of February 2015, the Group also signed an agreement for the acquisition of the entire share capital of Suomen Keinojuuriklinikka Oy. Suomen Keinojuuriklinikka is the market leader in dental implants, and its revenue in 2014 totalled around four million euros.

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

EUR 1,000	2015
Consideration transferred	
Cash	4,938
Contingent consideration	0
Total cost of the combination	4,938

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

EUR 1,000	2015
Property, plant and equipment	365
Inventories	239
Trade receivables and other receivables	147
Cash and cash equivalents	0
Total assets	751
Financial liabilities	-87
Other liabilities	-219
Total liabilities	-306
Net assets	446
Goodwill generated in the acquisition	
Consideration transferred	4,938
Net identifiable assets of acquiree	-446
Goodwill	4,493
Transaction price paid in cash	4,938
Cash and cash equivalents of acquirees	0
Effect on cash flow	4,938

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

A new Dextra Hammasklinikka started its operations on the 7th floor of the Stockmann department store in Helsinki city centre in January 2015.

Arbitration proceedings

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

PARENT COMPANY INCOME STATEMENT, FASNote **15 Apr. 2014–31 Dec. 2014**

Other operating expenses	1.1	-592,599.83
Operating profit		-592,599.83
Financial income and expenses	1.2.	-8,884.92
Profit for the financial year		-601,484.75

PARENT COMPANY BALANCE SHEET, FASNote **31 Dec. 2014****ASSETS****Non-current assets**

Intangible assets	2.1.	5,100.00
Investments	2.2.	68,791,055.05
		68,796,155.05

Current assets

Current receivables	2.3.	29,241.54
Cash and cash equivalents		172,920.33
		202,161.87

TOTAL ASSETS**68,998,316.92****EQUITY AND LIABILITIES****Equity**

2.4.

Share capital		2,500.00
Reserve for invested unrestricted equity		67,662,980.50
Profit/loss for the financial year		-601,484.75
		67,063,995.75

Liabilities

2.5.

Non-current liabilities		930,000.00
Current liabilities		1,004,321.17
		1,934,321.17

TOTAL EQUITY AND LIABILITIES**68,998,316.92**

PARENT COMPANY CASH FLOW STATEMENT, FAS

15 Apr. 2014–31 Dec. 2014

Cash flow from operating activities

Operating expenses paid	-361,361.73
Operating cash flow before financial income and taxes	-361,361.73
Interest received	8.08
Cash flow from operating activities	-361,353.65

Cash flow from investing activities

Investments in tangible and intangible assets	-5,100.00
Investments in subsidiaries	-1,128,074.55
Cash flow from investing activities	-1,133,174.55

Cash flow from financing activities

Increase in equity through issue of shares for cash	2,500.00
Group loans, increase	473,736.13
Non-current borrowings, increase	1,200,000.00
Interest paid	-8,787.60
Cash flow from financing activities	1,667,448.53

Changes in cash and cash equivalents**172,920.33**

Cash at the beginning of the financial year	0.00
Cash at the beginning of the financial year	172,920.33

NOTES TO THE FINANCIAL STATEMENTS, 31 DECEMBER 2014**ACCOUNTING POLICIES**

The company was established on 15 April 2014, and as a result of a restructuring arrangement carried out in July, the company became the parent company of the Pihlajalinna Group. Pihlajalinna Oy is domiciled in Tampere, Finland. The Pihlajalinna Group's parent company in the 2013 financial year was Pihlajalinna Terveys Oy (formerly Pihlajalinna Oy, business ID 2303024-5), domiciled in Tampere, Finland.

Valuation principles**Valuation of non-current assets**

Intangible assets have been recognised in the balance sheet at cost.

The 2014 financial statements do not include any depreciation or amortisation according to plan.

Depreciation and amortisation according to plan is calculated using the straight-line method over the useful lives of the assets.

NOTES TO THE INCOME STATEMENT

	2014
1.1. Other operating expenses	
Administrative expenses	-592,599.83
Other operating expenses, total	-592,599.83
Auditor's fees	
Audit fees	19,361.62
1.2. Financial income and expenses	
Interest income from non-current investments	
From others	8.08
Interest income from non-current investments, total	8.08
Interest and other financial expenses	
To others	-8,893.00
Interest and other financial expenses, total	-8,893.00
Financial income and expenses, total	-8,884.92

NOTES TO THE BALANCE SHEET, 2.1.–2.5.**31 Dec. 2014****2.1. Intangible assets**

Prepayments for intangible assets

Cost at the start	0.00
Additions	5,100.00
Cost at the end	5,100.00
Amortisation according to plan	0.00
Carrying amount at the end	5,100.00

2.2. Investments

Shares in subsidiaries

Cost at the start of the financial year	
Additions	68,791,055.35
Cost at the end	68,791,055.35
Total investments	68,791,055.35

2.3. Current receivables**Receivables from others**

Other receivables	29,241.54
	29,241.54

Total current receivables**29,241.54****2.4. Equity**

Share capital at the start	0.00
Share capital at the end	2,500.00

Reserve for invested unrestricted equity at the start	0.00
Increase in share capital and share issue	67,662,980.80
Reserve for invested unrestricted equity at the end	67,662,980.80

Profit/loss for the period	-601,484.75
----------------------------	-------------

Total equity**67,063,996.05**

Distributable unrestricted equity at the end	67,061,496.05
--	---------------

2.5. Liabilities**2.5.1 Non-current liabilities****Liabilities to others**

Loans from financial institutions	930,000.00
	930,000.00

Total non-current liabilities**930,000.00**Liabilities maturing later than
five years

0.00

	31 Dec. 2014
2.5.2 Current liabilities	
Liabilities to others	
Loans from financial institutions	270,000.00
Trade payables	236,174.58
Other liabilities	24,305.06
Accrued liabilities	105.40
	530,585.04
Liabilities to Group companies	
Other liabilities	473,736.13
	473,736.13
Material items included under Accrued liabilities	
Interest accruals	105.40
	105.40
Total current liabilities	1,004,321.17

OTHER NOTES**31 Dec. 2014****Guarantees and commitments***Collateral given on behalf of Group companies*

Pledged shares in subsidiaries	68,791,055.05
Pledged bank accounts and other receivables	172,598.93

The company is included in Pihlajalinna Terveys Oy refinancing arrangement and has provided collateral in connection with this arrangement.

The financing agreement includes terms and conditions binding the company.

LIST OF ACCOUNTING BOOKS, DOCUMENT TYPES AND METHODS OF THEIR STORAGE

Accounting books used during the financial year	Method of storage
General journal	IT list, electronic
General ledger	IT list, electronic
Purchases ledger	Invoice-specific, electronic
Balance book	Bound volume
Document types	
Bank statements	004, 005
Purchases	017
Payment of purchases	006
Memoranda	001

The documents for the financial year, correspondence concerning business transactions and other accounting material are stored as archived paper documents in the company's premises in the order they are recorded for a period of at least six years from the end of the year in which the financial year ended, in this case until 31 December 2020 (Accounting Act, Chapter 2, section 10(2)).

SIGNATURES AND DATE OF THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Tampere, 20 February 2015

Mika Uotila
Chairman

Aarne Aktan

Marjatta Rytömaa

Heikki Dunder

Leena Niemistö

Veli-Matti Qvintus

Mikko Wirén
Chief Executive Officer

The Auditor's Note

A report on the audit performed has been issued today.

Tampere, 6 March 2015

KPMG Oy Ab
Firm of Authorised Public Accountants

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