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Oral Hammaslääkärit Plc Financial statements

# NET SALES INCREASED, OPERATING RESULT DOUBLED – ORAL HAMMASLÄÄKÄRIT PLC'S FINANCIAL STATEMENTS 1 JANUARY–31 DECEMBER 2010

- Net sales EUR 39.4 (32.2) million, up 21.9%
- Operating profit EUR 3.6 (2.4) million
- Operating result EUR 1.6 (0.8) million, or 4.1 (2.6) percent of net sales
- Profit for the period EUR 1.0 (0.3) million
- Full-year earnings per share EUR 0.15 (0.05) adjusted for the subscription rights issue
- Proposal for dividend EUR 0.06 per share
- Net sales for the fourth quarter EUR 11.2 (8.7) million, operating result EUR 0.5 (0.3) million
- Subscription rights issue to finance future growth in January-February 2011
- Net sales for 2011 expected to exceed EUR 48 million, excluding any mergers and acquisitions, and relative profitability to continue favorable development.

Oral Hammaslääkärit Plc is a company providing comprehensive oral and dental health services, and 600 dental health care professionals worked at its dental clinics at the end of 2010. At the end of 2010, the Oral chain included 21 dental clinics and 120 (101) dental units, or fully-equipped treatment rooms. There was a total of 226,800 (189,500) dental care visits at the clinics, increasing by 19.7%.

Oral Hammaslääkärit Plc's financial objective is to increase its net sales to EUR 80 million by the end of 2015. With regard to profitability, the target is for the operating result to be a minimum of 10% of net sales in 2015. The growth will be achieved both through acquisitions and by expanding the existing clinics. The company is also investigating opportunities to expand the clinic network internationally.

## Managing Director's comment

"2010 was a year of strong growth for Oral, but also a year of significant profit improvement. We expanded our clinic network through an acquisition to Tikkurila, Vantaa, and acquired an in-house dental laboratory for the Group. In addition, we strongly expanded our existing clinics in the Helsinki region as well as Tampere, Jyväskylä and Seinäjoki. There has been demand for the increased supply, as was expected."

"The increase in net sales and utilization rates as well as systematical cost monitoring improved our profitability according to plans. Taking advantage of chain benefits always requires a sufficiently extensive operational base, and we have gotten off to a good start in this respect. The share of central administration costs out of net sales has decreased as expected, and I expect the development to continue in the same direction."

"During the year, we elucidated our financial targets and growth strategy. We will pursue growth even more clearly in large cities and good locations. We want the Oral clinics to be easily accessible and to offer the customers also advanced dental specialist services in addition to basic dental care."

"We renewed Oral's corporate image in the spring, and we are also harmonizing the appearance of all of our clinics. The modern premises have been praised by customers and personnel alike. The increasing awareness of the Oral brand has attracted new customers."

"Our aim is to continue solid growth by, among others, expanding the geographical coverage of the chain. In order to finance future growth, we arranged a subscription rights issue to shareholders in January–February 2011. Thanks to it and the simultaneous loan arrangement, we are well set for expanding the Oral chain further. We want to be the market leader in all cities where Oral operates," says Marina Vahtola, Oral's Managing Director.

**Operating environment**

Economic trends have not resulted in significant fluctuations in the demand for oral and dental health services. According to the statistics of Kela - The Social Insurance Institution of Finland, reimbursements decreased by 3.6 percent in 2010. In the industry, the recession mainly manifested itself as a postponement of demanding and more expensive treatments. However, Oral's net sales grew as expected in 2010, and also the demand for demanding treatments increased.

Oral estimates the value of the Finnish oral and dental health to total approximately EUR 760 million, divided equally between the private and public sectors. Public health care focuses on basic dental health services, while demanding special procedures are carried out considerably more by private dental clinics. According to a survey carried out by the National Institute for Health and Welfare in October 2010, one in five Finns live in an area where obtaining dental care within the statutory six-month period is a problem. Attempts have been made to reduce public dental queues by utilizing private dentists, such as the act on health and social care service voucher that came into force in August 2009. It was expected to offer new opportunities for more efficient organization of treatment chains, but use of the service voucher has started more slowly than was estimated. The City of Helsinki, for example, has announced that it will not adopt the service voucher referred to in the act until 2011.

A significant factor contributing to the problems with the waiting time guarantee is the shortage of dentists, which is also among the risk factors of Oral's growth in certain areas. However, the availability of dentists for Oral Group has improved considerably during the last few years.

The demand for private dental health services is expected to outpace average economic growth in the long term. Particularly the increasing spending power of the ageing population is expected to increase the demand for challenging procedures carried out in the private dental health care sector. The increasing appreciation of health, well-being and appearance will also increase demand. In addition, the development of dentistry offers better and better treatment methods. New players have entered the private sector, and competition is expected to increase to a certain extent.

In addition to the quantitative and qualitative needs, the demand for private oral and dental care is influenced by the reimbursements paid by Kela, the Social Insurance Institution of Finland, and the amount of contracting out of services by municipalities.

**Net sales and result**

Net sales of Oral Hammaslääkärit Plc for 1 January–31 December 2010 increased by 21.9% to EUR 39.4 (32.3) million. Net sales for the fourth quarter amounted to EUR 11.2 (8.7) million. Profit for the period was EUR 1.0 (0.3) million, and operating result for the fourth quarter was EUR 0.3 (0.2) million. Earnings per share were EUR 0.15 (0.05).

The net sales increased as the result of acquisitions and expansions of clinics as well as increased supply resulting from the recruitment of new dentists. Sales and marketing was also boosted, especially in connection with renewing the corporate image. Organic growth accounted for approximately 82 percent of the growth, mergers and acquisitions for approximately 18 percent. Organic growth includes the expansions of the existing clinics.

Oral Group's operating result for 2010 amounted to EUR 1.6 (0.8) million, or 4.1% (2.6%) of net sales. Operating profit for the fourth quarter was EUR 0.5 (0.3) million, or 4.2 percent of net sales. Operations have been made more efficient by increasing the utilization rates of the clinics, and continuous development of operating processes and cost-efficiency are closely associated with it. The increase in net sales, which reduced the relative cost burden of administration and boosted the effect of chain benefits, was a significant factor in the favorable development of operating profit.

The increasing proportion of demanding treatments, such as imaging, artificial root treatment, and dental hygienist services, has contributed to the favorable development of both net sales and operating profit.

After the share issue that ended in January-February 2011 after the end of the financial period, the number of shares outstanding is 8,658,514. Earnings per share, according to the post-issue number of shares, were EUR 0.15 (0.05). Earnings per share for the fourth quarter were EUR 0.04 (0.02). The increase in the number of shares outstanding has also been taken into account in the earnings per share for the comparison year. Share options did not have a diluting effect on earnings per share.

**Balance sheet, financing and investments**

The balance sheet total of the Oral Hammaslääkärit Plc group on 30 December 2010 was EUR 24.1 (19.7) million. Trade and other current receivables amounted to EUR 2.4 (1.8) million. Interest-bearing net liabilities amounted to EUR 8.3 (6.5) million, of which EUR 3.6 (2.4) million were current and EUR 4.7 (4.1) million were non-current liabilities. The increase in liabilities is associated with loans required by the acquisitions and other expansion activities. The interest-bearing net liabilities include EUR 1.4 (1.0) million of final purchase prices whose realization depends on the clinics' performance during the following years. The Group's quick ratio, i.e. liquidity, was 0.32 (0.34).

The Annual General Meeting of 25 March 2010 resolved to reduce the share premium account of the Company's balance sheet of 31 December 2009 by EUR 3,695,262.39 by transferring all of the funds in the share premium account of Oral Hammaslääkärit Plc's balance sheet on 31 December 2009 to the invested non-restricted equity fund. The Group correspondingly reduced the balance on the share premium account. The share premium account of the consolidated balance sheet was eliminated on 18 July 2010.

Cash flow from operating activities before change in working capital was EUR 3.6 (2.4) million. The corresponding figure for the fourth quarter amounted to EUR 1.1 (0.7) million.

The Group's gross investments in property, plant and equipment amounted to EUR 5.6 (2.3) million. The investments comprise of business and company acquisitions made during the report period and conversion of the facilities, equipment and premises of acquired clinics to comply with Oral's chain concept.

Depreciation of intangible rights obtained in acquisitions form a substantial part of the Group's depreciation. In particular, this includes depreciation of patient databases and prohibition of competition agreements made in the balance sheet in accordance with the IFRS.

The equity ratio at the end of the period was 39.2% (40.9%).

In order to finance future growth, Oral Hammaslääkärit Plc arranged a subscription rights issue to shareholders after the end of the financial period in January–February 2011, issuing new shares with a value of approximately EUR 6 million. All of the 2,164,628 new shares issued were subscribed for. The issue raised EUR 6.0 million, and after the issue-related expenses, an estimated EUR 5.5 million was booked in shareholders' equity. At the same time with the rights issue, Oral entered into an agreement on an external financing arrangement totaling a maximum of EUR 8 million that can be utilized in stages.

**Group structure**

The Group's parent company is Oral Hammaslääkärit Plc, and its subsidiaries at the end of the financial period were Oral Hammaslääkärit Seinäjoki Oy, Oral Hammaslääkärit Itäkeskus Oy, Oral Hammaslääkärit Tikkurila Oy and Hammaskeskus Oy Ab and its wholly-owned subsidiary Finvia Oy. All Group companies carry out operational business activities.

At the end of the financial period, Oral had a total of 21 dental health care clinics in Espoo, Helsinki, Hämeenlinna, Hyvinkää, Jyväskylä, Järvenpää, Lahti, Mikkeli, Nummela in Vihti, Pori, Seinäjoki, Tampere, Tornio, Turku, Vaasa, and Vantaa.

**Business development and mergers and acquisitions**

Oral announced its new strategic goals in August. The company aims to increase its net sales to EUR 80 million by the end of 2015. With regard to profitability, the target is for the operating result to be a minimum of 10% of net sales in 2015. The growth will be achieved both through acquisitions and by expanding the existing clinics without jeopardizing the company's liquidity or solvency. In addition, establishing completely new clinics in central business locations and opportunities to expand the clinic network internationally in the next few years will be investigated.

Oral's previous strategic objective was to expand its operations to cover all of Finland and gain a market share of more than 10% of private dental care services in Finland by 2010. Oral estimates that it had reached a market share of 10% in 2010.

Oral expanded its operations in 2010 through a merger into Tikkurila, Vantaa, and acquired the dental laboratory Hammaskeskus Oy Ab. Concentrating procurement on an in-house dental laboratory will provide savings in accessory and equipment procurement as well as management of purchases. Operations were also considerably expanded at the chain's Tampere, Jyväskylä, Nummela, Seinäjoki and Erottaja, Helsinki clinics.

In May, Oral entered into an agreement with Kielotien Hammaslääkärit Oy on a transaction whereby Oral purchases all of the shares in Kielotien Hammaslääkäriasema Oy in Vantaa. Kielotien Hammaslääkäriasema was the largest dental clinic in the area already at the time of the acquisition, with net sales of approximately EUR 1.5 million in 2009. Oral Hammaslääkärit paid approximately EUR 0.5 million at the time of the purchase. Of this, half was paid in new Oral Hammaslääkärit Plc shares and approximately half in cash. In addition, a possible additional purchase price will be paid depending on the achievement of the clinic's business objectives in 2011–2013. The maximum final purchase price is EUR 1.1 million. In connection with the transaction, Oral announced that it will build two new dental units at Kielotie, making it an eight-unit clinic and one of the largest dental clinics in the Oral chain. Kielotien Hammaslääkäriasema was merged into the Oral Hammaslääkärit group as from 1 August 2010.

In June, Oral announced that it will increase the number of dental units at its Jyväskylä clinic from three to eight and at its Tampere clinic from six to nine. The investments in the facilities totaled approximately EUR 0.850 million. The investments will increase the annual net sales of the clinics by a total of more than EUR 2 million. The expansions were commissioned according to plans on 1 August 2010 at Tampere and on 1 October 2010 at Jyväskylä.

In August, Oral agreed on purchasing all of the shares in the dental laboratory Hammaskeskus Oy Ab. The net sales of Hammaskeskus Oy Ab for 2009 amounted to approximately EUR 1.1 million. Oral paid EUR 0.450 million for Hammaskeskus at the time of the acquisition, of which EUR 0.350 million in cash and EUR 0.1 million in new Oral Hammaslääkärit Plc shares. In addition, a possible additional purchase price will be paid depending on the achievement of the dental laboratory's business objectives in 2011-2012. The maximum total final purchase price is EUR 0.6 million. Hammaskeskus Oy Ab was merged into the Oral group as from 1 September 2010.

In September, Oral decided to expand the dental clinic at Erottaja, Helsinki, increasing the premises of the clinic from the current floor area of slightly over 300 square meters to approximately 600 square meters. The number of dental units will increase from eight to thirteen.

In December, Oral announced that it will purchase the business operations of Kuopion Hammaslaser Oy. Hammaslaser is a clinic with three dental units, and its estimated net sales for 2010 were approximately EUR 0.5 million. Oral will also build an all-new dental clinic in a shopping center in downtown Kuopio. The clinic will be the largest dental clinic in Kuopio. Hammaslaser will be merged into the Oral chain as from 1 March 2011.

In December, Oral agreed that it will also acquire the business operations of Deltadent Oy in Hakaniemi, Helsinki. Deltadent is a clinic with two dental units, and its estimated net sales for 2010 were approximately EUR 0.4 million. The acquired business will be merged into Oral's existing Hakaniemi clinic, where the number of dental units will be increased from the existing four rooms to eleven. The new major clinic is intended to start operations in March 2011, and Deltadent will also be merged into the Oral group at the same time. The investments in Kuopio and Hakaniemi, including the renovation of the premises, total approximately EUR 2 million, and they will be paid in cash.

The effect of the acquired businesses on the consolidated balance sheet and result are presented in the notes to this bulletin.

**Personnel and expert resources**

The Oral community mainly consists of dentists, dental assistants, dental hygienists and office personnel working at the clinics. Including the Managing Director, there were 17 (15) people working in the company's administrative and chain support functions at the end of the period.
There were 568 (485) people working in the Oral Hammaslääkärit group full- or part-time on average in 2010 and at year's end 600 (535). Of the year-end personnel, 446 (400) were employed by Oral and 154 (135) worked as contracted self-employed persons.

The average age of employed persons was 38.6 (38.0) at year's end. Women accounted for 89.8% (88.5%) of employed personnel, men for 10.2% (11.5%).

Of those employed by the Group, full-time employees accounted for 78.0% (76.0%) of personnel at year's end and part-time employees correspondingly for 22.0% (24.0%).

With regard to strengthening competence, activities focused on customer service and managerial skills. Management responsibilities at the dental clinics were renewed by appointing a clinic manager to manage the operations. In addition, the clinics have head dentists. Training was arranged for the clinic managers as part of the Life Is Smiling project, for example, which improves customer work and management practices and culture. In addition, professional training supporting the quality of clinical work was organized for the personnel.

Even though the industry still suffers from a shortage of dentists, the recruitment of new dentists by Oral has clearly alleviated. In particular, the possibility of working as an employee as opposed to being self-employed has attracted increasing interest. Also, Oral's strong market position and modern working premises have strengthened Oral's position as an employer.

The Clinical Care Advisory Board of Oral Hammaslääkärit Plc is an independent body that provides advice and recommendations, mainly relying on expertise outside the company. In particular, the Advisory Board promotes the quality of care and patient safety. In 2010, Oral Hammaslääkärit Oy’s Clinical Advisory Board members were Mikko Rantala (Dental Specialist), Kimmo Suomalainen (D.D.S., Dental Specialist, Docent), Tapio Tammisalo (D.D.S., Dental Specialist, Docent), Olli Teronen (D.D.S., Dental Specialist, Docent), Susanne Tuominen (Dental Specialist), Heikki Alapulli (Dental Specialist) and Tuomas Waltimo (Professor) as the Chair. The company's Medical Director coordinates the work of the Clinical Advisory Board on behalf of Oral Hammaslääkärit Plc.

**Management and administration**

Oral Hammaslääkärit Plc's Managing Director was Marina Vahtola, M.Sc. (Econ.), as from 15 January 2010. At the beginning of the financial period, between 1 January and 14 January 2010, the Managing Director was Antti Kasi, M.Sc. (Econ.).

In addition to the Managing Director, the Company's management team at the end of the financial period consisted of Medical Director Janne Ryhänen, Lic.Med, Lic.Dent., Business Director Anna-Maria Mäkelä, M.Sc. (Health Sci.), and CFO Pekka Raatikainen, M.Sc. (Econ.).

Janne Ryhänen was appointed as the Medical Director on 16 August 2010, when Erkki Virta who served as the company's Medical Director up to that point moved to clinical work as a dentist. Janne Ryhänen had been appointed as the group's Developement Director and member of the Management Team on 28 January 2010, and he previously held the position of Development Director of medical services at Oral. Service Director Anna-Maria Mäkelä was appointed as Business Director on 28 January 2010.

Oral Hammaslääkärit Plc's Board of Directors had seven members at the end of the period, elected by the Annual General Meeting held on 25 March 2010. The Board members were Benedict (Ben) Wrede (Chair), Juhani Erma (Vice Chair), Mikael Ingberg, Antti Kasi, Timo T. Laitinen, Kirsti Piponius, and Tuomas Waltimo.

Until the Annual General Meeting held on 25 March 2010, Juhani Erma (Chair), Mikael Ingberg, Juha Korhonen (Vice Chair), Timo T. Laitinen, Kirsti Piponius, Tuomas Waltimo, and Benedict Wrede were members of the Board of Directors.

The company's auditor is PricewaterhouseCoopers Oy. Johan Kronberg, Authorized Public Accountant, has been the auditor in charge.

The number of shares held by the Board members and the Managing Director either personally or through controlled companies amounted to 287,800 on 31 December 2010, representing 4.4% of the number of shares and votes.

**Fees paid to the Board of Directors and Managing Director**

In accordance with the resolution of Oral Hammaslääkärit Plc's Annual General Meeting of 25 March 2010, the fee paid to the Chair of the Board is EUR 2,550 per month, to the Vice Chair of the Board EUR 1,700, to the Chair of the Audit Committee EUR 1,500 and to the other Board members EUR 850 per month. The meeting fee paid for each Board Committee meeting is EUR 100.

The salary and fees paid to Managing Director Marina Vahtola for the financial period 2010 total EUR 262,038, including 5,813 new shares in Oral Hammaslääkärit Plc in accordance with the incentive scheme. In accordance with the executive agreement, Antti Kasi, who held the position of Managing Director until 14 January 2010, was paid a total of EUR 54,416 in salary and fees for the financial period 2010.

**Shares and share capital**

Oral Hammaslääkärit Plc's fully paid share capital entered in the trade register was EUR 570,807.20 on 31 December 2010. The number of shares was 6,493,886. Each share carries one vote. The shares have no nominal value. The number of the shares increased by a total of 282,614 during the financial period as the result of subscriptions made using share options.

A total of 83,029 new Oral Hammaslääkärit Plc shares were entered in the Trade Register on 27 January 2010. The new shares had been given as a directed issue to the selling parties of Järvenpään Hammashoito Oy and Lahden Hammaspaikka Ky as part of the purchase price of acquisitions made in 2009.

A total of 68,139 new shares were entered in the Trade Register on 1 April 2010. The share subscriptions were based on share options given to selling parties in connection with acquisitions in 2007. The share subscriptions were made based on the C/I, B/III and A/III option programs. The share subscription price was entered in the invested non-restricted equity fund. All of the options in these option programs entitling to subscribe for shares have now been exercised.

A total of 131,446 new shares were entered in the Trade Register on 1 October 2010. Of these, 76,482 shares had been given as a directed issue to the selling parties of Kielotien Hammaslääkärit Oy, and the number of shares was based on the total sum of EUR 100,000 specified at the time of the purchase and the trading-weighted average share price between 1 May and 31 July 2010. A total of 24,964 of the new shares ad been given to Hammaskeskus Oy Ab's selling parties, and the number of shares was based on the total sum of EUR 100,000 specified at the time of the purchase and the trading-weighted average share price between 20 May and 19 August 2010. Both share issues were based on the share issue authorizations issued by the Annual General Meeting of Oral Hammaslääkärit Plc to the Board of Directors on 25 March 2010, and they have been entered in the invested non-restricted equity fund.

Of the new shares entered in the Trade Register on 1 October 2010, 30,000 were based on share subscriptions based on option rights included in the 2007 option program.

On 6 April 2010, a dividend of EUR 0.03 was paid per share, or a total of EUR 189 thousand.

After the subscription rights issue that ended after the financial period in February 2011, the number of company shares outstanding is 8,658.514.

**Outstanding option programs**

The Annual General Meeting of 20 March 2007 decided to issue a maximum of 100,000 new share options to Group key persons, entitling holders to subscribe for a maximum of 100,000 new shares. The share subscription period is 1 April 2010 – 31 March 2011. The subscription price before the 2011 rights issue was EUR 3.50 less dividends decided prior to the subscription, and after the issue EUR 3.13. A total of 80,000 share options have been distributed based on the program, and the 20,000 options not distributed have been canceled. In 2010, 30,000 new shares were subscribed for on the basis of this program, and 50,000 subscription rights included in the option program had not been used at the end of the period. After the rights issue, the option rights can be used for subscribing for a total of 55,974 shares.

Based on the authorization of the Annual General Meeting of 26 March 2009, the Board has given a total of 15,150 option rights to the selling parties of Itäkeskuksen Hammaslääkäriasema Oy, which was acquired in 2008. The options will be paid as an additional purchase price, provided that the business objectives specified in the sales agreement are exceeded. After the rights issue of 2011, the number of options was adjusted to 16,960, entitling to subscribe for a corresponding number of new shares in Oral Hammaslääkärit Plc.

**Resolutions of the Annual General Meeting**

Oral Hammaslääkärit Plc's Annual General Meeting on 25 March 2010 decided in accordance with the Board's proposal on issues to be dealt with by the AGM and on decreasing the share premium account, amending the articles of association and authorizing the Board of Directors to decide on the repurchase of Company shares, share issue, option rights and issuing special rights entitling to shares.

The Annual General Meeting resolved that a dividend of EUR 0.03 per share be distributed for the financial period 1 January – 31 December 2009.

The Annual General Meeting resolved that the Chairman of the Board be paid EUR 2,550, the Vice Chairman of the Board EUR 1,700, the Chair of the Audit Committee EUR 1,500, and other Board members EUR 850 per month. In addition, EUR 100 per meeting will be paid for meetings of the Board committees.

The Annual General Meeting elected seven members to the Board of Directors. The Annual General Meeting resolved to re-elect Juhani Erma (LL.Lic.), Mikael Ingberg (Ph.D. Econ.), Timo T. Laitinen (M.Sc.(Eng.)), Kirsti Piponius (M.Sc.(Econ.)), Tuomas Waltimo (Professor) and Ben Wrede (B.Sc. Eng). Antti Kasi, M.Sc.(Econ.) was elected as a new Board member. Antti Kasi was the Managing Director of Oral Hammaslääkärit Plc until 14 January 2010.

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorized Public Accountants, as the company's auditor with Johan Kronberg, Authorized Public Accountant, as the auditor in charge. The auditor's fees will be paid according to a reasonable invoice presented for the audit.

The Annual General Meeting resolved to amend article 5 of Oral Hammaslääkärit Plc's articles of association on auditors and article 7 on invitations to a general meeting of shareholders as follows:

"5 § Auditors
The company has one auditor, which must be a firm of public accountants certified by the Finnish Central Chamber of Commerce. The term of the auditor ends at the close of the next Annual General Meeting following the election.

7 § Invitations to a meeting
Invitations to a general meeting shall be published on the Company website at the earliest three (3) months before the record date of the general meeting and at the latest three (3) weeks before the general meeting, however at least nine (9) days prior to the record of for the general meeting. The Board of Directors may also decide on publishing the invitation in another manner.

In order to be eligible to participate in the general meeting, shareholders shall register their intention to participate in the general meeting at the latest on the date mentioned in the notice of the meeting, which shall be at least ten (10) days prior to the meeting."

The Annual General Meeting authorized the Board to decide on the repurchase of a maximum of 692,430 Company shares so that the shares can be purchased otherwise than in proportion to the holdings of the shareholders using the non-restricted equity at the market price of the shares at the time of the acquisition in public trading on the NASDAQ OMX Helsinki Ltd. The shares can be repurchased for developing the Company's capital structure, to be used in acquisitions or other arrangements related to the development of the Company's operations, for financing investments, to implement the company's share-based incentive programs or to be held or conveyed by other means or to be cancelled as and to the extent decided by the Board of Directors. The authorization is valid for 18 months after the resolution of the Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide on the issue of a maximum of 2,950,000 new shares and/or to convey treasury shares held by the company against or without consideration. The new shares can be issued and treasury shares held by the company can be conveyed to shareholders in the company in proportion to their holdings or in deviation from the shareholders' pre-emptive rights in a directed issue in the event that there is a compelling financial reason on the part of the company, such as for implementing and financing acquisitions or other arrangements related to the development of the company's operations, strengthening the company's balance sheet and financial position, implementing personnel commitment and reward systems, or the Board may also decide on a on a free issue of shares to the company itself. The number of shares given to the company may, together with all of the treasury shares repurchased on the basis of the repurchase authorization, total a maximum of 1/10 of all of the shares in the company. The Board of Directors is also authorized to grant special rights pursuant to Chapter 10, Section 1 of the Companies Act, entitling to receive new shares in the Company against consideration or treasury shares held by the company so that the share subscription price is either paid in cash or by using the subscriber's receivable to set off the subscription price. The authorization is valid for two years after the resolution of the Annual General Meeting.

The Annual General Meeting resolved to reduce the share premium account of the Company's balance sheet of 31 December 2009 by EUR 3,695,262.39 by transferring all the funds in the share premium account to the invested non-restricted equity fund. Following the reduction, the amount of the share premium account is zero. Transferring the assets in the account to the invested non-restricted equity fund will enhance the flexibility of the capital structure and increase the company's distributable equity.

**Authorizations of the Board of Directors**

At the end of the report period, the Board had been authorized by the Annual General Meeting of 25 March 2010 to decide on the issue of a maximum of 2,950,000 shares and/or transferring treasury shares held by the company. The authorization is valid for two years after the resolution of the Annual General Meeting. The Board of Directors decided to exercise the authorization after the end of the financial period on 10 January 2011 in the form of a rights issue.

At the end of the financial period, the Board had been authorized by the Annual General Meeting of 25 March 2010 to decide on the repurchase of a maximum of 629,430 shares. The authorization has not been used. The authorization is valid for 18 months after the resolution of the Annual General Meeting.

## Changes in ownership

Erkki Virta's holding of the shares and votes of Oral Hammaslääkärit Plc decreased below the 5% threshold on 23 March 2010. At that time, Erkki Virta's holding of the shares and votes of Oral Hammaslääkärit Plc was 4.35% and 273,879 shares.

## Compliance with the Finnish Corporate Governance Code

Oral Hammaslääkärit Plc complies with the Finnish Corporate Governance Code, which entered into force on 1 October 2010. The Corporate Governance Statement is available on the company's website as from the publication of the financial statements for 2010.

The Oral Hammaslääkärit Plc Board of Directors convened a total of 15 times during the financial period 2010, and the average attendance rate was 95.6%. The Audit Committee convened seven times and the Nomination and Remuneration Committee two times.

## Estimate of significant operational risks and uncertainty factors

Oral estimates that if the general economic situation in Finland worsens so that also general consumer demand decreases substantially, this may have negative effects on the demand for Oral Hammaslääkärit Plc's services and therefore net sales and performance. At the time of the publication of the financial statements bulletin, no such substantial changes could be seen in the demand for services.

The availability of dentists developed favorably from the company's point of view during the financial period. The nationwide and regional availability of dentists as well as continuity risk associated with personnel in company and business acquisitions do, however, still make up one of the most significant business risks of the company. There are often also other risks associated with the implementation of mergers and acquisitions and post-acquisition integration, and should they be realized, they could impair the company's profitability and growth. The risks are prepared for primarily through careful preparation of mergers and acquisitions.

Business and company acquisitions and related investment needs and expenditure due to building the chain require considerable use of external financing compared to the size of the company. The company's management seeks to ensure through negotiations that the company has the financing it requires for growth, solvency and working capital needs in optimum terms at any time. The company's main financing risks are the availability of financing, interest rate risk and liquidity risk.

The risks are presented more extensively in the offering circular published on 10 February 2011.

## Tax complaint and dispute

On 26 February 2010, Oral Hammaslääkärit Plc was informed of the Administrative Court's decision according to which the company is not allowed to deduct the losses for 1999-2003 and 2005 in its taxation. Oral Hammaslääkärit Plc has not recognized the confirmed losses as deferred tax assets in its balance sheet. The company has appealed against the decision to the Supreme Administrative Court.

Oral Hammaslääkärit Plc was informed on 16 June 2010 that the Helsinki Court of Appeal dismissed the claim for damages filed by Jukka Autio against the company. The Helsinki District Court dismissed the claim filed by Jukka Autio in full in March 2009. Jukka Autio required the company to pay approximately EUR 1.15 million in damages in a claim filed in January 2008. The claim for damages was based on Autio's allegations of share arrangements of Hammassairaala Oral Oy in 2003–2006. Hammassairaala Oral Oy has subsequently merged with Oral Hammaslääkärit Plc. The decision of the Court of Appeal is not final.

**Trading on NASDAQ OMX Helsinki**

During the financial year 1 January – 31 December 2010, the lowest price of the Oral Hammaslääkärit Plc share was EUR 3.02, the highest EUR 5.09. On 30 December 2010, trading closed at EUR 4.74, and the company's market capitalization was EUR 30.8 million.

Shares in Oral Hammaslääkärit Plc have been traded on NASDAQ OMX Helsinki since 1 June 1999. The trading code of the share is ORA1V.

There were 2,386 (2,280) shareholders at the end of the financial period.

**Events after the end of the period**

Based on the authorization by Oral's Annual General Meeting on 25 March 2010, the company's Board of Directors decided on 10 January 2011 to issue a maximum of 2,164,628 new shares based on the shareholders' pre-emptive rights. In the rights issue, three shares entitled the holder to subscribe for one share at a price of EUR 2.78. The issue shares therefore correspond to 25% of all outstanding shares and the votes conferred by them after the share issue. The subscription period commenced on 18 January 2011 and ended on 3 February 2011. All of the subscription rights were used, and the number of outstanding shares increased to 8,658,514. The new shares were entered in the Trade Register on 10 February 2011. The largest shareholders after the issue are presented at the end of this bulletin. After the issue, the number of shareholders was 2,642 on 10 February 2011.

**Estimate of probable future development**

The demand for dental health services has remained relatively stable, and the private dental health service market is still expected to grow at a rate outperforming the general economic growth in the long term. Particularly the increasing spending power of the ageing population is expected to increase the demand for challenging procedures carried out in the private dental health care sector. Oral believes that in the fragmented market, there is demand for a centrally and efficiently controlled dental health care chain.

Oral estimates that its net sales for 2011 will exceed EUR 48 million without any new business and company acquisitions. Relative profitability is expected to continue favorable development.

**Proposal of the Board of Directors to the Annual General Meeting**

The Board of Directors proposes to the Annual General Meeting resolved that a dividend of EUR 0.06 per share be distributed for the financial period 1 January – 31 December 2010.

The Annual General Meeting of Oral Hammaslääkärit Plc will take place on Thursday, 24 March 2011, starting at 6:00 pm, in Helsinki. Notice of the meeting will be published in a separate stock exchange release.

**Accounting principles applied in the financial statements**

This financial statements bulletin has been prepared in accordance with the IFRS principles of accounting and valuation. The report does not fully comply with all the requirements of IAS 34, Interim Financial Reporting. No new standards or interpretations that the Group should have applied were published in 2010.

The full-year figures in the financial statements bulletin are audited.

**FINANCIAL DEVELOPMENT BY QUARTER**

| EUR 1,000 | **1-12/2010** | **10-12/2010** | **7-9/2010** | **4-6/2010** | **1-3/2010** |
|---|---|---|---|---|---|
| Net sales | 39,367 | 11,195 | 8,803 | 9,853 | 9,516 |
| Profit/loss | 1,041 | 266 | 222 | 224 | 330 |

| | **1-12/2009** | **10-12/2009** | **7-9/2009** | **4-6/2009** | **1-3/2009** |
|---|---|---|---|---|---|
| Net sales | 32,283 | 8,697 | 7,232 | 8,299 | 8,055 |
| Profit/loss | 364 | 168 | 26 | 70 | 100 |

## SUMMARY FINANCIAL STATEMENTS AND NOTES

**CONSOLIDATED INCOME STATEMENT**

| EUR 1,000 | **1-12/2010** | **1-12/2009** | **10-12/2010** | **10-12/2009** |
|---|---|---|---|---|
| Net sales | 39,367 | 32,283 | 11,195 | 8,697 |
| Other operating income | 130 | 85 | 38 | 83 |
| Materials and services | -16,780 | -13,714 | -4,679 | -3,633 |
| Employee compensation and benefit expense | -12,958 | -10,966 | -3,726 | -3,016 |
| Depreciation and impairment changes | -1,974 | -1,553 | -584 | -404 |
| Other operating expenses | -6,153 | -5,292 | -1,771 | -1,424 |
| Operating result | 1,631 | 844 | 473 | 303 |
| Financial income and expenses | -304 | -329 | -81 | -67 |
| Profit (loss) before taxes | 1,327 | 515 | 393 | 236 |
| Income taxes | -286 | -151 | -127 | -68 |
| Net profit/loss for the period | 1,042 | 364 | 266 | 168 |
| Profit for the period attributable to: | | | | |
| owners of the parent | 1,042 | 364 | 266 | 168 |
| non-controlling interests | - | - | - | - |
| Earnings per share for profit attributable to owners of the parent, EUR: | | | | |
| - undiluted* | 0.15 | 0.05 | 0.04 | 0.02 |

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000 | 1-12/2010 | 1-12/2009 | 10-12/2010 | 10-12/2009 |
|---|---|---|---|---|
| Net profit/loss for the period | 1,042 | 364 | 266 | 168 |
| Translation differences | - | - | - | - |
| Adjustment for costs arising from the rights issue | -148 | - | -148 | - |
| COMPREHENSIVE INCOME for the period | 894 | 364 | 118 | 168 |

| | | | | |
|---|---|---|---|---|
| Profit for the period attributable to: | | | | |
| owners of the parent | 894 | 364 | 118 | 168 |
| non-controlling interests | - | - | - | - |

* The share options have no diluting effect

| **BALANCE SHEET**, EUR 1,000 | **31 Dec 2010** | **31 Dec 2009** |
|---|---|---|
| | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 7,081 | 4,809 |
| Goodwill | 7,934 | 6,558 |
| Other intangible assets | 4,983 | 5,006 |
| Deferred tax assets | 144 | 223 |
| Available-for-sale investments | 4 | 5 |
| Loans and other receivables | - | - |
| Non-current assets, total | 20,147 | 16,601 |
| | | |
| CURRENT ASSETS | | |
| Inventories | 1,136 | 926 |
| Trade and other current receivables | 2,414 | 1,784 |
| Cash and cash equivalents | 432 | 418 |
| Current assets total | 3,982 | 3,128 |
| | | |
| Assets total | 24,129 | 19,729 |
| | | |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| | | |
| Share capital | 571 | 571 |
| Share premium account | - | 4,929 |

| | | |
|---|---|---|
| Invested non-restricted equity fund | 6,585 | 734 |
| Share issue | - | 250 |
| Retained earnings/losses | 1,264 | 1,228 |
| Net profit/loss for the period | 1,042 | 364 |
| Equity total | 9,461 | 8,076 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Interest-bearing liabilities | 4,737 | 4,112 |
| Deferred tax liability | 1,045 | 1,002 |
| Non-current liabilities total | 5,782 | 5,114 |
| | | |
| Current liabilities | | |
| Interest-bearing liabilities | 3,612 | 2,377 |
| Trade and other payables | 5,273 | 4,163 |
| Current liabilities total | 8,885 | 6,540 |
| | | |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 24,129 | 19,729 |

**CALCULATION OF RECONCILIATION OF EQUITY,** EUR 1,000

| | Share capital | Share premium account | Share issue | Other reserves | Retained earnings | Share-holders' equity | Equity attributable to minority interests | Total |
|---|---|---|---|---|---|---|---|---|
| Shareholders' equity 1 Jan 2010 | 571 | 4,929 | 250 | 734 | 1,592 | 8,076 | - | 8,076 |
| Result for the period | | | | | 1,042 | 1,042 | - | 1,042 |
| Expense recognition of granted options | | | | | -9 | 9 | - | 9 |
| Share issue | | | -250 | 250 | | | | - |
| Proportion of incentives paid as shares | | | | 104 | | 104 | - | 104 |
| Dividends paid | | | | | -189 | -189 | - | -189 |
| Share subscriptions with options | | | | 568 | | 568 | - | 568 |
| Effect of rights issue | | | | | -148 | -148 | - | -148 |
| Transfer from share premium account | | -4,929 | | 4,929 | | - | - | - |
| Shareholders' equity 1 Dec 2010 | 571 | - | - | 6,585 | 2,305 | 9,461 | - | 9,461 |

| | Share capital | Share premium account | Share issue | Other reserves | Retained earnings | Share-holders' equity | Equity attributable to minority interests | Total |
|---|---|---|---|---|---|---|---|---|
| Shareholders' equity 1 Jan 2009 | 571 | 5,126 | - | 1,079 | 157 | 6,934 | - | 6,934 |
| Result for the period | | | | | 364 | 364 | - | 364 |
| Expense recognition of granted options | | | | | 27 | 27 | - | 27 |
| Share issue | | | 250 | | | 250 | - | 250 |
| Share subscriptions with options | | | | 501 | | 501 | - | 501 |
| Transfer from share premium account | | -197 | | | 197 | - | - | - |
| Transfer from other reserves | | | | -846 | 846 | - | - | - |
| Shareholders' equity 31 Dec 2009 | 571 | 4,929 | 250 | 734 | 1,592 | 8,076 | - | 8,076 |

| **CASH FLOW STATEMENT,** EUR 1,000 | 1 Jan-31 Dec 2010 | 1 Jan- 31 Dec 2009 |
|---|---|---|
| Cash flows from operating activities | | |
| Net profit/loss for the period | 1,042 | 364 |
| Adjustments to the result for the financial period | | |
| Financial income and expenses | 304 | 329 |
| Taxes for the period | 286 | 151 |
| Other adjustments | -36 | -2 |
| Depreciation | 1,974 | 1,553 |
| Change in net working capital | 183 | -207 |
| Inventories | -210 | -257 |
| Effect of acquisitions on inventories | 102 | - |
| Current non-interest-bearing receivables | -630 | -26 |
| Adjustment for receivables due to acquisitions | 119 | - |
| Current non-interest-bearing liabilities | 1,111 | 245 |
| Adjustment for liabilities due to acquisitions | -316 | - |
| Others | 7 | -169 |
| Interest | -251 | -276 |
| Taxes | -236 | 165 |
| Cash flow from operating activities | 3,266 | 2,076 |
| | | |
| Net cash used in/from investing activities | | |
| Investments in tangible assets | -2,463 | -618 |
| Investments in intangible assets | -98 | -179 |
| Proceeds from sale of intangible and tangible assets | - | 17 |
| Acquisition of a subsidiary less cash and cash equivalents at the date of acquisition | -536 | - |

| | | |
|---|---|---|
| Purchase price paid for assets in acquisitions | -520 | -306 |
| Repayments of long-term receivables | - | 14 |
| Other investments | 6 | -5 |
| Cash flows from investing activities, total | -3,612 | -1,077 |
| | | |
| Cash flow before financing | -346 | 999 |
| | | |
| Cash flows from financing activities | | |
| Proceeds from long-term debt | 955 | - |
| Repayments of long-term debt | -361 | -89 |
| Repayments of finance lease liabilities | -569 | -419 |
| Proceeds from short-term debt | 567 | - |
| Repayments of short-term debt | - | -798 |
| Adjustment for expenses of the rights issue | -148 | - |
| Share subscriptions with options | 105 | 501 |
| Dividends paid | -189 | - |
| Cash flows from financing activities | 360 | -805 |
| | | |
| Increase(+)/decrease(-) in cash and cash equivalents | 14 | 194 |
| | | |
| Cash and cash equivalents at beginning of the period | 418 | 224 |
| Cash and cash equivalents at end of the period | 432 | 418 |

## NOTES TO THE FINANCIAL STATEMENTS RELEASE

Acquired business operations

The acquired business operations are described in the Board of Directors' report.

The table below shows the total consideration paid, acquired assets and received liabilities at the fair value of the transaction dates for the mergers and acquisitions performed in 2010. Some acquisitions comprise a conditional consideration, which is recorded at its discounted fair value at the time of the acquisition. The company has recorded the conditional considerations at their maximum values, i.e. assuming that the conditional purchase prices will be realized in full.

The values of the acquired assets and liabilities were as follows at the dates of acquisition:

| | **Fair values used in recording the acquisition, EUR** |
|---|---|
| Property, plant and equipment | 244 |
| Intangible assets | 393 |
| Investments | 4 |
| Inventories | 102 |
| Receivables | 119 |
| Cash and cash equivalents | 37 |
| | |
| Assets total | 899 |
| Liabilities, total | 378 |
| | |
| Net assets | 521 |
| | |
| Purchase cost | 1,906 |
| Goodwill | 1,384 |
| | |
| Purchase price paid in cash | 840 |
| Cash and cash equivalents acquired | 37 |
| Effect on cash flow | -803 |

The effect of the operations acquired during 2010 on the operating profit totals EUR 61 thousand.

The intangible assets acquired in the consolidation of the business operations described above are recorded separately from goodwill at their fair value at the time of acquisition, provided that the fair value of the asset can be reliably determined. With the acquisitions, the company has increased its patient base and the selling parties have committed to continue in its service, with associated prohibition of competition restrictions. The fair value of the intangible assets in the acquisitions has been recorded on the basis of the established prices and discounted values of estimated future cash flows.

The remaining goodwill is comprised of the yield expectations determined separately in connection with each purchase process, the local value factors of the acquired operation, such as competent personnel and those synergy benefits concerning the basic elements of chain management, such as sales function, personnel resourcing, organization of production and procurement activity, which are estimated to be achieved in the acquired target when it is consolidated into the Oral chain.

The business objectives for the period 1 January 2009–31 December 2009 required for the payment of the additional purchase price of Oral Hammaslääkärit Mikkeli Oy, which was acquired by the group on 1 December 2007, were met and one-sixth of the total purchase price of the business was paid as Oral Hammaslääkärit Plc shares to the selling parties.

The business objectives for the period 1 January 2009–31 December 2009 required for the payment of the additional purchase price for the acquisition of the business of Hämeen hammaslääkärikeskus Oy on 1 January 2008 were met. The selling parties were paid 29,500 shares in Oral Hammaslääkärit Plc and EUR 100,000 as an additional purchase price.

The business objectives for the period 1 January 2009–31 December 2009 concerning the net sales and operating result of Kalottident Oy, acquired by the group on 1 November 2008, required for the payment of the additional purchase price of a maximum of EUR 132,00 were met to the extent of EUR 52,214. The goodwill was lowered in this respect by the group.

The business objectives for the period 1 January 2009–31 December 2009 concerning the net sales and operating result of Oral Hammaslääkäri Itäkeskus Oy, acquired by the group on 1 December 2008, required for the payment of the additional purchase price of a maximum of EUR 120,000 were met to the extent of EUR 100,414. The goodwill was lowered in this respect by the group.

No changes were made with regard to the business operations consolidated in the previous financial statements as preliminary during the financial period 2010.

**Collaterals and contingent liabilities**

| Guarantee commitments on behalf of Group companies (EUR 1,000) | **2010** | **2009** |
|---|---|---|
| Business mortgage | 7,000 | 6,000 |

| Liabilities for which assets have been pledged (EUR 1,000) | 2010 | 2009 |
|---|---|---|
| Loans from financial institutions | 3,486 | 2,892 |

| Lease liabilities and other liabilities (EUR 1,000) | 2010 | 2009 |
|---|---|---|
| Maturing in 1 year | 144 | 119 |
| Maturing in more than 1 year | 133 | 134 |
| Lease liabilities and other liabilities total | 277 | 253 |

| Rental liabilities (EUR 1,000) | 2010 | 2009 |
|---|---|---|
| Rental liabilities for premises | 3,389 | 2,825 |
| Total | 3,389 | 2,825 |

| The following rents have been recognized as expenses during the financial period (EUR 1,000) | 2010 | 2009 |
|---|---|---|
| Business premise rents | 1,168 | 970 |
| Vehicle rents | 145 | 144 |
| Apartment rents | 53 | 24 |
| Equipment rents | 45 | 49 |
| Rents recognized as expenses during the financial period, total | 1,411 | 1,187 |

| INDICATORS | | 1 Jan-31 Dec 2010 | 1 Jan-31 Dec 2009 |
|---|---|---|---|
| Earnings per share, EUR | (rights issue adjusted) | 0.15 | 0.05 |
| Equity/share, EUR | | 1.46 | 1.30 |
| Equity ratio, % | | 39 | 41 |
| Gross investments in property, plant and equipment (EUR 1,000) | | 5,599 | 2,293 |

Calculation of indicators and definition of terms used:

Equity/share
Equity attributable to shareholders of the parent company/undiluted number of shares at the closing date

Equity ratio, %
Equity/Balance sheet total

Operating profit

Operating result adjusted for depreciation

Interest-bearing liabilities

Liabilities on the balance sheet-deferred tax liabilities shown under liabilities – non-interest-bearing trade payables, accrued expenses and advance payment liabilities - other non-interest-bearing liabilities.

**MAJOR SHAREHOLDERS 31 DECEMBER 2010**

| Shareholder | Share, % |
|---|---|
| Atine Group Oy | 29.37 |
| Korhonen Juha | 9.03 |
| Ranki Kari | 7.74 |
| Lahikainen Kimmo | 5.11 |
| Korhonen Sari | 4.04 |
| Ilmarinen Mutual Pension Insurance Company | 3.51 |
| Sir 8 Oy (Antti Kasi) | 3.39 |
| Björkman Stefan | 2.40 |

| | |
|---|---|
| Virta Erkki | 2.24 |
| Placeringsfonden Aktia Medica | 1.23 |
| 10 largest, total | 68.06 |
| Others | 31.94 |
| Total | 100.00 |

Major shareholders on 10 February 2011

| Shareholder | Share, % |
|---|---|
| Atine Group Oy | 29.92 |
| Korhonen Juha | 9.03 |
| Ranki Kari | 7.74 |
| Ilmarinen Mutual Pension Insurance Company | 5.20 |
| Korhonen Sari | 4.04 |
| Lahikainen Kimmo | 3.82 |
| Sir 8 Oy (Antti Kasi) | 2.54 |
| Placeringsfonden SEB Gyllenberg Small Firm | 2.05 |
| Björkman Stefan | 1.76 |
| Virta Erkki | 1.62 |
| 10 largest, total | 67.72 |
| Others | 32.28 |
| Total | 100.00 |

ORAL HAMMASLÄÄKÄRIT PLC
BOARD OF DIRECTORS

For additional information, please contact:
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A briefing on the result for analysts and media will take place today, 18 February, at 10:00 a.m. in Hotel Scandic Simonkenttä, Espa meeting room, address Simonkatu 9, Helsinki. The financial statements and Board of Directors' report will be published in electronic form on the company website by 3 March 2011.

Distribution: NASDAQ OMX Helsinki, main media, www.oral.fi