



Pihlajalinna

ANNUAL REPORT 2021

2021

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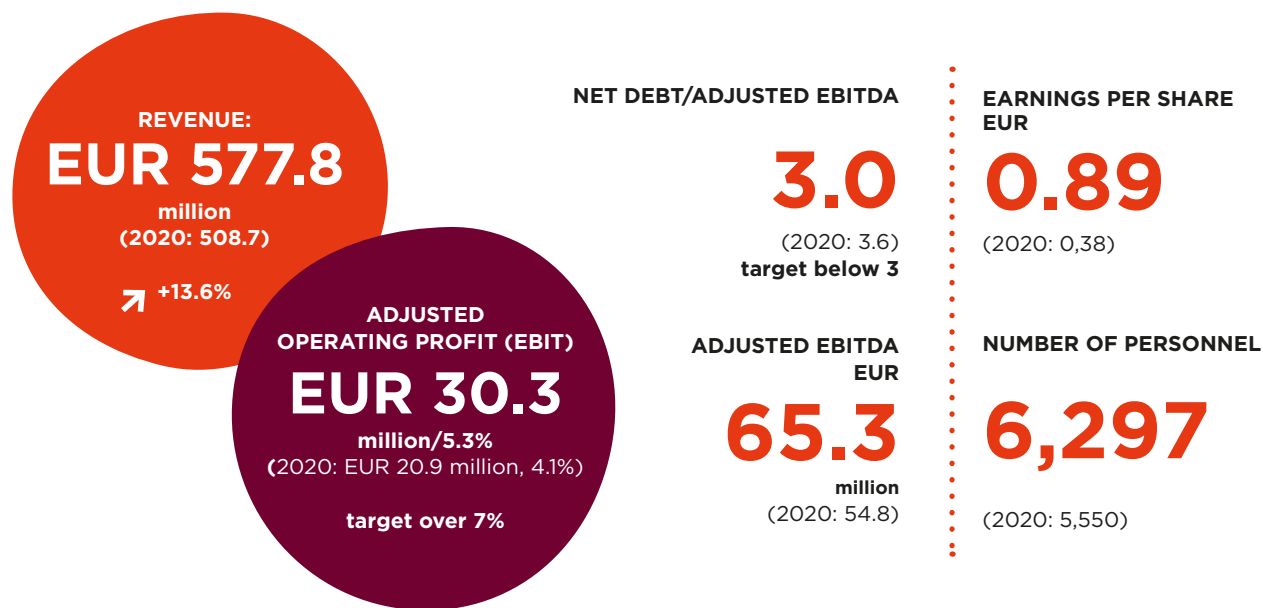
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Pihlajalinna

Key figures



Pihlajalinna

Pihlajalinna is one of the leading providers of social, healthcare and wellbeing services in Finland. The Group's customers include private individuals, companies, insurance companies and public sector entities, such as municipalities and joint municipal authorities.

- The Group pays all of its taxes to Finland
- Headquartered in Kehräsaari, Tampere
- Extensive range of on-site, remote and digital services for both private and public sector customers
- Strong geographical presence in Pirkanmaa, South and North Ostrobothnia, Central Finland, North Savo and the Helsinki Metropolitan Area
- Values: energy, ethics, open-mindedness
- Listed on the main list of Nasdaq Helsinki in 2015 (HEL: PIHLIS)

Timeline 2021

1 JAN

Bottenhavets Hälsa – Selkämeren Terveys starts operations

Selkämeren Terveys, a joint venture between Pihlajalinna, Kristiinankaupunki and the Hospital District of Vaasa produces healthcare services for approximately 6,600 residents of Kristiinankaupunki. The joint venture is responsible for physician and nurse appointments, dental care, rehabilitation services, the maternity and child health clinic and physical therapy. The term of the outsourcing agreement will be from the minimum of 15 years to maximum of 20 years.

25 JAN

Pihlajalinna and Sasky, a municipal education and training consortium expand their training cooperation

17 MAR

Pihlajalinna starts cooperation with NONNA Group

In response to the ageing of the population, Pihlajalinna invests in NONNA Group, a developer and provider of modern housing solutions. The cooperation provides us with the opportunity to be involved in developing services for safe living at home and a new concept of home delivery services.

29 MAR

Pihlajalinna launches new remote service for patients with diabetes

30 MAR

Pihlajalinna organizes Capital Markets Day

1 MAY

Työterveys Virta Oy becomes a part of Pihlajalinna Group

19 MAY

Pihlajalinna is selected as an official partner of the 2022 IIHF Ice Hockey World Championship

"Partnership with the 2022 IIHF Ice Hockey World Championship works us perfectly. We have a strong track record in supporting sports, and it was easy to find shared goals and values with the event. The Finnish team will play all of its games at the newly built arena in Tampere, so I am eagerly looking forward to the tournament myself," says CEO **Joni Aaltonen**.

20 MAY

Pihlajalinna's 24 hour customer service is launched

21 MAY

Pihlajalinna Mental Care (Mielen huoli) mental health help line is launched

1 JUN

Pihlajalinna becomes the healthcare service provider of Hailuoto municipality

11 JUN

The District Court of Kanta-Häme issues a decision on the dispute between Pihlajalinna and the municipality of Hattula

21 JUN

Pihlajalinna acquires Digital Health Solutions Oy

1 JUL

Pihlajalinna signs an extension contract as UPM's occupational healthcare service provider

2 JUL

Pihlajalinna announces its intention to acquire Pohjola Hospital

The acquisition is an important element of Pihlajalinna's growth strategy, and it strengthens the Group's service portfolio in all healthcare specialties. The business combination also enables the geographical expansion of the service network, especially in the Helsinki Metropolitan Area and other growth centers. Growth potential is further increased by the new five-year service agreement signed with Pohjola Insurance in connection with the deal.

9 JUL

Pihlajalinna's remote consultation service Health App (Terveyssovellus) becomes available around the clock

17 AUG

Pihlajalinna signs an extension contract as Stora Enso's occupational healthcare service provider

19 AUG

Pihlajalinna announces opening of a private clinic in Lahti

23 AUG

Pihlajalinna launches Pediatrician chat service

"We want to offer the best possible service to families with children. Through the Pihlajalinna Health App (Terveyssovellus) health application, parents can quickly get professional help with their child's ailment, and the service can be used from anywhere, even from the summer cabin or while on a holiday trip," says **Nina-Maria Tigerstedt**, Business Director, Pihlajalinna Remote Clinic.

3 SEP

Pihlajalinna becomes as an official main partner of the Finnish Ski Association

8 SEP

Uniikki, a special housing unit opens in Lohja

8 OCT

Pihlajalinna wins a public bidding competition for Piispanportti health centre in Espoo

1 NOV

Finla's occupational health care unit in Mänttä becomes part of Pihlajalinna Group

9 NOV

Pihlajalinna's weight management clinic starts operations



From the CEO

How would you describe 2021?

The year 2021 was characterised by the healthcare challenges brought with the prolonged COVID-19 epidemic. These challenges also had an impact on Pihlajalinna. We adapted our services in response to the new needs created by the epidemic; for example, by performing COVID-19 testing throughout the year and participating in the vaccination effort. We kept a close eye on the development of the situation. Our employees did very well in adapting to the changing circumstances. During the epidemic, we have shown to be a significant and flexible part of the Finnish healthcare.

We launched our updated strategy at our Capital Markets Day in March. We focus on the renewal of private customer services, strengthening cooperation in social and healthcare services and our relationships with the upcoming wellbeing services counties, and promote the development of digital services.

Our strategic choices and our efficiency improvement program have been reflected in our operations. Our revenue increased strongly in 2021 and our profitability improved clearly.

What were the highlights of 2021?

At the beginning of July, we announced that we will acquire the entire share capital of Pohjola Hospital Ltd. The transaction was approved by the Finnish Competition and

Consumer Authority at the beginning of 2022 and completed on 1 February 2022. In connection with the acquisition, we signed a new five-year service agreement with Pohjola Insurance. Our goal is to expand our network of operating locations and our range of specialised care services regionally, especially in the Helsinki Metropolitan Area and other growth centers.

The integration of Työterveys Virta, which was acquired by Pihlajalinna in 2021, progressed according to plan. The acquisition strengthened our position in Northern Ostrobothnia and Oulu region. We are also very satisfied with the development of our occupational healthcare services. Our customer base has grown and, within the year, we signed extensions to our contracts with Stora Enso and UPM, for example. The number of people currently within the scope of Pihlajalinna's occupational healthcare services is approximately 250,000.

We invested in digitalization in 2021, which significantly improves our competitiveness. This development is also reflected in our day-to-day operations: approximately 40 per cent of our customers in categories other than municipal outsourcing use our services digitally. We have developed entirely new types of services where remote services are an essential part of the care path. One concrete example is the remote service model for diabetes, which is described in more detail on page 10 of this Annual Report.

Mental health problems and related disability have increased alarmingly over the past few years. This trend has intensified during the COVID-19 epidemic. An anonymized analysis of Pihlajalinna occupational health care visits was used to evaluate the extension of the problem in Finland in terms of mental health issues. The rate of sickness-related absences caused by reasons related to mental health per 1,000 employees have increased by 24 per cent compared to last year. Correlation to the pre-epidemic period in 2019, the increase is as high as 36 per cent. In 2021, we developed low-threshold mental health services, such as the Mental Care (Mielen huoli) help line, which is described in more detail on page 12 of this Annual Report. Our goal is effective prevention and early intervention to avoid extended disability and human suffering.

The COVID-19 epidemic has burdened the healthcare system in many ways, and the care backlog has increased for many illnesses. Our new service concepts enable us to produce healthcare services more efficiently and make them available to a growing number of private customers, also through remote channels.

How do you see Pihlajalinna's future?

Our strategic choices, the acquisition of Pohjola Hospital and our five-year agreement with Pohjola Insurance are welltimed. In addition to the care backlog created by COVID-19, the entire Finnish social and

healthcare service system is in the midst of historic reforms. In June 2021, the Finnish Parliament approved the new legislation governing the organization of social and healthcare services. Consequently, from the beginning of 2023, the responsibility for organizing social, healthcare and rescue services will be transferred to 21 wellbeing services counties.

Clinical quality has always been at the core of Pihlajalinna's operations. In 2022, we will update our strategy concerning quality and impact and will also define and publish new performance measures for our operations.

We are seeking revenue growth of EUR 250 million by the end of 2025, using 2021 as the baseline. One third of the growth is expected to arise from the public sector and the rest two thirds from corporate and private customers. We expect to further accelerate our growth in 2022.

At the same time, the demand for our services is increasing due to the needs of the ageing population and the growing health trend among consumers. The use of data in health monitoring will create new expectations for healthcare providers, and digitalization will increasingly be a driver of service development. Our goal for the future is to continue to be a significant part of Finnish healthcare and to be at the forefront of developing and producing new impact-based services.

JONI AALTONEN

Toimitusjohtaja

Pihlajalinna's strategy 2021–2025

Strategic priorities

1. The renewal of services for private customers

Pihlajalinna will strengthen its multichannel services and consumer business through new service concepts and digital innovation.

2. Cooperation in social and healthcare services

Pihlajalinna will engage in close cooperation with the future wellbeing services counties and build a strong market position in public healthcare.

3. Enhancing digitalisation

Pihlajalinna has a strong focus on digitalisation in the development of personnel, the customer experience and operational performance.

Objectives for the strategy period

- Pihlajalinna offers the most attractive and diverse range of services.
- Pihlajalinna is the number one choice of consumers and professionals.
- Pihlajalinna services are easy to access and available without delay.
- Revenue growth of EUR 250 million by the end of 2025, using 2021 as the baseline. One third of the growth is expected to arise from the public sector and the rest two thirds from corporate and private customers.
- Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) over 9 per cent of revenue in the long term.
- Long term target for net debt is less than 3x adjusted EBITDA. In the beginning of strategy period due to Pohjola Hospital acquisition the net debt will decline close to to 5.
- Distributing at least one-third of the profit for each financial year to shareholders as dividends or capital repayment.

Performance indicators

The achievement of goals is measured by, for example, financial indicators, an increase in the number of appointment times and procedures available to customers, and in the Net Promoter Score (NPS), which measures the customer and employee experience.

Mission

We help Finns to live a better life

Vision

We bring wellbeing to everyone

Values

Ethics, energy, open-mindedness

The operating environment

The Finnish social and healthcare sector is undergoing a historic transformation. In June 2021, the Finnish Parliament approved a new package of legislation on social and healthcare services. As a result, the responsibility for organising social, healthcare and rescue services will be transferred from municipalities and joint municipal authorities to 21 wellbeing services counties, the City of Helsinki and partially to the joint county authority for the Hospital District of Helsinki effective from the beginning of 2023.

The COVID-19 epidemic continued throughout 2021, creating waves of infection early in the year, after the summer and late in the year. The seven-day averages for new cases and the number of hospitalized patients peaked in Finland in January 2022. Pandemic-related restrictions were in place throughout 2021, and extensive restrictions were imposed at the turn of the year due to the Omicron variant. While infection numbers are still high nationally, the number of cases requiring intensive care has decreased substantially. In negotiations held on 2 February 2022,

the Finnish Government determined that the extensive restrictions can be gradually relinquished while taking the epidemiological situation into consideration. The extensive restrictions have included, for example, the complete closure of indoor facilities used for individual sports and physical exercise by adults. The second-dose vaccination coverage in Finland stood at 74.5 per cent of the entire population at the beginning of February 2022.

Due to the COVID-19 restrictions and the burden placed on the healthcare system by the epidemic, the treatment backlog for other illnesses continues to grow. According to the Finnish Institute for Health and Welfare statistics, queues for treatment in public healthcare have increased in general due to COVID-19. At the end of November, a total of 150,392 patients were waiting for access to care at hospitals operated by the hospital districts. This represented a year-on-year increase



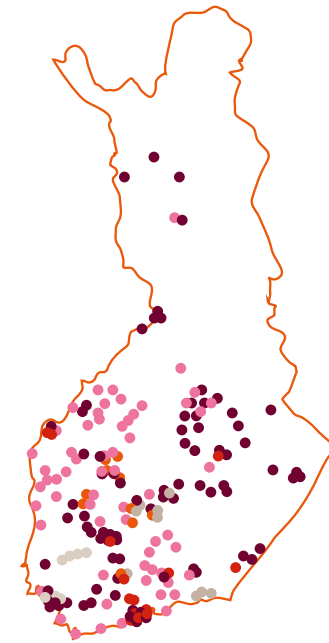
Pihlajalinna business locations 2021

- Private clinic, surgical operation, dental clinic
- Social and healthcare outsourcing
- Residential service
- Fitness centre
- Responsible doctor service

of nearly 9,000 patients. Of these, 9,499 patients (6.3 per cent) had waited for access to non-urgent specialised care for more than six months, which is an increase of nearly 1,900 patients compared to the beginning of 2021. Care queues have grown especially in surgery and psychiatry.

In primary care, non-urgent outpatient appointments with physicians were available within one week of the assessment of the need for treatment in approximately 60 per cent of cases in October 2021 in all of the Regional State Administrative Agency regions. The increased use of remote consultations has expedited access to care at health centers. In October 2021, the number of non-urgent visits to dental care was still lower than in 2019.

The number of voluntary medical expenses insurance policies increased significantly between 2009 and 2020. According to Finance Finland, over 1.26 million Finns had private medical expenses insurance at the end of June 2021. Growth has been seen in insurance policies taken out by adult private individuals, children's insurance policies as well as medical expenses insurance policies taken out by companies for their employees.



The new social and healthcare service system will significantly reshape health care structures and needs as the responsibility for organising services is transferred from municipalities to larger wellbeing services counties.

Trends and megatrends influencing our industry

The trends, megatrends and drivers of change in our society are reflected in the operations and development needs of social services and healthcare. We keep a close eye on their development and impacts and we anticipate the future. This is crucial for our ability to respond to the future challenges of the social and healthcare services sector and help people in Finland to live a better life.

Trends and megatrends have a very concrete impact on Pihlajalinna's development. This is reflected in our business operations in various ways, including the continuous development of extensive remote services, comprehensive occupational healthcare services, effective social and healthcare service solutions developed in cooperation with the public sector and the creation of other care paths that support wellbeing. These are discussed in more detail in this Annual Report.

The rapid and unpredictable changes in society caused by the COVID-19 pandemic challenge the prevailing trends. For example, the COVID-19 crisis is considered to have affected the megatrend of urbanization at least temporarily, with migration in Finland being increasingly

directed towards more rural municipalities and municipalities surrounding growth centers. However, the actual impact on megatrends of the changes caused by the epidemic can be assessed only after a longer period of time. In a short term, the significant care backlog caused by the COVID-19 epidemic presents a challenge to the Finnish healthcare system.



Sustainability (social and ecological sustainability)

In addition to the ecological sustainability crisis, we need to respond to questions concerning the future of social sustainability. In addition to participation, a sense of community and accessibility, social

sustainability is a matter of the fair distribution of benefits and disadvantages. Social sustainability is reflected in, for example, the wellbeing of companies' employees and maintaining the vitality of different regions.

The rapid and unpredictable changes in society caused by the COVID-19 pandemic challenge the prevailing trends.



The digital transformation continues

The rapid development of technological solutions continues, and the COVID-19 epidemic has only increased the demand for virtual operating environments and services. Health technology is becoming part of daily life, remote consultations are becoming common and people are measuring their health in various ways. The use of artificial intelligence in predicting and diagnosing illnesses is increasingly becoming a part of the care chain.



Healthcare reform

Finnish social and healthcare services are in the midst of historic reforms. The new social and healthcare service system will significantly reshape healthcare structures and needs as the responsibility for organizing services is transferred from municipalities to larger wellbeing services counties. The reforms will have significant impacts on municipalities' resources and economic situation, as social and healthcare services have previously accounted for a majority of municipalities' expenses.



Urbanization continues

The population concentrates in growth centers. According to forecasts, jobs will be concentrated mainly in cities, which also offer the best study opportunities. In municipalities with a negative net migration rate, the population is ageing and the challenges related to the availability of healthcare services are becoming deeper.



Increasing inequality

The health of Finns has improved on the whole, but the differences between socioeconomic groups are among the largest in the Western world. For example, the life expectancy of a Finnish man with a higher education is approximately six years longer than that of a man with only a basic education completed. The differences between socioeconomic groups are related to, for example, the use of health services and lifestyle choices that are relevant to health.



Growth and concentration of wealth

The growth of total wealth contributes to the growth of consumption. However, there is a clear concentration of wealth among the older generations, who also have an increased need for healthcare services. Indeed, their wealth is reflected in investments in their own health. More and more people have the ability to take out voluntary medical expenses insurance, for example. According to Finance Finland, over 1.26 million Finns had a private medical expenses insurance at the end of June 2021.



The population is ageing

The ageing of the population continues, and the biggest changes in the age structure are still to come. They will have a significant impact on the dependency ratio in Finland and the increasing prevalence of age-related illnesses. According to population forecasts, there will be seven non-working-age persons per 10 working-age persons in Finland by 2050. The ageing of the large generations will pose unprecedented challenges to the economics of our society.



Health remains a strong trend

Interest in personal health and wellbeing is increasing, especially among younger people. The self-monitoring of health has become increasingly common as technology has developed. The health trend is also reflected in statistics: people in Finland smoke less, eat healthier food, exercise more and are more active users of health and wellbeing services.



Lifestyle diseases are increasing

The most common causes of death among working-age people in Finland are tumors, cardiovascular diseases, dementia and causes related to alcohol consumption. However, standardized mortality in the working-age population, relative to the age structure and size of the entire population, is declining. Although recreational exercise that promotes wellbeing has increased, the level of fitness especially among young age groups has declined and overweight is an increasingly common issue. The period of the COVID-19 epidemic has also had a negative impact on the physical fitness of people in Finland.

Diverse remote services

Although the general wellbeing of Finns has improved, statistics show that half a million Finns have diabetes, more than half of the population is overweight, and mental health problems have become the most common cause of disability pensions, with the number of pensions having risen by as much as 10–20 per cent. The ageing of the population also brings other health issues, such as tumors, Alzheimer's disease and cardiovascular diseases. The focus of healthcare should be shifted increasingly towards prevention. Allocating resources based on the impact of care makes care chains more effective in terms of both wellbeing and costs.

Pihlajalinnna has done long-term work around development in areas such as remote services, digital solutions and comprehensive occupational healthcare services.

The COVID-19 epidemic has accelerated digitalization and further increased the number of remote consultations. Pihlajalinnna has also launched new data-driven services based on remote consultations, such as the Pihlajalinnna Diabetes Clinic and the

Pihlajalinnna Weight Management Clinic. They help patients achieve better balance by integrating monitoring and measurement into care paths Pihlajalinnna strengthened its position as pediatric service provider by launching a new pediatrician chat service in the Pihlajalinnna Health App application in August. Pediatrician chat service is available without an appointment. Many acute ailments not requiring physical examination, can be treated through the application. A pediatrician can also prescribe medication, renew prescription or issue a referral for further examinations.

Pihlajalinnna will further develop its network of operating locations and its range of specialized care services as well as continue to expand its service network geographically, especially in the Helsinki Metropolitan Area and other growth centers.

Monitoring the impact of services is an important aspect of service development. Pihlajalinnna has initiated a strategy effort to assess performance indicators that measure service quality and impact. The need for healthcare services is growing, and it is important to find solutions for both prevention and treatment with the most impact.



The pediatrician chat service is available without an appointment.

Remote services and new treatment models

Pihlajalinnna improves the availability and accessibility of its services by introducing new service innovations and by developing digital services in particular. In recent years, Pihlajalinnna has significantly expanded the range of remote services. Remote services help equalise regional differences in service provision and have enabled the flexible and safe use of services during the COVID-19 epidemic.

163

SPECIALISTS

Number of specialists who provided appointments via the Pihlajalinnna health application in 2021.

39 %

Percentage of remote consultations in 2021.

55 %

Growth of Pihlajalinnna remote appointments service volume in percentage in 2021.

10

SECONDS

The median waiting time of customers using the Pihlajalinnna health application in 2021.

98%

Growth of Pihlajalinnna Health App service volume in percentage in 2021.



15 500

RESPONSIBLE DOCTOR SERVICE CUSTOMERS

Number of customers treated via Pihlajalinnna's responsible doctor service in 2021. In Pihlajalinnna's responsible doctor model, a physician who is familiar with the patient's overall situation is responsible for their day-to-day care in cooperation with nursing staff. The model is part of our range of services offered to municipal customers.

72

MUNICIPALITIES

Pihlajalinnna's responsible doctor service is used by 72 municipalities across Finland. The customers include municipalities as well as joint municipal authorities.



Low-threshold help for mental health concerns – without queuing

The growing demand for mental health services and the challenges related to access to care make frequent headlines. Pihlajalinna responded to the challenge by developing Mental Care (Mielen huoli), a mental health helpline that offers quick and convenient access to professional help.

The need for mental health services is growing in Finland. Statistics show that the number of Finns receiving sickness allowance paid on the basis of mental health increased throughout the 2010s (Finnish Institute for Health and Welfare), and mental health and behavioral problems have become the most important basis for disability pension (Finnish Association for Mental Health, Finnish Centre for Pensions). According to the OECD, the costs of mental health treatment in Finland amount to roughly EUR 11 billion per year, including the labor market costs, healthcare service costs and social security (Finnish Association for Mental Health).

“Mental health services are often congested and access to care can be slow. The prolonged COVID-19 epidemic and isolation from other people has only aggravated the situation for people who struggle with their mental health. This

means there is a great demand for the Mental Care helpline that was launched in May 2021,” says **Marika Pöyri-Pirkola**, Team Leader for the Mental Care helpline at Pihlajalinna.

Help for small and large concerns

The Mental Care helpline offers help with a wide range of mental health issues, such as anxiety, depression, fatigue, insomnia, problems with coping at work and sudden stressful life changes. The customer is initially connected to a nurse with completed training on short-term therapy. Together with the customer, the nurse plans the appropriate treatment path. The customer can get acute discussion help from the Mental Care nurse, proceed to short-term therapy or proceed to longer-term treatment. If necessary, the customer is offered a consultation with a specialist in psychiatry.

“The customer benefits from close collaboration between the nurse and the specialist in psychiatry. At the same time, the cost of care remains moderate because the specialist’s services are used only as necessary. The Mental Care helpline has been well received. The number of customers is growing and the feedback from our customers has been very posi-

tive. We will also continue to develop the service further,” Pöyri-Pirkola adds.

Secure healthcare services remotely from the comfort of your living room

The Mental Care helpline is implemented entirely through initial remote consultations. Customers can get assistance from the comfort of their living room, anywhere in Finland. The remote service model also makes efficient use of the resources of mental health professionals.

“The Mental Care helpline, like all Pihlajalinna’s digital services, is based on an uncompromised information security. The Visiba Care reception platform we use has been developed specifically for patient use. It uses communication methods which ensure the information sent between the customer and Pihlajalinna’s servers remains confidential and encrypted using the TLS encryption protocol. The Swedish Medical Products Agency has awarded the CE mark to Visiba Care in recognition as a first-class product in terms of its medical and technical security. All patient data is processed in accordance with the General Data Protection Regulation (GDPR) and the Act on the Electronic Processing of Client Data in Healthcare and Social Welfare,” Pöyri-Pirkola concludes.

”
The need for mental health services is growing in Finland.

Exercise Referral - a personalized and safe solution to promote physical activity

Pihlajalinna mission is to help its customers to live a better life. As a concrete example of this, Pihlajalinna launched the exercise referral concept in the summer of 2021. This completely new operating model in Finland supports comprehensive customer care.

The service is based on comprehensive scientific evidence regarding the benefits of physical activity in the treatment of illnesses. Exercise can play a crucial role in the success of treatment and it can be used either alone or to support medical treatment. At Pihlajalinna, the exercise referral is seen particularly useful in the areas of healthcare where physical exercise has thus far been a less-used form of treatment.

“Exercise can be recommended in various situations as part of a treatment. It has been shown to be useful in the treatment of high blood pressure, diabetes, depression, musculoskeletal disorders and many other conditions. When a customer makes exercise part of their lifestyle, the impact can be tremendously positive. For example, type 2 diabetes can be prevented or controlled with appropriate exercise and diet, so that the patient’s medication can be even discontinued altogether,” says

Regional Director, specialist in geriatrics **Arvo Haapanen** from Pihlajalinna.

Pihlajalinna’s Exercise Referral (Liikuntalähetä) concept and its seamless functionality of the service is guaranteed by cooperation between Pihlajalinna’s private clinics and Forever fitness centers also being part of the Group. When deemed necessary, the exercise referral is sent to Forever with the customer’s consent, and Forever then contacts the customer to make an appointment with a physiotherapist. At the initial meeting, the customer’s starting level is assessed and goals are set, considering any physical or psychological barriers to exercise allowing the physiotherapist to recommend a customized and safe exercise plan for the customer.

“To support the customer, we gather a multidisciplinary team that may include not only the treating physician and physiotherapist but also a personal trainer, motivation trainer, Fustra trainer, nutritionist and massage therapist. The physiotherapist closely supports the customer in putting the exercise plan into action and refers the customer to a follow-up with the physician at appropriate intervals. The aim is for the customer to succeed – to get help for their health problems and adopt a physically active lifestyle,” says

Mikko Mustala, Managing Director of Forever fitness centres.

The annual cost of physical inactivity adds up to several billion euros

As many as 80% of Finns are not physically active enough with regard to their health, which leads to costs to society that amount to at least EUR 3 billion annually (UKK Institute). The costs are expected to only increase due to the ageing of the population and increasing morbidity. One in two members of the working-age population in Finland have a lifestyle illness or an elevated risk of one. For example, over two million people in Finland are overweight, and half a million Finns have been diagnosed with type 2 diabetes.

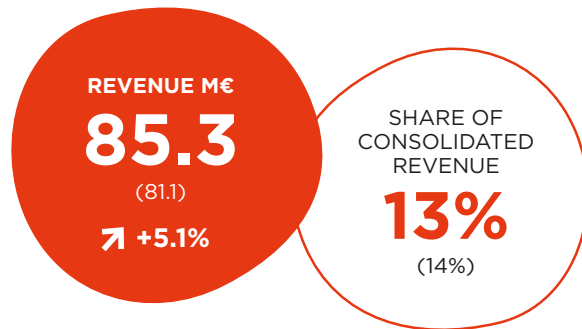
“There is only one cure to physical inactivity: you need to get moving! Our exercise referral concept is a highly refined, personalised, safe and easy way to make exercise part of your life,” Arvo Haapanen concludes.

As many as 80% of Finns are not physically active enough with regard to their health.

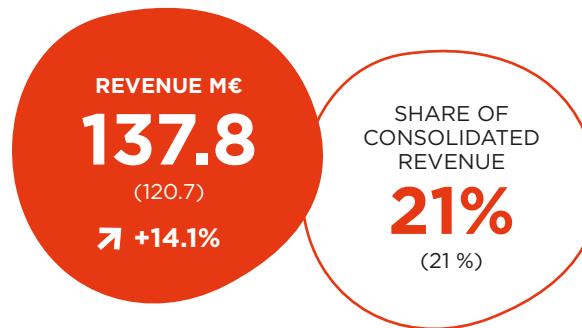


Customer groups

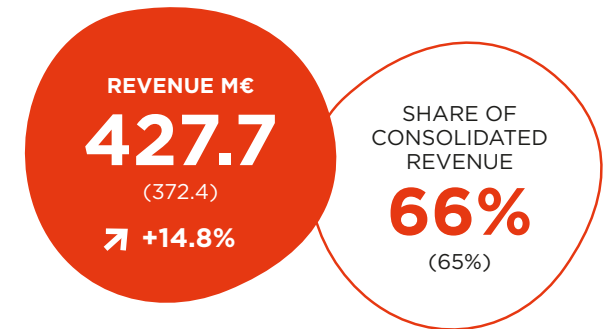
Private customers



Corporate customers



Public sector



Pihlajalinna's customer groups are corporate customers, private customers and public sector customers.

The Group's corporate customer group consists of Pihlajalinna's occupational healthcare customers, insurance company customers and other corporate contract customers.

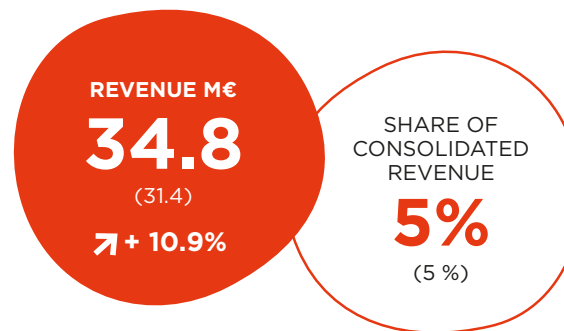
The Group has approximately 250 000 occupational health care customers.

The Group's private customers are private individuals who pay for services themselves and may subsequently seek compensation from their insurance company.

The Group's public sector customer group consists of public sector organizations in Finland, such as municipalities, joint municipal authorities, parishes, hospital districts and public administration when purchasing social and health-care outsourcing services, residential services, occupational healthcare services and staffing services.

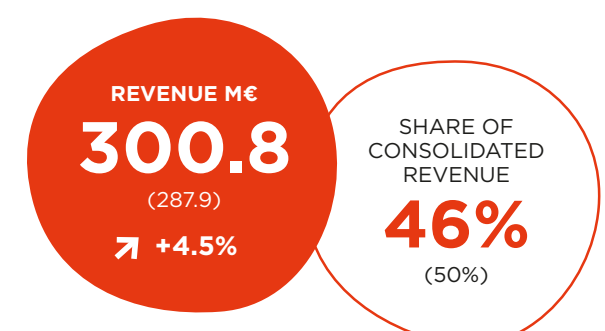
Insurance company customers

(included in corporate customers)



Complete and partial outsourcings

(included in public sector)



Deeper cooperation with insurance companies

Pihlajalinna is a partner to all insurance companies and treats a significant portion of the illnesses and accidents of their customers.

Pihlajalinna's cooperation with insurance companies has been intensifying year by year. Pihlajalinna has developed a unique care chain model that ensures the high quality and cost-effectiveness of customer care. The model is based on Pihlajalinna's extensive experience of public sector partnerships.

The care chain model has been further developed in cooperation with insurance companies. The purpose of the model is to ensure quick access to treatment for employees and private customers. This allows the customer to get an appointment with a specialist on the day of the accident and is referred to further examinations if needed, which typically are X-ray and MRI imaging. If the accident is severe and requires surgical treatment, the procedure enables to proceed without

a delay from the initial appointment. The aim is to get the customer back to work and normal life as soon as possible, which is beneficial to the customer, their employer and whole society.

Pihlajalinna measures the impact of treatment by reporting to insurance companies on service promise times and the time spent on providing care through a specific scheme. Systematic action and monitoring aim to ensure the start and implementation of treatment to be prompt and cost-effective, also from the employer's point of view. The measurement of the impact of the care chain is planned to be further developed.

In the cooperation Pihlajalinna places a key emphasis on delivering a good customer experience to the user of the services. At the heart of the process is high quality treatment and functioning care chain following all agreed steps, from start to finish. It is also important for employees to get their sickness absence certificates recorded and delivered to their insurance

company in a timely manner to avoid any delay in compensation for lost earnings.

Pihlajalinna has taken significant steps in cooperation, with the latest being the acquisition of Pohjola Hospital sealed in January 2022 to be part of the Group. The acquisition improves service availability and the service offering and expands the provision of orthopedic services in particular. Pohjola Hospital is known especially for its high-quality expertise in orthopedics and hand surgery.

Pihlajalinna expects to significantly grow its business operations with the customer flow through insurance companies. Also the national reform of social and healthcare services as well as the growing popularity of medical insurances are expected to accelerate the growth.



The customer gets an appointment with a specialist on the day of the accident and are referred to further examinations if needed.

2021, a year of development

Diverse services related to the epidemic



As the COVID-19 epidemic prolonged, Pihlajalinna continued to actively develop and conceptualize services related to the epidemic management, such as COVID-19 testing. Pihlajalinna helped to ensure a safe organization of the Ruka Nordic ski event in November through systematic testing.

A total of 385 athletes and 821 team members joined the event in Ruka. Pihlajalinna's well-honed testing process and experienced testing team ensured smooth and quick service for athletes and their support teams.

Comprehensive support for weight management



Obesity is a long-term condition causing significant physical, psychological, social and financial consequences. Pihlajalinna's Weight Management Clinic provides its customers with comprehensive, specialist-led treatment to support weight management. The Clinic operates nationally as a remote service, but customers can also visit the clinic in person in Munkkivuori, Helsinki.

The care path starts with an assessment consultation. The potential need for medical or surgical intervention is evaluated by an experienced specialist. Dieticians, physiotherapists from Forever fitness centers together with the therapy and sleep coaching services support the customer's success.

Main partner of the Finnish Ski Association



Pihlajalinna's three-year partnership agreement with the Finnish Ski Association (FSA) covers women's, men's, girls' and boys' national teams in all of the FSA's sports, namely cross-country skiing, ski jumping and the Nordic combined.

As a leading expert in medicine and health, Pihlajalinna wants to work together with the FSA to support the success of top sports and the potential of Nordic winter sports to inspire people to exercise. The partnership agreement includes extensive health cooperation, with Pihlajalinna ensuring the national teams having access to physicians and physiotherapists at their training camps and on competition trips. Pihlajalinna also provides the COVID-19 testing services required by the FSA.

Remote consultations around the clock



With the service renewal, Pihlajalinna enables 24 hour access to remote consultation for private customers whenever they need it. The remote consultations are available through Pihlajalinna Health App (Terveyssovellus) health application.

At night (between 11 p.m. and 7 a.m.) a nurse assesses the need and urgency of a treatment through a remote consultation. This ensures that the customer can be directed to the appropriate care path immediately. The nurse may also consult a physician and the physician will contact the customer if necessary. During the day time, various acute conditions not requiring a physical examination can be treated through remote consultations, as well as prescribe medication, issue referrals for further examinations and issue short sickness absences.

2021, a year of development

Top-tier hospital



In July 2021, Pihlajalinna Terveys Oy announced its intent to acquire the entire share capital of Pohjola Hospital. The transaction was completed on 1 February 2022 after the Finnish Competition and Consumer Authority approved the acquisition.

The business combination strengthens Pihlajalinna's service portfolio and enables the geographical expansion of the service network, especially in the Helsinki Metropolitan Area and other growth centers. The acquisition also further improves Pihlajalinna's opportunities for the development, digitalization and conceptualization of services. The acquisition not only improves the availability of our services and our service portfolio, but also expands the provision especially in the orthopedic services. Pohjola Hospital is known for its high-quality expertise in orthopedics and hand surgery. Growth potential is further increased by the new five-year service agreement signed with Pohjola Insurance in connection with the deal.

Digital health



Pihlajalinna acquired a part of Digital Health Solutions Ltd and agreed on the future acquisition of the company's entire share capital from its current owners.

The company's main product is the Digiterveys digital health service concept, which includes a digital service platform.

The service concept has been developed to support the wellbeing of the personnel of organizations in various ways. It helps organizations to look after individuals in times of change. The concept is unique, as it is not focused only on physiological health and nutrition, but also on work performance, stress tolerance and recovery.

Remote service for patients with diabetes



Pihlajalinna Diabetes Clinic aims to offer high-quality treatment and the monitoring of diabetes regardless of the customer's habitation. The clinic's new remote service is aimed particularly at patients with type 2 diabetes.

The service is used via the Pihlajalinna Health App (Terveys-sovellus) health application. The customer is initially connected to a diabetes nurse and subsequently to a remote consultation with a specialist in internal medicine. The customer is always served by diabetes specialists, and the treatment plans are made on the basis of the latest international treatment recommendations in addition to the national Current Care Guidelines used in Finland. Treatment of type 2 diabetes is currently being revolutionized by new and effective medications that can significantly reduce the risk of diabetes comorbidities and support the patient's weight management.

Expansion of special housing services



A new Uniikki spot, a special housing unit with capacity for 14 residents opened in Lohja in September. Pihlajalinna Uniikki is a concept for service housing with 24-hour assistance for people with developmental disabilities and those on the autism spectrum.

Uniikki's goal is to develop new customer-oriented service models, and the focus of operations is on the equal encounter with customers. "Uniikki's operations are focused on individual functional daily life and supporting the residents' right to self-determination. At Uniikki, service housing with 24-hour assistance is based on the engagement of the residents and the idea of everyone having the right to live a life of dignity that suits their individual circumstances," says **Miina Laru**, Managing Director of Pihlajalinna Special Housing Services.

Sustainability in Pihlajalinna



P Pihlajalinna publishes its GRI sustainability report

Pihlajalinna began an effort to develop its sustainability strategy in autumn 2021. As a part of the process, Pihlajalinna made a materiality assessment of its impacts on society as well as defined the key sustainability themes, risks and stakeholders. The results are presented in the Sustainability Report published in 2022, which marks the first time the report applies the international GRI Standards (Global Reporting Initiative) framework.

Pihlajalinna will continue to develop its sustainability reporting further and prepare for the revised reporting obligations arising from a Regulation issued by the European Commission, for example.

Patient safety and the prevention of illness are at the core of Pihlajalinna's sustainability.

”

The three main themes of sustainability were identified on the basis of a materiality assessment

As part of the adoption of the GRI Stan-

dards reporting framework, a working group comprised of representatives of Pihlajalinna's management carried out Pihlajalinna's first GRI-compliant materiality assessment in December 2021. The assessment is based on interviews conducted in autumn 2021 to identify key sustainability impacts in Pihlajalinna business operations. The assessment also took into account stakeholder feedback and the stakeholder survey conducted in late 2019. The materiality assessment serves as the foundation for Pihlajalinna's future sustainability efforts, including the process of defining the company's sustainability strategy.

In the materiality assessment, a total of 15 topics were identified as being significant with regard to the company's impact and stakeholder views. These topics were grouped under three main themes: responsibility for health and wellbeing, sustainable business and responsibility for personnel.

Responsibility for health and wellbeing

Patient safety and the prevention of illness are at the core of Pihlajalinna's sustainabil-

ity. The impact and quality of services, as well as their availability and accessibility, were also identified as key sustainability topics. Pihlajalinna also emphasizes the importance of processing patient and personal data securely and ensuring the uninterrupted operation of information systems.

Sustainable business

For Pihlajalinna, sustainable business means striving for good corporate citizenship. Operating ethically and sustainably is key to achieving the Group's strategic objectives. Pihlajalinna also creates economic value for society by producing efficient social and healthcare services, purchasing services and goods from local suppliers and paying all of its taxes to Finland.

Responsibility for personnel

Pihlajalinna wants to be the first choice among professionals in its industry. The company aims to deliver an excellent employee experience, where the key sustainability-related elements include occupational safety, looking after employee wellbeing, and competence development.

Employee competence is the foundation for quality and patient safety



Pihlajalinna aims to ensure regulatory compliance, high quality, safety and impactful treatment every day. Patient safety and the secure processing of patient and personal data are basic preconditions for the company's operations.

The professional competence of employees constitutes the foundation of quality and patient safety. The professional qualifications of employees are verified during recruitment, and new employees are trained for their duties in accordance with an induction training programme. Pihlajalinna actively develops employee competence.

Development of environmental management systems to commence in 2022



Over the years, Pihlajalinna's service network has grown in scale and now covers entire Finland. With over 150 operating locations, the significance of the Group's environmental responsibility has increased.

Pihlajalinna's operations create environmental impacts in the form of energy consumption, CO2 emissions and waste. Pihlajalinna will start to develop its environmental management systems in 2022 with the aim of seeking ISO 14001 certification for selected businesses.

Medical key figures 2021

16,34

COMPLAINTS*

0,39

OFFICIAL COMPLAINTS*

1 267 010

TOTAL NUMBER OF VISITS

0,08 %

PATIENT INJURY NOTIFICATIONS FILED IN 2021*

0

SURGICAL INFECTIONS** DEEP INFECTIONS

NPS INDEX

+75

PRIVATE CLINICS

+85

DENTAL CLINICS

+70

MUNICIPAL JOINT VENTURES

+91

HOSPITALS

+67

TELEPHONE SERVICES

+73

PIHLAJALINNA HEALTH APP

The number of appointments, complaints, official complaints and patient injury notifications include Pihlajalinna's private healthcare services

(private clinics, private hospitals, occupational health centres and dental clinics) and cases that occurred in those services and which the Group was informed of. The Group does not necessarily receive information about complaints, official complaints or patient injury notifications related to the operations of practitioners working at Pihlajalinna's clinics.

* The number of complaints, official complaints and patient injury notifications is expressed per 100,000 appointments. Since January 2021, it has also been possible to submit complaints via Pihlajalinna's website.

**The figure for patient injuries reflects the number of compensable injuries according to decisions issued by the Patient Insurance Centre in 2021.

The total amount of feedback received in 2021 was 121,818 (81,582). Net Promoter Score (NPS) is expressed in a range of -100 to +100.

Personnel, the most important resource

Pihlajalinna wants to be the first choice among professionals in its industry. In 2021, Pihlajalinna had 6,297 (5,550) employees and 1,070 (1,056) practitioners. The departure turnover of employees was 16.2% (11.1%).

GROUP EXCLUDING
COMPLETE AND PAR-
TIAL OUTSOURCINGS

**eNPS
2021
+15
(-1)**

COMPLETE
AND PARTIAL
OUTSOURCINGS

**eNPS
2021
-14
(-7)**

Key sustainability themes in 2021

- Clear targets
- Implementation of team development discussions
- Development of leadership and supervisory work
- Enhancing collaboration in statutory employer-employee cooperation and the management of occupational wellbeing at various levels
- Occupational safety and health especially with regard to the COVID-19 pandemic and the threat of violence

Channels of engagement

- Personal interaction
- Personnel briefings
- Development discussions
- Training and coaching
- Intranet
- Pihlis Pulse personnel survey
- statutory employer-employee cooperation and occupational safety meetings
- Pihlajalinna Academy

Pihlajalinna uses the international eNPS (Employee Net Promoter Score) index to measure the employee experience. The eNPS index is expressed in a range of +100 to -100.

Data protection and information security

At Pihlajalinna, the purpose of data protection and the management of information security is to ensure the secure processing of patient and personal data as well as the protection of the privacy of patients, customers and the company’s personnel. A further goal of information security management is the prevention of disruptions in the functioning of critical information systems endangering service functionality or availability.

Pihlajalinna takes into account the continuously increasing information security requirements in its operations as the provision of digital services grows. The Group develops and improves information security by means of up-to-date and secure methods, such as strong authentication practices, external monitoring and continuous testing. Data

protection and information security are an important part of Pihlajalinna’s ISO 9001 certified quality management system.

All Pihlajalinna professionals are required to complete general training on data protection, including a test. Employees who process patient data are also required to pass a test on patient data and its processing. The Group administration ensures that the guidelines pertaining to data protection and information security are up-to-date and provides training and support to supervisors on matters related to data protection and information security as well as their implementation at the unit level. Compliance with the operating guidelines concerning data protection and information security is monitored in internal audits.

Pihlajalinna’s information security indicators

	Target	2021	2020
Number of intrusion attempts	0	0	0
Number of detected viruses and malware programs	Devices are clean from viruses and malware programs	61 automatically removed viruses 81 automatically removed malware programs	72 automatically removed viruses 98 automatically removed malware programs
Volume of junk mail	Less than 1% of junk mail gets through	Target achieved	Target achieved
IT security updates are completed	All IT security updates are installed within 24 hours from the release	85% of updates are installed within one week from the release	80% of updates are installed within one week from the release

Information security practices



Training

The personnel receive regular training on data protection and information security. All Pihlajalinna professionals are required to complete general training on data protection, including a test. Those who process patient data also need to take an additional test on patient data. The personnel have access to up to date guidelines.



Risk assessment

Data protection and information security risks are assessed and analysed on a regular basis as well as always in the specification phase of a new system and when ever significant changes are made.



Access management

In all systems, user rights and access management are centralised. System administrators determine the principles for granting user rights.



Control and monitoring

The status of data protection and information security is reported as part of internal and external audits. IT security technology solutions are constantly assessed and separate IT security inspections are made to the most critical environments. Data protection related work in supervised by a steering group and operational action is led by the data protection and IT security team.



Service provider monitoring

Suppliers and external service providers must comply with information security requirements defined by the Group and suppliers are subject to regular audits. Inconnection with external services change, information security requirements are reviewed.



Processing of IT security deviations

Pihlajalinna Group has defined procedures and tools for detecting information security deviations. Additionally, action plans are in place for exceptional situations. Each information security deviation is recorded and processed for further action.



Connecting to the network

Connection to the Group network and associated services can be allowed using only devices and applications approved by the Group IT management. In order to ensure IT security, applications and file formats are monitored and when necessary, limited. The most crucial systems can be accessed only from the internal network. When accessing from an external network, multi-factor authentication is required.

Tax liability and footprint

Reporting our tax footprint in connection with the annual report is already an established practice since 2016. The Group pays all its taxes to Finland. The Group has also a significant local impact in various areas of the country, especially on those, where Pihlajalinna is responsible of the total outsourcing of public social and healthcare services.

Pihlajalinna's tax footprint describes the tax and other tax related income the society accrues through the Group's business operations. The vast majority of taxes consist of withholding taxes and employer liabilities. Additionally Pihlajalinna paid EUR 73,0 (71,9) million in total to professional practitioners, out of which they further accounted their own individual taxes. Corporate tax portion of Pihlajalinna's tax footprint is EUR 5,3 (4,2) million.

On 2021 the society gained EUR 131,9 (110,4) million from Pihlajalinna.

A trusted partner for municipalities

The Group public sector customers consist of public sector organisations in Finland, such as municipalities, joint municipal authorities, congregations, hospital districts and the public administration when purchasing either social and healthcare outsourcing services or residential, occupational healthcare and staffing services.

Pihlajalinna can offer an impactful chain of care not only for individuals but also for the wellbeing services counties that are responsible for organising service provision. The company has a long track record of extensive and pioneering cooperation with municipalities and there is strong evidence of its effectiveness. In 2021, Pihlajalinna had cooperation agreements of varying scope with nearly a hundred Finnish municipalities.

Social and healthcare services provided via outsourcing have helped municipalities and joint municipal authorities improve the quality and availability of services, keep the growth of costs under control and expedite access to care. The overall economic impacts of the cooperation are also reflected in the positive development of the annual margins of the partner mu-

nicipalities. The annual margin represents the cash generated from operations that remains after operating costs are paid, and is available for purposes such as the municipality's investments and loan repayments.

In addition to cost efficiency and service availability, Pihlajalinna focuses on the continuous development of customer satisfaction, which is reflected in the customer satisfaction surveys of the partner municipalities. Customer satisfaction has remained at an excellent level in all of Pihlajalinna's joint ventures.

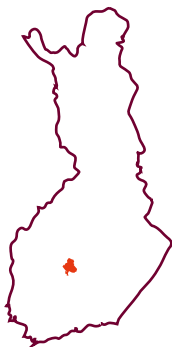
Pihlajalinna has successfully strengthened the local services of its partner municipalities while also making modern remote consultation services available to the residents.



Jämsän Terveys and Jokilaakso Hospital

Jämsän Terveys (JT) is a joint venture established between Pihlajalinna and the municipality of Jämsä. It has produced social and healthcare services for Jämsä starting from 1 September 2015 under an outsourcing agreement signed in spring 2015. The agreement period is 10 years. The company is responsible for providing primary and specialised care to approximately 20,000 inhabitants in Jämsä.

Jokilaakso Hospital is a hospital that provides public specialised care. The hospital is part of the Pihlajalinna Group. The hospital's services are produced by **Jokilaakson Terveys (JLT)**, established in 2010, a joint venture between Pihlajalinna and the Central Finland Hospital District.



PERSONNEL

Jämsän Terveys • Jokilaakson Terveys

NUMBER OF EMPLOYEES	489	270
FIXED-TERM	17%	15%
PERMANENT	83%	85%
AVERAGE AGE OF PERSONNEL	45.9	44.4
LARGEST AGE GROUP	56-60	56-60
THE WORK ABILITY INDEX average total score	7.8	7.8

COMPLAINTS AND OFFICIAL COMPLAINTS 11

DAYS OF CARE

78 568

SPECIALISED CARE AND SERVICES

22 SPECIALITIES

MOST SIGNIFICANT SPECIALITIES:

- OPAEDICS AND SURGERY
- INTERNAL MEDICINE
- NEUROLOGY
- CARDIOLOGY

NEARLY 2,000 SURGICAL OPERATIONS ANNUALLY



APPOINTMENTS WITH PHYSICIANS

TOTAL 63 939

PRIMARY CARE
(Jämsä, Koskenpää
Länkipohja, Kuorevesi) 16 053

EMERGENCY AND ON-CALL SERVICES 9 743

SPECIALISED CARE 18 178

DENTAL CARE 14 935

ADULT PSYCHIATRY 1 958

ADOLESCENT PSYCHIATRY 311

CHILD PSYCHIATRY 176

SUBSTANCE ABUSE CLINIC 141

FAMILY SERVICE CENTRE 2 444

ECONOMICAL IMPACT

Jämsän Terveys • Jokilaakson Terveys

LOCAL SUBCONTRACTORS 109 51

VALUE OF COOPERATION
758 392 € 113 278,27 €

Jämsän Terveys • Jokilaakson Terveys

CORPORATE TAXES TO THE MUNICIPALITY 0 € 805 920 €

WITHHOLDING TAXES TO THE MUNICIPALITY 3 278 732 € 1 709 607 €

DIVIDENDS TO THE CENTRAL FINLAND HOSPITAL DISTRICT 0 € 200 000 €

PIHLAJALINNA GROUP'S WITHHOLDING TAXES TO THE REGIONAL GOVERNMENT: CENTRAL FINLAND 6 076 945 €

PIHLAJALINNA'S JOINT VENTURE DIVIDENDS, EQUITY REPAYMENT AND PURCHASE PRICES FOR SHARES TO PARTNER MUNICIPALITY AND HEALTH CARE DISTRICT DURING THE PERIOD 2014-2021 6 814 000 €

OWNERSHIP

JÄMSÄN TERVEYS

- Pihlajalinna 51 %
- Jämsä municipality 49 %

BOARD OF DIRECTORS

- Pihlajalinna representatives 50 % (3)
- Jämsä municipality representatives 50 % (3)

OWNERSHIP, JOKILAAKSON TERVEYS

- Pihlajalinna 90 %
- Keski-Suomen sairaanhoitopiiri 10 %



Data from 1 Jan - 31 Dec 2021



Mäntänvuoren Terveys

Mäntänvuoren Terveys Oy is a joint venture established in 2013 between the municipality and Pihlajalinna. The current agreement between the municipality and Pihlajalinna is valid until 2026, followed by a five-year option period. Mäntänvuoren Terveys is responsible for providing social and healthcare services to 11,700 customers in Mänttä-Vilppula and Juupajoki.



SPECIALISED CARE AND SERVICES

MOST SIGNIFICANT SPECIALITIES:

- GERIATRICS
- SURGERY
- PLASTIC SURGERY
- PSYCHIATRY
- INTERNAL MEDICINE
- CARDIOLOGY
- LUNG DISEASES
- DIALYSIS UNIT

ECONOMICAL IMPACT

LOCAL SUBCONTRACTORS **81**

VALUE OF COOPERATION **2 392 946 €**

CORPORATE TAXES TO THE MUNICIPALITY **716 838 €**

WITHHOLDING TAXES TO THE MUNICIPALITY **2 729 413 €**

DIVIDENDS TO THE MUNICIPALITY **0 €**

PIHLAJALINNA GROUP'S WITHHOLDING TAXES TO THE REGIONAL GOVERNMENT: **14 814 584 €**

PIRKANMAA
PIHLAJALINNA'S JOINT VENTURE DIVIDENDS, EQUITY REPAYMENT AND PURCHASE PRICE FOR SHARES TO PARTNER MUNICIPALITY DURING THE PERIOD 2016-2020 **10 892 810 €**

OWNERSHIP

MÄNTÄNVUOREN TERVEYS

- Pihlajalinna **91 %**
- Mänttä-Vilppula municipality **9 %**

BOARD OF DIRECTORS

- Pihlajalinna representatives **60 % (3)**
- Mänttä-Vilppula municipality representatives **40 % (2)**



PERSONNEL

NUMBER OF EMPLOYEES **366**

FIXED-TERM **11 %**

PERMANENT **89 %**

AVERAGE AGE OF PERSONNEL **44,5**

LARGEST AGE GROUP **56-60**

THE WORK ABILITY INDEX average total score **7,4**

APPOINTMENTS WITH PHYSICIANS

TOTAL **27 158**

APPOINTMENTS WITH PHYSICIANS **19 641**

DENTIST APPOINTMENTS **7 517**

COMPLAINTS AND OFFICIAL COMPLAINTS **13**

DAYS OF CARE
76 908

Data from 1 Jan - 31 Dec 2021



Kuusiolinna

Kuusiolinna Terveys Oy is a joint venture established by Pihlajalinna and the municipalities of Alavus, Ähtäri, Kuortane and Soini. The agreement period is 10 years and the agreement includes a five-year option. It has produced social and healthcare services for Alavus, Kuortane and Ähtäri since 1 January 2016, and for Soini since 1 January 2017. The company is responsible for providing primary care to 22,400 inhabitants in total.



SPECIALISED CARE AND SERVICES

14 SPECIALITIES

MOST SIGNIFICANT SPECIALITIES:

- INTERNAL MEDICINE
- GERIATRICS
- CARDIOLOGY
- ORTHOPAEDICS AND SURGERY
- UROLOGY
- ENT

ECONOMICAL IMPACT

LOCAL SUBCONTRACTORS **251**

VALUE OF COOPERATION **2 394 283 €**

CORPORATE TAXES TO THE MUNICIPALITY **924 €**

WITHHOLDING TAXES TO THE MUNICIPALITY **7 463 285 €**

DIVIDENDS TO THE MUNICIPALITY **539 000 €**

PIHLAJALINNA GROUP'S WITHHOLDING TAXES TO THE REGIONAL GOVERNMENT: **8 217 661€**
SOUTH OSTROBOTHNIA

PIHLAJALINNA'S JOINT VENTURE DIVIDENDS AND PURCHASE PRICES FOR SHARES TO PARTNER MUNICIPALITIES (MUNICIPALITIES, TOTAL) **26 697 874 €**



PERSONNEL

NUMBER OF EMPLOYEES **1 106**

FIXED-TERM **11 %**

PERMANENT **89 %**

AVERAGE AGE OF PERSONNEL **44,0**

LARGEST AGE GROUP **56-60**

THE WORK ABILITY INDEX average total score **8,0**

COMPLAINTS AND OFFICIAL COMPLAINTS **12**

DAYS OF CARE
180 525



APPOINTMENTS WITH PHYSICIANS

TOTAL **34 131**
Primary care, emergency and on-call services

SPECIALISED CARE **4 716**

DENTAL CARE **17 829**

PSYCHIATRIC POLYCLINIC **1 660**

FAMILY SERVICES **3 637**

OWNERSHIP

KUUSIOLINNA TERVEYS

- Pihlajalinna **97 %**
- Alavus, Kuortane, Ähtäri ja Soini total **3 %**



BOARD OF DIRECTORS

- Pihlajalinna representatives **50 %** (4)
- The municipality representatives **50 %** (4)



Data from 1 Jan - 31 Dec 2021

Kolmostien Terveys

Kolmostien Terveys is a joint venture established between Pihlajalinna and the municipality of Parkano. It has produced social and healthcare services for Parkano and Kihniö starting from 1 September 2015. The agreement period is 10 years and the agreement includes a five-year option. The company is responsible for providing primary care to 8,300 inhabitants in Parkano and Kihniö.



SPECIALISED CARE AND SERVICES

MOST SIGNIFICANT SPECIALITIES:

- GERIATRICS
- GYNECOLOGY
- PSYCHIATRY
- YOUTH PSYCHIATRY
- NEUROLOGY
- INTERNAL MEDICINE
- RADIOLOGY AND GENERAL MEDICIN

ECONOMICAL IMPACT

LOCAL SUBCONTRACTORS **73**

VALUE OF COOPERATION **461 864 €**

CORPORATE TAXES TO THE MUNICIPALITY **0 €**

WITHHOLDING TAXES TO THE MUNICIPALITY **2 688 074 €**

DIVIDENDS TO THE MUNICIPALITY **0 €**

PIHLAJALINNA GROUP'S WITHHOLDING TAXES TO THE REGIONAL GOVERNMENT: **PIRKANMAA** **14 814 584 €**

PIHLAJALINNA'S JOINT VENTURE DIVIDENDS TO PARTNER MUNICIPALITIES (MUNICIPALITIES, TOTAL) 2016-2020 **5 090 000 €**

OWNERSHIP

KOLMOSTIEN TERVEYS

- Pihlajalinna **96 %**
- Parkano municipality **4 %**

BOARD OF DIRECTORS

- Pihlajalinna representatives **50 % (3)**
- Parkano municipality representatives **50 % (3)**

PERSONNEL

NUMBER OF EMPLOYEES **455**

PERMANENT **13 %**

FIXED-TERM **87 %**

AVERAGE AGE OF PERSONNEL **43,3**

LARGEST AGE GOUP **56-60**

THE WORK ABILITY INDEX average total score **7,9**

COMPLAINTS AND OFFICIAL COMPLAINTS **11**

DAYS OF CARE
66 462

APPOINTMENTS WITH PHYSICIANS

TOTAL **23 113**

APPOINTMENTS WITH PHYSICIANS **17 176**

DENTIST APPOINTMENTS **5 936**

Board of Directors



Mikko Wirén

Chairman of the Board of Directors
b. 1972, Lic.Med.,
Member of the Board of Directors since 2016



Leena Niemistö

Vice Chairman of the Board of Directors
b. b. 1963, D.Med.Sc., Specialist in Psychiatrics,
Member of the Board of Directors since 2014
Board Professional
Independent of the Company and
its major shareholders



Hannu Juvonen

b. 1955, Lic.Med., Specialist, MBA,
Member of the Board of Directors since 2019
Practitioner, management consultant
Independent of the Company and
its major shareholders

For more
information on the
members of Pihlajalinna
Plc's Board of Directors
and Management Team,
please refer to Corporate
Governance in the Investors
section at: <http://investors.pihlajalinna.fi/corporate-governance>



Mika Manninen

b. 1975, M.Sc. (Econ.),
Member of the Board of Directors since 2019
Group CFO, Fennia Group
Independent of the Company



Kati Sulin

b. 1974, Master of Arts,
Member of the Board of Directors since 2018
Managing Director, Ifolor Oy
Independent of the Company



Seija Turunen

b. 1953, M.Sc. (Econ.),
Member of the Board of Directors since 2016
Board Professional
Independent of the Company and
its major shareholders

Management Team



Joni Aaltonen

Group CEO
b. 1970, BBA

Employed by the Company since 2008



Teija Kulmala

**Group COO, CEO of Jämsän Terveys Oy
and Jokilaakson Terveys Oy**

b. 1969, D.Med.Sc., Specialist in obstetrics
and gynaecology, eMBA
Employed by the Company since 2016



Tarja Rantala

Chief Finance Officer
b. 1972, M.Sc. (Econ.)

Employed by the company since 2014



Elina Heliö

Chief People and Culture Officer
b. 1972, LL.M with court training

Employed by the Company since 2019



Antti-Jussi Aro

Chief Information Officer
b. 1983, M.Sc. in Technology

Employed by the Company since 2021
(from 3 May 2021)



Marko Savolainen

Chief Legal Officer

b. 1967, LL.M with court training
Employed by the Company since 2017



Juha-Pekka Halttunen

Sales Director

b. 1969, Vocational Qualification in Business
Employed by the Company since 2005



Sari Riihijärvi

Chief Medical Officer

b. 1977, D.Med.Sc., oncologist
Employed by the Company since 2021
(from 2 July 2021)

Sanna Määttänen was a member of Pihlajalinna's Management Team, in the role of Chief Business Development Officer and Chief Information Officer, until March 2021.

Sari Nevanlinna was appointed Pihlajalinna's Chief Commercial Officer (CCO) in December 2021. Nevanlinna took up her post and joined the Management Team in March 2022.



Pihlajalinna

REPORT BY THE BOARD OF DIRECTORS
AND FINANCIAL STATEMENTS 2021

2021

Report by the Board of Directors for the financial year 1 Jan - 31 Dec 2021

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Report by the Board of Directors for the financial year 1 Jan–31 Dec 2021

Joni Aaltonen, CEO of Pihlajalinna

Growth in the fourth quarter was strong. Revenue increased by 12.8 per cent to EUR 154.7 (137.2) million. Profitability was weighed down in the final quarter by the higher costs of total outsourcing arrangements, which led to adjusted EBITA declining by 12.5 per cent to EUR 7.8 (9.0) million.

Negotiations concerning compensation of the increased expenses with municipal clients have not led into the desired outcomes by the end of the financial year. Negotiations are still ongoing with Parkano and Mänttä-Vilppula. The district court hearing with the City of Jämsä concerning the price adjustment provision in the service agreement, increased expenses due to authority requirements and the financing of the investments of the hospital districts has begun. Negotiations with the Kuusiokunnat joint municipal social and health authority concerning adjustments to the annual price reached a settlement in June 2021.

Nationwide COVID-19 testing reached another peak late in the year, and COVID-19 services accounted for a significant share of revenue during the fourth quarter. The customer volumes of Pihlajalinna private clinics increased by 17 per cent year-on-year and were 9 per cent higher compared to 2019 level. Some 39 per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services. The volume of surgical services grew by 34 per cent.

The sales of occupational healthcare services continued to see strong growth, and Pihlajalinna has also been successful in terms of customer retention. The key drivers of growth are digital services, competitive pricing and successful acquisitions. The number of people within the scope of Pihlajalinna occupational healthcare services was approximately 240,000 at the end of the financial year. Due

to new contracts starting 2022 we expect this number to increase to 250,000. The proportion of preventive activities in occupational healthcare services grew in line with targets, increasing by over 6 per cent year-on-year.

Disability is a significant problem in society. Disability is most commonly caused by mental health and musculoskeletal disorders. An anonymic analysis of Pihlajalinna occupational health care visits was used to evaluate the extension of the problem in Finland in terms of mental health issues. The rate of sickness-related absences caused by reasons related to mental health per 1,000 employees have increased by 24 per cent compared to last year. Correlation to the pre-pandemic period in 2019, the increase is as high as 36 per cent. Due to the seriousness of the situation, we launched the Pihlajalinna Mental Care (Mielen Huoli), a remote mental care helpline service in early 2021 to provide with assistance and treatment for mental health issues at an early stage. Our goal is effective prevention and early intervention to avoid extended disability and human suffering.

In the early summer, we launched the Pihlajalinna Exercise Referral (Liikuntalähte) as part of our new service selection. The exercise referral is a comprehensive service that improves the customer's quality of life and is produced in partnership with our fitness centers. The foundation for this service concept lies in the scientific evidence on the benefits of physical activity on wellbeing and health. Timely intervention in musculoskeletal disorders through physiotherapy, occupational physiotherapy, and – where necessary – surgical treatment, also reduces sickness-related absences and costs.

According to the Finnish Institute for Health and Welfare statistics, at the end of November 2021, a total of

150,392 people (31 December 2020: 141,469) were waiting for access to care at hospitals operated by the hospital districts. Of these, 9,539 (7,617) people, or 6.3 (5.4) per cent, had waited for access to non-urgent specialised care for more than six months. In specialised care, congestion is highest in surgery and psychiatry. Our job at Pihlajalinna is to provide people with a channel through which they can access the service they need without a delay. The most effective solution for working through the waiting lists for treatment is increased purchasing from private-sector service providers.

In the coming years, Finnish healthcare will face significant reforms. Concrete progress will be seen in the national reform of healthcare and social services when the councils in charge of the wellbeing services counties become operational on 1 March 2022. Private sector has developed new service models and care paths to ensure high quality care and quick access to treatment in all circumstances. Pihlajalinna is a pioneer on this transition with a proved track record. We expect the development of digital services to continue to significantly improve Pihlajalinna's competitiveness. Where necessary, we have the agility and capacity to adapt to quick changes. Pihlajalinna will engage in close cooperation with the future wellbeing services counties.

At the beginning of July, we announced our intention to acquire the entire share capital of Pohjola Hospital Ltd. The transaction was approved by the Finnish Competition and Consumer Authority at the beginning of 2022 and completed on 1 February 2022. In connection with the acquisition, we also signed a new five-year service agreement with Pohjola Insurance. The acquisition not only improves the availability of our services and our ser-

vice portfolio, but also expands the provision especially in the orthopedic services. Pohjola Hospital is known for its high-quality expertise in orthopedics and hand surgery.

Following the acquisition of Pohjola Hospital, we have further refined our strategy and long-term targets. We expect the customer flow through insurance companies to significantly grow Pihlajalinna business operations. Growth will also be accelerated by the national reform of social and healthcare services as well as the growing popularity of medical insurance.

Our goal is to expand our network of operating locations and our range of specialized care services, especially in the Helsinki Metropolitan Area and other growth centers. Pihlajalinna will strengthen its network of private clinics by opening new clinics in Lahti, Espoo and Vantaa in early 2022.

We are seeking revenue growth of EUR 250 million by the end of 2025, using 2021 as the baseline. One third of the growth is expected to arise from the public sector and the rest two thirds from corporate and private customers. The long-term target for adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is over 9 per cent of revenue. The long-term target for net debt is less than 3x adjusted EBITDA. In the beginning of the strategy period due to Pohjola Hospital acquisition the net debt will decline close to 5. Pihlajalinna aims to distribute each financial year at least one-third of its profits to shareholders as dividends or capital repayment.

Pihlajalinna is publishing its first sustainability report according to GRI-standard (Global Reporting Initiative), with topics being the economical value of the company to the society among others. Open and transparent communication is critical for Pihlajalinna, when it comes to tax responsibility. Reporting our tax footprint in connection with the annual report is already an established practice since 2016. The Group pays all its taxes to Finland. The Group has also a significant local impact in various areas of the country, especially on those, where Pihlajalinna is responsible of the total outsourcing of public social and healthcare services.

Pihlajalinna's tax footprint describes the tax and other tax related income the society accrues through the Group's business operations. On 2021 the society gained EUR 131,9 (110,4) million from Pihlajalinna.



Pihlajalinna's strategy 2021–2025

Strategic priorities

1. The renewal of services for private customers

Pihlajalinna will strengthen its multichannel services and consumer business through new service concepts and digital innovation.

2. Cooperation in social and healthcare services

Pihlajalinna will engage in close cooperation with the future wellbeing services counties and build a strong market position in public healthcare.

3. Enhancing digitalisation

Pihlajalinna has a strong focus on digitalisation in the development of personnel, the customer experience and operational performance.

Objectives for the strategy period

- Pihlajalinna offers the most attractive and diverse range of services.
- Pihlajalinna is the number one choice of consumers

and professionals.

- Pihlajalinna services are easy to access and available without delay.
- Revenue growth of EUR 250 million by the end of 2025, using 2021 as the baseline. One third of the growth is expected to arise from the public sector and the rest two thirds from corporate and private customers.
- Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) over 9 per cent of revenue in the long term.
- Long term target for net debt is less than 3x adjusted EBITDA. In the beginning of the strategy period due to Pohjola Hospital acquisition the net debt will decline close to 5.
- Distributing at least one-third of the profit for each financial year to shareholders as dividends or capital repayment.

Performance indicators

The achievement of goals is measured by, for example, financial indicators, an increase in the number of appointment times and procedures available to customers, and in the Net Promoter Score (NPS), which measures the customer and employee experience.

Revenue by customer group

Pihlajalinna customer groups are corporate customers, private customers and public sector customers.

- The Group corporate customers consist of Pihlajalinna occupational healthcare customers, insurance company customers and other corporate customers.
- The Group private customers are private individuals who pay for services themselves and may subsequently seek compensation from their insurance company.
- The Group public sector customers consist of public sector organisations in Finland, such as municipalities, joint municipal authorities, congregations, hospital districts and the public administration when purchasing either social and healthcare outsourcing services or residential, occupational healthcare and staffing services.

October–December 2021

EUR million	10-12/2021	10-12/2020	change	change %
Corporate customers	38.8	35.7	3.1	8.6 %
of which insurance company customers	9.8	9.0	0.7	8.2 %
Private customers	23.3	22.4	0.9	3.9 %
Public sector	111.3	97.5	13.8	14.2 %
of which complete outsourcing	76.8	73.6	3.2	4.3 %
of which staffing	6.4	5.9	0.5	7.7 %
of which occupational healthcare and other services	28.1	17.9	10.2	56.8 %
Intra-Group sales	-18.7	-18.4	-0.3	1.4 %
Total consolidated revenue	154.7	137.2	17.5	12.8 %

October–December 2021

Revenue from corporate customers amounted to EUR 38.8 (35.7) million, an increase of EUR 3.1 million, or 8.6 per cent. Sales to insurance company customers increased by EUR 0.7 million, or 8.2 per cent. Revenue from occupational healthcare services and remote services increased. In the corporate customer group, revenue from COVID-19 services amounted to EUR 2.3 (3.5) million, a decrease of EUR 1.2 million. The customer volumes of Pihlajalinna's private clinics increased by 9 per cent year-on-year and were 3 per cent higher than in 2019.

Revenue from private customers amounted to EUR 23.3 (22.4) million, an increase of EUR 0.9 million, or 3.9 per cent. In the private customer group, revenue from COVID-19 services amounted to EUR 0.8 (0.4) million, an increase of EUR 0.4 million. The customer volumes of Pihlajalinna's private clinics increased by 5 per cent year-on-year and were 13 per cent lower than in 2019.

Revenue from the public sector amounted to EUR 111.3 (97.5) million, an increase of EUR 13.8 million, or 14.2 per cent. Revenue from COVID-19 services amounted to EUR 7.0 (3.4) million, an increase of EUR 3.5 million. The partial outsourcing agreement with Kristiinankaupunki, index adjustments to complete outsourcing agreements and additional invoicing increased revenue by a total of EUR 3.2 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 3.2 million. The customer volumes of Pihlajalinna's private clinics increased by 64 per cent year-on-year and were 63 per cent higher than in 2019 due to Työterveys Virta acquisition. Without the acquisition of Työterveys Virta, customer volumes would have increased by 4 per cent year-on-year and by 4 per cent compared to 2019.

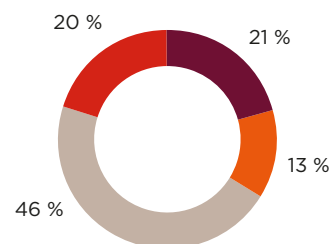
January–December 2021

Revenue from corporate customers amounted to EUR 137.8 (120.7) million, an increase of EUR 17.1 million, or 14.1 per cent. Sales to insurance company customers increased by EUR 3.4 million, or 10.9 per cent. Revenue from occupational healthcare services

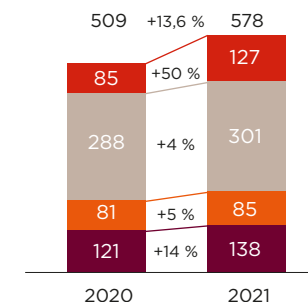
January–December 2021

EUR million	1-12/2021	1-12/2020	change %	change %
Corporate customers	137.8	120.7	17.1	14.1 %
of which insurance company customers	34.8	31.4	3.4	10.9 %
Private customers	85.3	81.1	4.2	5.1 %
Public sector	427.7	372.4	55.2	14.8 %
of which complete and partial outsourcing agreements	300.8	287.9	12.9	4.5 %
of which staffing	26.1	23.0	3.0	13.2 %
of which occupational healthcare and other services	100.8	61.5	39.3	63.8 %
Intra-Group sales	-73.0	-65.6	-7.4	11.2 %
Total consolidated revenue	577.8	508.7	69.1	13.6 %

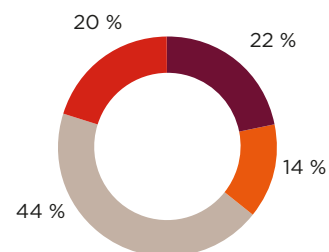
Revenue by customer group 2021, %



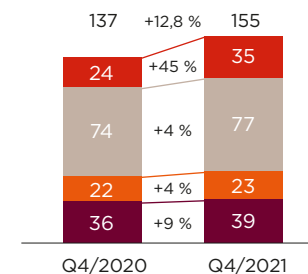
Revenue by customer group, 2021, M€



Q4 2021



Q4 2021



■ Corporate customers
 ■ Complete and partial outsourcings
 ■ Private customers
 ■ Other private sector services

increased by EUR 6.0 million. In the corporate customer group, revenue from COVID-19 services amounted to EUR 9.4 (5.9) million, an increase of EUR 3.5 million. Revenue from surgical services and remote services increased. The customer volumes of Pihlajalinna's private clinics increased by 5 per cent year-on-year but were one per cent lower than in 2019.

Revenue from private customers amounted to EUR 85.3 (81.1) million, an increase of EUR 4.2 million, or 5.1 per cent. Revenue from fitness centre services, fertility treatments and surgical services increased by a combined EUR 2.0 million. In the private customer group, revenue from COVID-19 services amounted to EUR 2.2 (1.0) million, an increase of EUR 1.2 million. The customer volumes of Pihlajalinna's private clinics decreased by 2 per cent year-on-year and were 22 per cent lower than in 2019. This was due to the COVID-19 pandemic still.

Revenue from the public sector amounted to EUR 427.7 (372.4) million, an increase of EUR 55.2 million, or 14.8 per cent. Revenue from COVID-19 services amounted to EUR 27.3 (4.6) million, an increase of EUR 22.7 million. The partial outsourcing agreement with Kristiinankaupunki, index adjustments to complete outsourcing agreements and additional invoicing increased revenue by a total of EUR 12.6 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 9.9 million. The customer volumes of Pihlajalinna's private clinics increased by 54 per cent year-on-year and were 55 per cent higher than in 2019. Without the acquisition of Työterveys Virta, customer volumes would have increased by 7 per cent year-on-year and by 8 per cent compared to 2019.

Seasonal variation

Pihlajalinna's business operations are to a certain extent influenced by seasonal fluctuations. Pihlajalinna's complete outsourcing for social and healthcare services and other fixed-price invoicing is accompanied by a steady period of recognition of revenue as income. During the summer holidays, especially in July, staff costs related to such agreements are reduced and profitability improves mainly due to wage accruals. On the other hand, service

demand by Pihlajalinna's private and corporate customers is lower and profitability is weaker during holiday seasons, especially in July–August and December. At the quarterly level, seasonal fluctuations have historically had a positive effect on profitability for the third quarter of the year.

Consolidated revenue and result October–December 2021

Pihlajalinna's revenue totalled EUR 154.7 (137.2) million, an increase of EUR 17.5 million, or 12.8 per cent. M&A transactions accounted for EUR 3.6 million, or 2.6 per cent, of the growth in revenue. Organic revenue growth was EUR 13.9 million, or 10.1 per cent.

Revenue from complete and partial outsourcing agreements increased by EUR 3.2 million. Revenue from COVID-19 services amounted to EUR 10.1 (7.4) million, an increase of EUR 2.7 million. Other organic growth consisted mainly of growth in private clinic services of EUR 2.2 million, growth in occupational healthcare services of EUR 1.5 million and growth in remote services of EUR 1.2 million.

The customer volumes of Pihlajalinna's private clinics increased by 17 per cent year-on-year and were 9 per cent higher than in 2019. Without the acquisition of Työterveys Virta, customer volumes would have increased by 6 per cent year-on-year and they would have been 2 per cent lower than in 2019 due to the decrease in the volume of private customers. Some 39 (30) per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services during the quarter.

EBITDA was EUR 14.5 (15.1) million, a decrease of EUR -0.5 million, or -3.5 per cent. Adjusted EBITDA was EUR 14.9 (15.8) million. EBITDA adjustments amounted to EUR 0.3 (0.7) million. The profitability of private clinic services improved due to COVID-19 services. The profitability of fitness centre services improved as the operating conditions returned closer to normal in the final quarter of the year. Fitness centres also received retrospective financial support from the government in the amount of EUR 0.5 million in November.

The profitability of occupational healthcare services remained good, although it was significantly lower than in the comparison period due to the decrease in COVID-19 services. Profitability was reduced by the increased costs of specialised care under complete outsourcing agreements and the Group's increased general expenses.

Depreciation, amortisation and impairment amounted to EUR 9.0 (8.3) million. Adjustments to depreciation, amortisation and impairment amounted to EUR 0.1 (-0.1) million. Depreciation of intangible assets amounted to EUR 1.7 (1.6) million, of which depreciation related to purchase price allocations amounted to EUR 0.7 (0.7) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.4 (2.1) million, and depreciation and impairment of right-of-use assets totalled EUR 4.8 (4.6) million.

Pihlajalinna's operating profit (EBIT) was EUR 5.6 (6.8) million, a decrease of EUR -1.2 million. The EBIT-to-revenue ratio (EBIT margin) was 3.6 (4.9) per cent. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 7.8 (9.0) million. The adjusted EBITA margin was 4.9 (6.5) per cent. Adjustments to EBIT amounted to EUR 0.4 (0.6) million.

The Group's net financial expenses amounted to EUR -1.0 (-1.0) million. Profit before taxes came to EUR 4.6 (5.7) million. Taxes in the income statement amounted to EUR -1.2 (-2.8) million. Profit came to EUR 3.3 (2.9) million. Earnings per share (EPS) was EUR 0.19 (0.15).

January–December 2021

Pihlajalinna's revenue totalled EUR 577.8 (508.7) million, an increase of EUR 69.1 million, or 13.6 per cent. M&A transactions accounted for EUR 11.0 million, or 2.2 per cent, of the growth in revenue. Organic revenue growth was EUR 58.1 million, or 11.4 per cent.

Revenue from complete and partial outsourcing agreements increased by EUR 12.6 million. Revenue from COVID-19 services amounted to EUR 38.9 (11.4) million, an increase of EUR 27.5 million. Other organic growth consisted mainly of growth in private clinic services of EUR 5.9 million, growth in occupational healthcare services of EUR 5.5 million, growth in surgical services of EUR 3.2 million and growth in remote services of EUR 2.7 million.

The customer volumes of Pihlajalinna's private clinics increased by 11 per cent year-on-year and were on a par with 2019. Without the acquisition of Työterveys Virta, customer volumes would have increased by 3 per cent year-on-year and would have declined 7 per cent from 2019, mainly due to the decrease in the volume of private customers. The figures do not incorporate the number of customer appointments under municipal outsourcing agreements. Some 39 (28) per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services during the period. The capacity utilisation rates of surgical operations improved. The proportion of preventive activities in occupational healthcare services grew. The volume of surgical services at Jokilaakso hospital grew by 9 per cent. The number of freedom-of-choice patients in public healthcare at Jokilaakso hospital increased by 13 per cent. The demand for fitness centres and dental care services improved, but revenue from these areas was still significantly below the level of 2019.

EBITDA was EUR 62.6 (52.2) million, an increase of EUR 10.5 million, or 20.1 per cent. Adjusted EBITDA was EUR 65.3 (54.8) million, an increase of EUR 10.6 million, or 19.3 per cent. EBITDA adjustments amounted to EUR 2.7 (2.6) million. The profitability of private clinic services improved due to COVID-19 services. The profitability of occupational healthcare services remained good and improved due to higher volumes. The profitability of fitness centres improved. The capacity utilisation rates and profitability of surgical operations improved.

Profitability was significantly reduced by the increased costs of specialised care under total outsourcing agreements, social services, dental care services and services for the elderly.

Depreciation, amortisation and impairment amounted to EUR 34.7 (34.0) million. Adjustments to depreciation, amortisation and impairment amounted to EUR -0.3 (0.1) million. Depreciation of intangible assets amounted to EUR 6.7 (6.3) million, of which depreciation related to purchase price allocations amounted to EUR 3.0 (3.1) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 9.2

(8.8) million, and depreciation and impairment of right-of-use assets totalled EUR 18.8 (18.9) million.

Pihlajalinna's operating profit amounted to EUR 27.9 (18.1) million, an increase of EUR 9.8 million, or 54.0 per cent. The EBIT-to-revenue ratio (EBIT margin) was 4.8 (3.6) per cent. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 37.3 (27.4) million. The adjusted EBITA margin was 6.5 (5.4) per cent. Adjustments to EBIT amounted to EUR 2.4 (2.8) million.

The Group's net financial expenses amounted to EUR -3.7 (-4.4) million. In the comparison period, net financial expenses were increased on a non-recurring basis by a waiver expense associated with the financing arrangement. Profit before taxes came to EUR 24.2 (13.7) million. Taxes in the income statement amounted to EUR -5.1 (-4.8) million. Profit came to EUR 19.1 (8.9) million. Earnings per share (EPS) was EUR 0.89 (0.38).

The operating environment

The COVID-19 pandemic continued throughout 2021, creating waves of infection early in the year, after the summer and late in the year. The seven-day averages for new cases and the number of hospitalized patients peaked in Finland in January 2022. Pandemic-related restrictions were in place throughout 2021, and extensive restrictions were imposed at the turn of the year due to the Omicron variant. While infection numbers are still high nationally, the number of cases requiring intensive care has decreased substantially. In negotiations held on 2 February 2022, the Finnish Government determined that the extensive restrictions can be gradually relinquished while taking the epidemiological situation into consideration. The extensive restrictions have included, for example, the complete closure of indoor facilities used for individual sports and physical exercise by adults. The second-dose vaccination coverage in Finland stood at 74.5 per cent of the entire population at the beginning of February 2022.

Due to the COVID-19 restrictions and the burden placed on the healthcare system by the pandemic, the treatment backlog for other illnesses continues to grow. According

to the Finnish Institute for Health and Welfare statistics, queues for treatment in public healthcare have increased in general due to COVID-19. At the end of November, a total of 150,392 patients were waiting for access to care at hospitals operated by the hospital districts. This represented a year-on-year increase of nearly 9,000 patients. Of these, 9,499 patients (6.3 per cent) had waited for access to non-urgent specialised care for more than six months, which is an increase of nearly 1,900 patients compared to the beginning of 2021. Care queues have grown especially in surgery and psychiatry.

In primary care, non-urgent outpatient appointments with physicians were available within one week of the assessment of the need for treatment in approximately 60 per cent of cases in October 2021 in all of the Regional State Administrative Agency regions. The increased use of remote consultations has expedited access to care at health centers. In October 2021, the number of non-urgent visits to dental care was still lower than in 2019.

The number of voluntary medical expenses insurance policies increased significantly between 2009 and 2020. According to Finance Finland, over 1.26 million Finns had private medical expenses insurance at the end of June 2021. Growth has been seen in insurance policies taken out by adult private individuals, children's insurance policies as well as medical expenses insurance policies taken out by companies for their employees.

The reform of healthcare and social welfare services will see the responsibility for the organisation of healthcare, social welfare and rescue services transferred from municipalities to 21 wellbeing services counties, the City of Helsinki and partially to the joint county authority for the Hospital District of Helsinki. The results of the regional elections were confirmed on 26 January 2022 and the councils will start their work on 1 March 2022. The new social and healthcare service system will significantly reshape health care structures and needs as the responsibility for organizing services is transferred from municipalities to larger wellbeing services counties.

The ageing of the population continues, and the biggest changes in the age structure are still to come. They will have a significant impact on the dependency ratio

in Finland and the increasing prevalence of age-related illnesses. According to population forecasts, there will be seven non-working-age persons per 10 working-age persons in Finland by 2050. The ageing of the large generations will pose unprecedented challenges to finances in society.

According to the Ministry of Finance latest economic report, the Finnish GDP was expected to have grown by 3.4 per cent in 2021. The deterioration of the COVID-19 pandemic in late 2021 increased uncertainty among economic decision-makers and temporarily slowed down economic growth around the turn of the year. In 2022, GDP growth is expected to be in 3.0 per cent and consumer demand is expected to remain at a good level. Economic growth is expected to subsequently slow down, with the growth forecast being 1.5 per cent in 2023 and 1.4 per cent in 2024.

Consolidated statement of financial position and cash flow

Pihlajalinna Group's total statement of financial position amounted to EUR 457.1 (441.3) million. Consolidated cash and cash equivalents amounted to EUR 4.3 (13.3) million.

Net cash flow from operating activities in the quarter amounted to EUR 24.8 (18.5) million. Taxes paid amounted to EUR 0.6 (-0.6) million. The change in net working capital was EUR 9.6 (4.0) million.

Net cash flow from operating activities during the financial year amounted to EUR 56.9 (46.9) million. Taxes paid amounted to EUR -2.6 (-3.6) million. The change in net working capital was EUR -3.3 (-1.8) million. Working capital totalling EUR 14.7 (27.8) million was released from trade and other payables. Working capital amounting to EUR 16.8 (27.5) million was tied up in trade receivables and other receivables and EUR 0.3 (1.1) million in inventories. Changes in provisions tied up EUR 0.9 (1.0) million in working capital.

Net cash flow from investing activities totalled EUR -5.8 (-1.9) million during the quarter. Investments in tangible and intangible assets amounted to EUR -5.8 (-2.0) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.2 (0.1) million. Pihlajalinna

acquired the business operations of Finla Työterveys Oy's Mänttä-Vilppula unit in November 2021.

Net cash flow from investing activities totalled EUR -32.1 (-4.1) million for the financial year. Acquisitions of subsidiaries (mainly Työterveys Virta Oy on 1 April 2021) had an impact of EUR -16.4 (-1.4) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -14.8 (-9.6) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.5 (6.8) million. Pihlajalinna sold and leased back two care properties in Laihia in May 2020. Investments in NONNA Group Oy and Digital Health Solutions Oy were EUR -1.3 million.

The Group's cash flow after investments (free cash flow) was EUR 19.0 (16.7) million for the quarter and EUR 24.9 (42.8) million for the financial year.

Net cash flow from financing activities totalled EUR -21.5 (-9.5) million for the quarter. The change in financial liabilities, including changes in credit limits, amounted to EUR -15.4 (-3.2) million. Payments for financial lease liabilities amounted to EUR -5.1 (-5.4) million, and interest paid and other financial expenses amounted to EUR -1.1 (-0.9) million.

Net cash flow from financing activities during the financial year totalled EUR -33.9 (-56.5) million. The change in financial liabilities, including changes in credit limits, amounted to EUR -1.6 (-12.2) million. Payments for financial lease liabilities amounted to EUR -19.8 (-20.6) million, and interest paid and other financial expenses amounted to EUR -4.0 (-4.5) million. The net effect of the change in non-controlling interests on cash flow was EUR -3.0 (-18.3) million. Pihlajalinna acquired 7.2 per cent of the share capital of Kuusiolinna Terveys from the municipality of Kuortane in August 2021. The transaction price, paid in cash, was EUR 3.0 million. In January 2020, Pihlajalinna paid EUR 16.3 million in total for shares in Kuusiolinna Terveys to the municipalities of Alavus, Ähtäri and Soini as well as EUR 2.0 million to the city of Mänttä-Vilppula for shares in Mäntänvuoren Terveys. A total of EUR 0.4 (0.2) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed dividends of EUR 4.5 (0.0) million for the financial year 2020 in accordance with the

decision of the Annual General Meeting. The Group has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR 0.6 (0.7) million.

The Group's gearing was 158.8 (170.6) per cent. Interest-bearing net debt amounted to EUR 194.7 (194.8) million.

Return on capital employed was 8.8 (5.7) per cent and return on equity was 16.1 (8.1) per cent.

Financing arrangements

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The agreement is valid until 9 March 2023. Pihlajalinna has started refinancing negotiations that are intended to be completed before the end of March 2022. The current arrangement comprises a EUR 50 million revolving credit facility and a long-term bullet loan of EUR 70 million. It also includes an opportunity to increase the total amount by EUR 60 million (to EUR 180 million), subject to separate decisions on a supplementary loan from the funding providers.

The financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. The calculation of covenants will continue with the creditor banks in accordance with the accounting principles confirmed in the original financing arrangement (frozen GAAP, i.e. excluding the IFRS 16 impact and the IFRS Interpretations Committee's Agenda Decision concerning the configuration or customisation costs in cloud computing arrangements). The Group met the set covenants on 31 December 2021.

Due to the changes in the operating environment caused by the COVID-19 pandemic, Pihlajalinna and the funding providers agreed on a temporary adjustment to the covenants of the financing arrangement for the first two quarters of 2020 at the end of March 2020. The original covenants of the financing arrangement – leverage of 3.75 and gearing of 115 per cent – took effect again when the covenants were reviewed in the third quarter of 2020.

In connection with this, a permanent new margin ceiling was added to the financing arrangement. The margin

ceiling will enter into effect if leverage exceeds 3.50. On 31 December 2021, leverage in accordance with the financing arrangement stood at 2.30 and gearing at 91 per cent.

Due to the acquisition of Pohjola Hospital Ltd, Pihlajalinna and the funding providers agreed, before the end of the year, on temporarily increasing the gearing covenant to 140 per cent for the first and second quarters of 2022.

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the financial period, Pihlajalinna had a total of EUR 45.0 million in unused committed credit limits. In addition, EUR 45.0 million of an additional credit limit, which is subject to separate credit decisions, was unused at the year end.

Pihlajalinna and the funding providers agreed on the acquisition of Pohjola Hospital Ltd and the financing of the transaction in a timely manner, before the turn of the year. The transaction was financed from the additional credit limit in February 2022.

Acquisitions and capital expenditure

Gross investments, including acquisitions, amounted to EUR 44.8 (25.4) million. Gross investments in M&A transactions amounted to EUR 20.0 (0.0) million. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of development investments, additional investments and replacement investments required for growth, amounted to EUR 13.8 (10.4) million. Gross investments in connection with the opening of new units amounted to EUR 1.1 (0.4) million. Gross investments in right-of-use assets amounted to EUR 9.8 (14.6) million, including the opening of new units in Lohja (Uniikki special needs residential services) and, in the comparison period, in Helsinki (Pihlajalinna Tavastia private clinic) and Riihimäki (Uniikki special needs residential services).

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.0 (2.5) million. The investment commitments are related to additional and

replacement investments in clinical equipment and information system projects.

On 1 February 2022, Pihlajalinna acquired the entire share capital of Pohjola Hospital Ltd from Pohjola Insurance Ltd. The net debt-free purchase price, paid in cash, was EUR 31.8 million.

Complete and partial outsourcing agreements

Company	Pihlajalinna's holding, 31 December 2020	Pihlajalinna's holding, 31 December 2021	First year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	90%	90%	internal service provision	internal service provision
Jämsän Terveys Oy	51%	51%	2015	10
Kuusiolinna Terveys Oy	90%	97%	2016	15
Mäntänvuoren Terveys Oy	91%	91%	2016	15
Kolmostien Terveys Oy	96%	96%	2015	15
Bottenhavets Hälsa Ab - Selkämeren Terveys Oy	83%	75%	2021	15–20 years

Summary of the revenue and profitability of complete and partial outsourcing agreements (intra-Group sales eliminated). More information on the profitability of complete outsourcing agreements is presented in this report in the section *Items that may, according to the management estimate, influence the profitability of complete outsourcing agreements with a delay*.

Complete and partial outsourcing agreements	10-12/2021 3 months	10-12/2020 3 months	2021	2020	2019
INCOME STATEMENT					
Revenue, EUR million	71.2	66.9	277.0	264.2	262.4
EBITDA, EUR million	0.2	1.4	6.6	11.0	15.3
EBITDA, %	0.3	2.0	2.4	4.2	5.8
Adjusted EBITDA, EUR million*	0.2	1.4	6.7	11.0	17.5
Adjusted EBITDA, %*	0.3	2.0	2.4	4.2	6.7
Operating profit (EBIT), EUR million	-0.5	0.7	3.6	8.2	13.0
Operating profit (EBIT), %	-0.8	1.0	1.3	3.1	4.9
Adjusted operating profit (EBIT), EUR million*	-0.5	0.7	3.7	8.2	15.1
Adjusted operating profit (EBIT), %*	-0.8	1.0	1.3	3.1	5.8
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million*	-0.5	0.7	4.1	8.5	15.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %*	-0.6	1.1	1.5	3.2	5.9
Profit before tax (EBT), EUR million	-0.6	0.6	3.6	8.1	12.8

Changes in Group structure

The following changes in group structure were implemented during the financial year:

Merged company	Target company	Month of acquisition
Pihlajalinna Seinäjoki Oy	Pihlajalinna Lääkärikeskukset Oy	9 April 2021
Terveyspalvelu Verso Oy	Pihlajalinna Lääkärikeskukset Oy	1 May 2021
Työterveys Virta Oy	Pihlajalinna Oulu Oy	1 September 2021

Research and development

Increases to intangible assets totalled EUR 4.0 (3.6) million during the financial year.

During the financial year 2021, the development of the digital appointment booking system progressed as planned in parallel with the improvements of the assessment of the need for treatment. A wider range of preventive services was added into the remote clinic service selection.

The service offering through the occupational health portal was further expanded and more analytics was deployed to even better serve our occupational healthcare customers. Care chain service for our insurance customers was enhanced. A development of a new mobile application for professionals targeted to our own employees and professional medical practitioners was started. Other deployments were a new ERP system of our fitness centers, a new invoice work flow system and a new imaging archive and communications system (PACS) in addition with the launch of a new patient information system for dental care customers.

During the financial year 2022 the Pihlajalinna website and Pihlajalinna Health App (Terveyssovellus) -mobile application will be in the main focus, when developing the private sector customer services like the digital appointment booking system to enhance the service level. Remote appointment service will be aligned and service offering further expanded.

New features will be added into our portal for the occupational healthcare care customers to benefit. To

mention some of them, expanding possibilities of analytics and reporting capabilities. A new mobile application for professionals will be launched for our employees and professional medical practitioners. Enhancements will be made also to our HR and document management systems. A new ERP system will be deployed in our surgical business area.

Personnel

At the end of the financial year, the number of personnel was 6,297 (5,550), an increase of 747 persons, or 13 per cent. The Group personnel averaged 4,746 (4,308) persons as full-time equivalents, an increase of 438 persons, or 10 per cent. The Group employee benefit expenses totalled EUR 255.2 (214.2) million, an increase of EUR 40.9 million, or 19.1 per cent. The growth in the number of personnel was attributable to COVID-19 services, the acquisition of Työterveys Virta and the start of the partial outsourcing agreement with Kristiinankaupunki. The increase in employee expenses was also attributable to general increases, the elimination of the temporary reduction in TyEL insurance contributions and personnel-related flexibility during the comparison period, i.e. the COVID-19 spring of 2020.

Pihlajalinna fitness centers held cooperation negotiations due to the impacts of the COVID-19 epidemic in March. The outcome of the negotiations made it possible to temporarily lay off all employees for the maximum period of 90 days if necessary. The part-time or full-time temporary layoffs of some of the employees began in the second half of March and lasted through the COVID-19 closure in April.

Management Team

CEO Joni Aaltonen serves as the Chairman of the Management Team. The Management Team also includes COO Teija Kulmala, CFO Tarja Rantala, Chief Legal Officer Marko Savolainen, Chief People and Culture Officer Elina Heliö and Sales Director Juha-Pekka Halttunen. Antti-Jussi Aro, M.Sc. (Tech.), joined Pihlajalinna on 3 May 2021 as the new CIO and a member of the Group Management Team. Medical specialist Sari Riihijärvi, PhD, became

Pihlajalinna's Chief Medical Officer (CMO) and a member of the Management Team on 2 July 2021. Sari Nevanlinna, M.Sc. (Econ.), M.Soc.Sc. was appointed as Pihlajalinna's Chief Commercial Officer (CCO). She will join the Group Management Team on 1 March 2022.

Board of Directors

The Annual General Meeting on 15 April 2021 resolved that the number of the members of the Board of Directors shall be six instead of the previous seven. Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén were re-elected to the Board of Directors for a term of office ending at the conclusion of the next Annual General Meeting.

The Annual General Meeting elected Mikko Wirén as the Chairman of the Board and Leena Niemistö as the Vice-Chairman.

Shareholders' Nomination Board

The Shareholders' Nomination Board is comprised of the following representatives:

- Juha Koponen, Group Director and Board member, LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company
- Mikko Wirén, Managing Director, MWW Yhtiö Oy
- Antti Kuljukka, CEO, Fennia Mutual Insurance Company
- Hanna Hiidenpalo, deputy CEO, Elo Mutual Pension Insurance Company

Committees nominated by the Board

Pihlajalinna Plc Board of Directors appointed the following members to its committees at its constitutive meeting on 15 April 2021:

- Audit Committee: Seija Turunen (chairman), Mika Manninen and Hannu Juvonen
- People Committee: Mikko Wirén (chairman), Leena Niemistö and Kati Sulin

It was agreed that all members of the Board of Directors may join any of the committee meetings.

Remuneration of the members of the Board of Directors

The Annual General Meeting of 15 April 2021 resolved that the remuneration of the members of the Board of Directors other than the Chairman of the Audit Committee will remain unchanged, and that the following annual remuneration will be paid to the members of the Board of Directors elected for the term of office ending at the 2022 Annual General Meeting: EUR 250,000 per year to the full-time Chairman of the Board of Directors, EUR 36,000 per year to the Vice-Chairman and to the Chairman of the Audit Committee, and EUR 24,000 per year to the other members.

The AGM resolved that annual remuneration shall be paid in company shares and in cash, with approximately 40 per cent of the remuneration used to acquire shares in the name and on behalf of the members of the Board of Directors, and the remainder paid in cash. The remuneration could be paid either entirely or partially in cash if the member of the Board of Directors was, on the day of the AGM, 15 April 2021, in possession of over EUR 1,000,000 worth of company shares. The company was responsible for the expenses and transfer tax arising from the acquisition of the shares. The share-based remuneration was paid by transferring treasury shares held by the company to the members of the Board of Directors in the total amount of 9,848 shares on 11 May 2021, immediately after the release of the interim report for 1 January–31 March 2021. The remainder of the annual remuneration was paid concurrently as a one-off cash payment. If the term of a Board member ends before the Annual General Meeting of 2022, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

Of the annual remuneration paid in shares, a total of 5,000 shares were transferred to the Chairman of the Board of Directors, with 1,212 shares transferred to the Vice Chairman and the Chairman of the Audit Committee each, and 808 shares to each member of the Board of Directors.

The AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Com-

mittee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the company's travel policy.

Board authorisations

The Annual General Meeting of 15 April 2021 authorised the Board of Directors to decide on the acquisition of a maximum of 2,061,314 shares, which is approximately 9 per cent of the Group's current number of shares. Own shares may be repurchased on the basis of the authorisation only by using unrestricted equity. Targeted share acquisition is possible. The authorisation is effective until the next Annual General Meeting, or until 30 June 2022 at the latest.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and other special rights conferring an entitlement to shares under Chapter 10, Section 1 of the Limited Liability Companies Act. The number of shares to be issued cannot exceed 3,091,971 shares, which corresponds to approximately 14 per cent of all the shares in the Group. The authorisation concerns both the issuance of new shares and the sale or transfer of the Group's own shares. The authorisation permits a targeted share issue. The authorisation is effective until the next Annual General Meeting, or until 30 June 2022 at the latest.

Auditors and auditing

At Pihlajalinna's Annual General Meeting held on 15 April 2021, KPMG Oy Ab, a firm of authorised public accountants, was elected as the company's auditor for the financial year 1 January–31 December 2021. Lotta Nurminen, APA, is the principal auditor.

Shares and shareholders

At the end of the financial period, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of shares was 22,620,135, of which 22,594,235 were outstanding and 25,900 were held by the company. The company has one share series, with each share entitling its holder to one vote at the Annual General Meeting. All of the outstanding shares bestow their holders with equal rights to dividends and other distribution of the company's assets. At the end of the review period, the company had 15,126 (14,141) shareholders. A list of the largest shareholders is available on the company's investor website at investors.pihlajalinna.fi.

The trading code for the shares on the Nasdaq Helsinki main market is PIHLIS. Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

Share-related information, outstanding shares	10-12/2021	10-12/2020	2021	2020
No. of shares outstanding at the end of the period	22,594,235	22,617,841	22,594,235	22,617,841
Average no. of shares outstanding during the period	22,594,235	22,574,207	22,589,383	22,586,212
Highest price, EUR	12.92	10.45	12.98	15.66
Lowest price, EUR	11.54	8.72	9.26	8.72
Average price, EUR*	12.23	9.31	11.18	12.09
Closing price, EUR	12.64	9.38	12.64	9.38
Share turnover, 1,000 shares	1,061	2,628	6,929	6,620
Share turnover, %	4.7	11.6	30.7	29.3
Market capitalisation at the end of the period, EUR million	285.6	212.2	285.6	212.2

* average rate weighted by trading level

Risk management

In its risk management, Pihlajalinna's aim is to operate as systematically as possible and incorporate risk management in normal business processes. Furthermore, the group invests in quality management systems and the management of occupational safety and health risks. Pihlajalinna's Risk Management Policy defines and categorises the group's risks and describes the goals of risk management. In addition, it defines risk management principles, operating methods and responsibilities.

Pihlajalinna sharpened its management system in response to the COVID-19 pandemic. The Group Management Team actively monitors the epidemiological situation and operational indicators and assesses what measures are necessary. The Medical Management Team meets weekly and issues instructions to the Group's units in accordance with the guidelines and policies issued by the national and regional authorities. While the COVID-19 pandemic continues, the safety and health of the Group's personnel and customers remain the first priority in Pihlajalinna's management system. Regional management, personnel and practitioners are kept up to date on the situation through continuous communication on the intranet despite the fact that daily crisis management has been discontinued.

Internal risk reporting is included in the regular business reporting as well as in business planning and decision-making. The material risks and their management are reported to stakeholders regularly and, when necessary, on a case-by-case basis.

In 2021, Pihlajalinna applied the previously developed and implemented Enterprise Risk Management process, which involves classifying risks as strategic, operational, financial and damage risks. Enterprise Risk Management processes will be developed further in 2022.

Strategic risks refer to uncertainty related to the implementation of the Group's short-term and long-term strategy. An example is structural changes in society. The role of the private sector as a provider of social and healthcare services as well as structural changes in the public sector have a material impact on the company's business.

Operational risks are risks that are caused by external factors, technology, actions of employees, the operations of the organisation or the functionality of processes. These risks are managed by, for instance, monitoring the competitive situation systematically and reacting to its changes.

Financial risks refer to risks that are related to the Group's financial position, such as profitability, the management of financing risks (interest rate risk, liquidity risk, refinancing risk, counterparty risk and receivables risk) and taxation. For instance, changes in tax legislation may have an impact on the company's business.

Damage risks are related to accidents or other damage that may occur to the Group's assets, personnel, customers, stakeholders or environment. The company has liability and patient insurance to cover potential malpractice caused by the company's own personnel.

A factor that links all risk categories together is the reputational risk that may affect the reputation of the Group's brands or the entire Group. Breaches of information security and data protection may lead to financial losses, claims for compensation and loss of reputation.

The goal of Pihlajalinna risk management is to promote the achievement of the Group's strategic and operational targets, shareholder value, the Group's operational profitability and the realisation of responsible operating methods. Risk management seeks to ensure that the risks affecting the company's business operations are known, assessed and monitored. This is followed by the planning and implementation of practical measures and continuous monitoring.

The Group and operative management are responsible for risk management according to reporting responsibilities. In addition, risk management specialists guide and develop the group's risk management. The Group Management Team regularly discusses the key risks related to the Group's business operations. Everyone working at Pihlajalinna must also know and manage risks related to their responsibilities. The internal audit function evaluates the appropriateness and performance of the Company's risk management as part of its annual audit plan.

Risks and uncertainties in business operations

The COVID-19 pandemic has a twofold impact on Pihlajalinna's business: on the one hand, the demand for COVID-19 services has led to the growth of Pihlajalinna's business but, on the other hand, COVID-19 restrictions have at times led to weaker demand for services. The service provision and customer volumes of private clinics and dental care units have yet to recover to the pre-pandemic levels of 2019. The fitness centre business has particularly suffered from the extensive restrictions that have included the complete closure of indoor facilities used for individual sports and physical exercise by adults.

In addition to the impacts of the COVID-19 pandemic, the significant risks and uncertainties affecting the Group's operations are connected to the complete outsourcing agreements on social and healthcare services, material amendments to legislation, opening new locations, the success of acquisitions, digital service development and information system projects as well as risks related to taxation and the commitment and recruitment of competent management.

A tax audit of the Group's main companies began in the spring 2017. The tax audit was completed in its entirety in February 2021. No additional taxes became payable as a result of the tax audit with regard to income taxation (the Act on the Taxation of Business Profits) and withholding taxes (Tax Prepayment Act). No notable sanctions arose from the tax audit with regard to value added taxes (Value Added Tax Act).

The reforms concerning the organisation of social, healthcare and rescue services, when implemented, may lead to changes in Pihlajalinna's outsourcing agreements for social and healthcare services. Processes stipulated by the legislation concerning the reform of healthcare and social services will be carried out in cooperation with the wellbeing services counties to ensure the application of the service agreements as part of the organisation and production of services in the wellbeing services counties. This may affect the term of validity of Pihlajalinna's service agreements and the scope of the services provided. Pihlajalinna expects that its fixed-term service

agreements will remain in effect, as agreed, with the wellbeing services counties until the end of the term for each agreement.

Determining the annual profitability of the Group's fixed-term complete social and healthcare services outsourcing agreements may become accurate with a delay. The Group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements, and the agreements may involve variable elements of compensation. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the cost liability of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The fixed-term service agreements for all of the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognised the variable compensation components and cost compensation under the agreements using the same criteria and model for all clients. Demands for the compensation of cost increases due to changes in services corresponding to the actual costs and investment costs that serve operations after the end of the term of the contract being the client's responsibility constitute the majority of costs and variable compensation components that are specified with a delay. For 2021, the assessment of investment costs and COVID-19 related costs included in invoicing by hospital districts can only be carried out with finality after the hospital districts have published their financial statements.

Pihlajalinna has recognised only part of these legally justified claims in its income statement. The parties to the agreements are bound by an obligation to negotiate and negotiation is the primary procedure. If the obligation to negotiate does not lead to payment, the receivables are sought through legal action, which may further delay the collection of items presented in current receivables in the financial statements.

Items that may, according to the management estimate, influence the profitability of complete outsourcing agreements with a delay:

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement. The difference in views regarding whether the fixed annual price for social and healthcare services can decrease due to price adjustments amounted to approximately EUR 3.7 (2.6) million at the end of the financial year. Jämsän Terveys filed an additional counterclaim against the City of Jämsä. The additional counterclaim concerns the effect of changes in the services under the service agreement on price and the service provider's liability for financing investments by the Pirkanmaa Hospital District insofar as such investments serve operations after the term of the service agreement. The service provider is entitled to price adjustments corresponding to increases in costs and the contractual parties are under an obligation to negotiate and try to reach an agreement. In its counterclaim, Jämsän Terveys claims a total of approximately EUR 16 million from the City of Jämsä. The total amount of variable compensation under the counterclaim that Jämsän Terveys has recognised as revenue and recorded in its receivables amounts to EUR 3.9 (3.8) million.

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänvuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 4.1 (3.5) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs.

The total amount of contractually and legally justified variable compensation from the City of Parkano that Kolmostien Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 1.7 (0.6) million. The variable compensation recognised as revenue

in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs. The client approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement.

As regards Kuusiolinna Terveys Oy, the disputes concerning the annual price and other separate charges were settled with all of the clients during the financial year. The decisions of the City Boards of Alavus and Ähtäri and the Municipal Boards of Soini and Kuortane pertaining to the agreed-upon matters became legally valid in August 2021.

Pending legal processes:

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement as mentioned above under Items that may, according to the management estimate, influence the profitability of complete outsourcing agreements with a delay. The district court hearing was held in January 2022. The district court has announced to reach a decision in the beginning of March.

The District Court of Kanta-Häme issued a decision on the dispute between Pihlajalinna and the municipality of Hattula on 11 June 2021. The District Court found that Hattula did not have the right to terminate the agreement. Nevertheless, Pihlajalinna was ordered to pay compensation totalling EUR 123,175, including interest, to Hattula as contractual penalties and damages for breaches during the contract period. Pihlajalinna's counterclaim was approved with regard to its basis but rejected with regard to its amount. Each party was responsible for its legal costs.

On 31 August 2021, in arbitration proceedings brought against a subsidiary of Pihlajalinna Group regarding a breach of contract, an arbitration court found that the claimant had suffered damages of EUR 295,800 due to

the unfounded termination of an agreement. The court of arbitration ordered Pihlajalinna to pay compensation for damages and the claimant's legal expenses, totalling EUR 82,943, and, under joint and several liability, pay for the costs of the arbitration proceedings, totalling EUR 98,694.

Pihlajalinna has a few employment related cases with legal proceedings ongoing. No major financial impacts are expected on the Group of these disputes.

Impairment testing of goodwill

At the end of the financial year, goodwill on Pihlajalinna statement of financial position amounted to EUR 188.9 (173.6) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. The annual impairment testing was conducted on the situation on 30 November 2021. Pihlajalinna observed no indications of the carrying amount of goodwill being greater than its estimated recoverable amount. If negative changes were to occur in the development of Pihlajalinna's profit and growth, this could lead to an impairment of goodwill. This could have an unfavourable impact on Pihlajalinna's operating result and equity.

Flagging notifications

The company did not receive any flagging notifications under Chapter 9, Section 5 of the Securities Markets Act during the financial year.

Tax liability and footprint

Pihlajalinna's tax footprint describes the tax and other tax related income the society accrues through The Group business operations. On 2021 the society gained EUR 131,9 (110,4) million from Pihlajalinna. The vast majority of taxes consist of withholding taxes and employer liabilities. Additionally Pihlajalinna paid EUR 73,0 (71,9) million in total to professional practitioners, out of which they further accounted their own individual taxes. Corporate tax portion of Pihlajalinna's tax footprint is EUR 5,3 (4,2) million.

Tax footprint

EUR million	31 December 2021	31 December 2020
Direct tax payable for the period		
Income tax	5.3	4.2
Employer's pension contributions	35.3	27.0
Social security contributions	3.2	2.5
Employer's unemployment insurance contributions	3.5	2.5
Contribution to accident insurance and group life insurance	1.6	1.3
Employer contributions, total	43.7	33.3
Property taxes	0.1	0.1
Transfer taxes	0.4	0.4
Direct tax payable for the period, total	49.5	37.9
Value added tax of acquisitions payable by the company		
Value added taxes, estimate	14.3	11.3
Tax for the period		
Withholding taxes	48.0	43.3
Employee pension contributions	15.8	13.7
Employee unemployment insurance contributions	2.9	2.2
Payroll tax, total	66.7	59.2
Net value-added tax	1.4	1.9
Taxes collected for the period, total	68.1	61.1
Tax footprint	131.9	110.4

Share-based incentive schemes

At its meeting on 14 February 2019, the Board of Directors approved the terms of a share-based long-term incentive programme for Pihlajalinna Group's senior management (LTIP 2019). The incentive programme is effective from 1 January 2019 onwards and it is aimed at the CEO, the Management Team and other key employees selected for inclusion in the programme. LTIP 2019 constitutes a five-year plan period. None of the share rewards received by the key employees thereunder may be sold or transferred prior to 2022, and the share

rewards are subject to a two-year transfer restriction for each performance period. In the event that a beneficiary's employment ends during the transfer restriction period, shares that have already been received must be returned. The key employee is required to have made an investment in Pihlajalinna shares as a precondition for participation in the programme. At the end of the financial year, the incentive programme included 27 key employees.

The fixed matching share programme (commitment shares) consisted of a commitment period from the beginning of 2019 to the payment of the fixed share reward at the end of 2020. In this scheme, the company matched each key employee's share investments with additional shares at a fixed rate. A total of 97,000 matching shares were awarded. This figure is the gross reward, from which the applicable taxes were deducted, leaving a net amount of 45,105 shares that were transferred to the participants on 28 December 2020. The shares are subject to a transfer restriction, but they are not subject to the obligation to return the shares in the event of termination.

The performance- and quality-based matching share plan included three one-year performance periods (the calendar years 2019–2021), during which the participants could earn performance-based additional shares, provided that the company reached the performance objectives set by the Board of Directors. Based on each individual performance period, the participant can earn a maximum of two additional shares for three shares invested without consideration (gross before the deduction of the applicable payroll tax). The performance-based share rewards will be delivered after the respective performance periods according to the programme in the spring of 2020, 2021 and 2022.

No performance- and quality-based share rewards materialised for the first performance period 2019 pursuant to the matching share plan, as the minimum objectives set for the programme were not achieved.

For the second performance period 2020, the gross reward for the Group's management was 56,583 shares. The net amount of 26,546 shares were paid to the participants on 25 February 2021. These shares are subject to a transfer restriction, but they are not subject to the obligation to return the shares in the event of termination.

The performance targets for the performance period 2021 were related to the achievement of the consolidated adjusted operating profit target for 2021, the development of the customer satisfaction index (NPS) and employee net promoter score (eNPS), the growth of the share of internal production in specialised care, the implementation of the efficiency improvement programme for municipal companies and items that may, according to the management estimate, have a delayed impact on the profitability of complete outsourcing agreements. For the performance period 2021, the gross reward for the Group's management is 18,816 shares. The shares are expected to be transferred to the participants in February 2022. The shares are subject to a transfer restriction.

Repurchase of own shares

During the period 15 January–21 January 2021, Pihlajalinna acquired a total of 60,000 of its own shares for an average price of EUR 9.70 per share.

Following the repurchase, Pihlajalinna held a total of 62,294 of its own shares, which was approximately 0.28 per cent of the total number of shares. On 25 February 2021, Pihlajalinna conveyed 26,546 shares held by the company to key employees in accordance with the incentive programme. On 11 May 2021, Pihlajalinna conveyed 9,848 shares held by the company as part of the fees of the Board of Directors in accordance with the decision of the Annual General Meeting. After the share transfers, the number of treasury shares held by the company was 25,900 shares at the end of the financial period.

The treasury shares can be used for payments under the incentive scheme currently in effect.

The Board of Directors' proposal for profit distribution and the Annual General Meeting 2022

The Board of Directors proposes that a dividend of EUR 0.30 per share be paid for the financial year that ended on 31 December 2021. Calculation of the parent company's distributable funds:

EUR	31.12.2021
Reserve for invested unrestricted equity	183,190,483.50
Retained earnings	26,152,278.97
Profit for the period	13,893,203.86
Capitalised development costs	-488,602.20
Total	222,747,364.13

On the balance sheet date, the number of shares entitling their holder to dividend was 22,594,235, and consequently, the total dividend amount would be EUR 6,778,270.50. No material changes have taken place in the company's financial position after the end of the financial year. The company's liquidity position is good and, in the view of the Board of Directors, the proposed distribution does not jeopardise the company's ability to fulfil its obligations.

Earnings per share for the financial year was EUR 0.89. The proposed dividend of EUR 0.30 is 33.7 per cent of earnings per share.

Pihlajalinna Plc's Annual General Meeting will be held on 13 April 2022 in Tampere. The Board of Directors will decide on the notice of the General Meeting and the included proposals at a later date.

The annual report for 2021, including the Board of Directors' report and the financial statements, will be published on the company's investor website at investors.pihlajalinna.fi in week 12.

Pihlajalinna's outlook for 2022

Pihlajalinna's full year consolidated revenue is expected to increase substantially, and full year adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is expected to be on a par with 2021. Due to Pohjola Hospital integration and potential efficiency improvement plans in municipal companies, the first half of the year will be below the bar of the previous year.

The acquisition of Pohjola Hospital will increase consolidated revenue by at least EUR 50 million in the financial year 2022. Revenue from COVID-19 services is expected to decline from the level of 2021. In 2022, Pihlajalinna will

focus on the integration of Pohjola Hospital operations to be a seamless part of its Medical Center for All of Finland -concept. Maintaining profitability on a par with 2021 will require success in increasing supply, realization of the planned synergies of the acquisition, and successful implementation of potential efficiency improvements in municipal companies.

Corporate Governance Statement

Pihlajalinna publishes its Corporate Governance Statement separately on the company's investor website at investors.pihlajalinna.fi at the same time as the Board of Directors' report during week 12. Up-to-date information about compliance with and deviations from the Corporate Governance Code is maintained on the investor site at investors.pihlajalinna.fi.

Statement of non-financial information

Pihlajalinna's first sustainability report according to GRI-standard (Global Reporting Initiative) includes statement of non-financial information. Sustainability report is published on the company's investor website at investors.pihlajalinna.fi at the same time as the Board of Directors' report during week 12.

Events after the financial period

Pihlajalinna and Pohjola Hospital were combined

The Finnish Competition and Consumer Authority (FCCA) unconditionally approved the combining of Pihlajalinna and Pohjola Hospital. The acquisition is an important element of Pihlajalinna growth strategy, and it strengthens the combined entity's service portfolio in all healthcare specialities. The business combination also enables the geographical expansion of the service network, especially in the Helsinki Metropolitan Area and other growth centers. Growth potential is further strengthened by the new five-year service agreement signed with Pohjola Insurance in connection with the deal. The transaction was completed on 1 February 2022.

As previously announced, the net debt-free purchase price, paid in cash, was EUR 31.8 million. Pohjola Hos-

pital revenue was EUR 62.5 million in 2021 and EUR 59.4 million in 2020. Established in 2013, Pohjola Hospital is a hospital chain specialising in orthopedics, i.e. a treatment of musculoskeletal disorders and accidents. Pohjola Hospital operates in five university hospital cities: Helsinki, Tampere, Turku, Oulu and Kuopio.

The company had an average of 295 employees and over 300 practitioners in 2021.

The proposals of Pihlajalinna Plc's Shareholders' Nomination Board to the Annual General Meeting 2022

The number of members and composition of the Board of Directors

The Nomination Board proposes to the Annual General Meeting of Pihlajalinna Plc, scheduled to be held on 13 April 2022, that the number of the members of the Board be confirmed to be seven instead of the current six. The Nomination Board proposes that Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén, currently members of the Board of Directors, be re-elected as members of the Board of Directors. The Nomination Board proposes that Heli Iisakka be elected as a new member of the Board of Directors. Heli Iisakka, born 1968, M.Sc. (Econ.), is the CFO of Colliers Finland Oy. Iisakka is independent of the company and its major shareholders.

With regard to the procedure for the election of the members of the Board of Directors, the Shareholders' Nomination Board recommends that the shareholders vote on the proposal as a whole at the Annual General Meeting. The Nomination Board proposes that the Annual General Meeting elect Mikko Wirén as the Chairman of the Board and Leena Niemistö as the Vice-Chairman.

The Shareholders' Nomination Board proposes that, due to the ongoing significant changes in the social services and healthcare sector and the company's significant ongoing strategic development, the role of the Chairman of the Board of Directors should still be a full-time role for the next term of office. The Nomination Board's shared will is that, after this term, the role of the Chairman of the Board of Directors will no longer be a full-time role.

Remuneration of the members of the Board of Directors

The Shareholders' Nomination Board proposes that the remuneration of the Chairman of the Board of Directors be kept unchanged, and that the remuneration of the Vice-Chairman, the Chairman of the Audit Committee and the members of the Board of Direc-

Key financial figures

	2021	2020 restated **	2019	2018	2017 without IFRS 16
Scope of operations					
Revenue, EUR million	577,8	508,7	518,6	487,8	424,0
Change, %	13,6	-1,9	6,3	15,0	6,2
* Organic revenue growth, EUR million	58,1	-11,3	13,4	-2,0	10,1
Change, %	11,4	-2,2	2,8	-0,5	2,5
* Gross investments, EUR million	44,8	25,4	44,1	160,0	30,4
% of revenue	7,8	5,0	8,5	32,8	7,2
* Capitalised development costs, EUR million	0,0	0,4	0,5	1,3	1,2
% of revenue	0,0	0,1	0,1	0,3	0,3
Employee benefit expenses, EUR million	255,2	214,2	222,0	208,4	175,4
Personnel at the end of the period (NOE)	6 297	5 550	5 815	5 850	4 753
Average number of personnel (FTE)	4 746	4 308	4 515	4 618	3 879
Profitability					
* EBITDA, EUR million	62,6	52,2	47,8	44,8	33,3
* EBITDA, %	10,8	10,3	9,2	9,2	7,9
* Adjusted EBITDA, EUR million	65,3	54,8	55,7	45,9	34,4
* Adjusted EBITDA, %	11,3	10,8	10,7	9,4	8,1
* Operating profit (EBIT), EUR million	27,9	18,1	10,2	13,2	19,1
* Operating profit, %	4,8	3,6	2,0	2,7	4,5
* Adjusted operating profit (EBIT), EUR million	30,3	20,9	21,4	14,4	16,9
* Adjusted operating profit, %	5,3	4,1	4,1	3,0	4,0
* Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	37,3	27,4	28,9	19,6	23,8
* Adjusted EBITA, %	6,5	5,4	5,6	4,0	5,6
Net financial expenses, EUR million	-3,7	-4,4	-3,9	-3,8	-1,7
% of revenue	-0,6	-0,9	-0,8	-0,8	-0,4
* Profit before tax, EUR million	24,2	13,7	6,3	9,5	17,4
% of revenue	4,2	2,7	1,2	1,9	4,1
Income tax, EUR million	-5,1	-4,8	-1,8	-2,7	-3,4
Profit for the period	19,1	8,9	4,5	6,8	14,1
Cash flow after investments, EUR million	24,9	42,8	17,4	-18,8	-25,1
* Return on equity (ROE), %	16,1	8,1	3,8	5,7	13,6
* Return on capital employed (ROCE), %	8,8	5,7	3,1	4,7	11,8

tors be increased, with the following annual remuneration to be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2023: to the Chairman of the Board of Directors EUR 250,000; to the Vice-Chairman EUR 39,000, and to members EUR 26,000.

The proposal is that the annual remuneration to be paid in company shares and cash so that about 40 per cent of the remuneration is used to purchase the company's shares on behalf of the members and the remaining share of the remuneration is paid in cash. The remuneration can be paid either entirely or partially in cash if the member of the Board of Directors has, on the day of the General Meeting, 13 April 2022, been in possession of over EUR 1,000,000 worth of company shares. The company is responsible for the expenses and transfer tax arising from the acquisition of the shares. The remuneration to be paid in shares can be paid by transferring company shares in possession of the company to the members of the Board of Directors or by purchasing shares directly on behalf of the Board members within three weeks after the interim report for the period of 1 January–31 March 2022 has been published. If this is not possible due to legal or other regulatory reasons, such as insider regulations, the shares will be transferred or purchased at the earliest possible time thereafter or, alternatively, the remuneration will be paid in cash. If the term of a Board member ends before the Annual General Meeting of 2023, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

The Nomination Board proposes that each member of the Board of Directors be paid a cash attendance fee of EUR 500 per Board or Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the company's travel policy.

Funding and financial position	2021	2020 restated **	2019	2018	2017 without IFRS 16
Interest-bearing net financial debt, EUR million	194,7	194,8	192,7	178,0	34,2
% of revenue	33,7	38,3	37,2	36,5	8,1
* Equity ratio, %	26,9	25,9	24,3	29,9	41,8
* Gearing, %	158,8	170,6	181,7	136,6	32,3
* Net debt/adjusted EBITDA	3,0	3,6	3,5	3,9	1,0

Share related information	2021	2020 restated **	2019	2018	2017
Earnings per share (EPS)	0,89	0,38	0,15	0,16	0,46
* Equity per share, EUR	5,27	4,82	4,47	5,36	4,87
Dividend per share, EUR (the Board of Directors' proposal)	0,30	0,20		0,10	0,16
* Dividend per share, % (the Board of Directors' proposal)	33,72	51,80		64,0	34,7
* Effective dividend yield, % (the Board of Directors' proposal)	2,37	2,13		1,2	1,2
Number of shares at year-end	22 594 235	22 617 841	22 620 135	22 620 135	20 613 146
Average number of shares	22 589 383	22 586 212	22 620 135	22 224 236	20 613 146
Market capitalisation, EUR million	285,6	212,2	345,6	195,0	274,0
Dividends paid, EUR million (the Board of Directors' proposal)	6,8	4,5		2,3	3,3
* P/E ratio	14,21	24,39	102,71	55,1	28,9
Highest quotation, EUR	12,98	15,66	15,88	15,28	18,42
Lowest quotation, EUR	9,26	8,72	8,70	8,56	12,60
Average quotation, EUR	11,18	12,09	12,77	12,18	16,30
Closing price at year-end, EUR	12,64	9,38	15,28	8,62	13,34
* Trading volume of shares, 1,000 shares	6 929	6 620	4 062	6 182	5 189
* Trading volume of shares, %	30,7	29,3	18,0	27,8	25,2

* Alternative performance measure

** Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Quarterly information

EUR 1,000	Q4/21	Q3/21*	Q2/21*	Q1/21*	Q4/20*	Q3/20*	Q2/20*	Q1/20*
Income statement								
Revenue	154 721	140 622	142 545	139 887	137 194	123 855	114 659	132 974
Other operating income	1 644	698	241	1 121	472	634	937	336
Materials and services	-56 325	-49 273	-50 719	-53 201	-53 539	-47 496	-44 202	-52 740
"Employee benefit expenses"	-69 278	-60 536	-64 100	-61 250	-55 478	-50 093	-52 296	-56 368
Other operating expenses	-16 221	-13 303	-12 941	-11 695	-13 580	-10 408	-10 605	-12 092
EBITDA	14 542	18 208	15 025	14 862	15 068	16 491	8 493	12 111
Adjusted EBITDA	14 889	19 339	15 884	15 223	15 780	17 240	9 060	12 693
Adjusted EBITDA, %	9,6	13,8	11,1	10,9	11,5	13,9	7,9	9,5
Depreciation, amortisation and impairment	-8 961	-8 797	-8 478	-8 465	-8 314	-8 623	-8 336	-8 750
Operating profit (EBIT)	5 581	9 411	6 547	6 397	6 754	7 869	157	3 361
Adjusted operating profit (EBIT)	6 030	10 470	7 155	6 691	7 331	8 656	668	4 243
Adjusted operating profit (EBIT), %	3,9	7,4	5,0	4,8	5,3	7,0	0,6	3,2
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	7 837	12 252	8 929	8 317	8 956	10 289	2 272	5 908
Adjusted EBITA, %	5,1	8,7	6,3	5,9	6,5	8,3	2,0	4,4
Financial income	58	64	62	58	50	73	64	46
Financial expenses	-1 063	-935	-1 006	-952	-1 066	-1 100	-1 075	-1 396
Profit before taxes	4 576	8 539	5 603	5 502	5 738	6 842	-854	2 011
Income taxes	-1 234	-1 702	-1 107	-1 088	-2 789	-1 511	53	-589
Profit for the period	3 342	6 838	4 496	4 415	2 949	5 331	-801	1 422
Share of the result for the financial year attributable to owners of the parent company	4 257	6 978	4 335	4 524	3 400	4 531	-531	1 287
Share of the result for the financial year attributable to non-controlling interests	-915	-140	161	-110	-452	800	-269	136
EPS	0,19	0,31	0,19	0,20	0,15	0,20	-0,02	0,06
Personnel at the end of the period (NOE)	6 297	5 750	6 000	5 783	5 550	5 882	5 640	5 535
Change in personnel during the quarter	547	-250	217	233	-332	243	105	21

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Calculation of key financial figures and alternative performance measures

Key figures

Earnings per share (EPS)	$\frac{\text{Profit for the financial period attributable to owners of the parent company}}{\text{Average number of shares during the financial year}}$
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Alternative performance measures

Equity per share	$\frac{\text{Equity attributable to owners of the parent company}}{\text{Number of shares at the end of the financial period}}$
Dividend per share	$\frac{\text{Dividend distribution for the financial year (or proposal)}}{\text{Number of shares at the end of the financial period}}$
Dividend/result, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Closing price for the financial year}} \times 100$
P/E ratio	$\frac{\text{Closing price for the financial year}}{\text{Earnings per share (EPS)}}$
Share turnover, %	$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares}} \times 100$
Return on equity (ROE), %	$\frac{\text{Profit for the period (rolling 12 months)}}{\text{Equity (average)}} \times 100$
Return on capital employed, % (ROCE)	$\frac{\text{Profit before taxes (rolling 12 months) + financial expenses (rolling 12 months)}}{\text{Total statement of financial position - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, %	$\frac{\text{Equity}}{\text{Total statement of financial position - prepayments received}} \times 100$
Gearing, %	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Equity}} \times 100$

EBITDA	Operating profit + depreciation, amortisation and impairment
EBITDA, %	$\frac{\text{Operating profit + depreciation, amortisation and impairment}}{\text{Revenue}} \times 100$
Adjusted EBITDA*	Operating profit + depreciation, amortisation and impairment + adjustment items
Adjusted EBITDA, %*	$\frac{\text{Operating profit + depreciation, amortisation and impairment + adjustment items}}{\text{Revenue}} \times 100$
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)*	Operating profit + adjustment items + amortisation and impairment of intangible assets
Adjusted EBITA, %*	$\frac{\text{Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)}}{\text{Revenue}} \times 100$
Net debt/Adjusted EBITDA*, rolling 12 months	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Adjusted EBITDA (rolling 12 months)}}$
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities
Adjusted operating profit (EBIT)*	Operating profit + adjustment items
Adjusted operating profit, %*	$\frac{\text{Adjusted operating profit (EBIT)}}{\text{Revenue}} \times 100$
Profit before taxes	Profit for the financial year + income tax
Gross investments	Increase in tangible and intangible assets and in right-of-use assets
Organic revenue growth, %	$\frac{\text{Revenue for the period - revenue from M\&A transactions for the period - revenue for the previous period}}{\text{Revenue for the previous period}} \times 100$

* Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships, as well as fines and corresponding compensation payments. Pihlajalinna also presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

Reconciliations with alternative key figures and ratios

Pihlajalinna publishes a wide range of alternative performance measures, i.e. key figures that are not based on financial reporting standards, because they are considered to be significant for investors, the management and the Board of Directors in assessing the group's financial position and profitability. The alternative performance measures should not be considered to be replacements for the key figures defined in IFRS standards. The table below presents the reconciliation calculations for the alternative performance measures and the justifications for their presentation.

Reading notes:

/divide by the next number/numbers

- deduct the next number/numbers

+ add the next number/numbers

	2021	2020*
Return on equity (ROE), %		
Profit for the period (rolling 12 months)/	19 091	8 901
Equity at beginning of period	114 190	105 323
Equity at end of period	122 611	114 190
Equity (average) x 100	118 400	109 756
Return on equity (ROE), %	16,1	8,1

Return on equity is one of the most important indicators of a company's **profitability** used by shareholders and investors. The indicator illustrates the company's ability to look after the capital invested by shareholders in the company. The figure indicates how much return was accumulated on equity during the financial year.

Return on capital employed (ROCE), %	2021	2020*
Profit before taxes (rolling 12 months) +	24 222	13 737
Financial expenses (rolling 12 months)	3 956	4 637
/	28 178	18 373
Total statement of financial position at beginning of period -	441 337	437 685
non-interest-bearing liabilities at beginning of period	119 031	112 655
	322 306	325 030
Total statement of financial position at end of period -	457 066	441 337
Non-interest-bearing liabilities at end of period	135 479	119 031
	321 587	322 306
Average x 100	321 947	323 668
Return on capital employed (ROCE), %	8,8	5,7

Return on capital employed is one of the most important indicators produced by financial statements analysis. It measures the company's relative **profitability**, or the return on capital invested in the company that requires interest or other returns.

Equity ratio, %	2021	2020*
Equity/	122 611	114 190
Total statement of financial position -	457 066	441 337
Advances received x 100	938	1 158
Equity ratio, %	26,9	25,9

The equity ratio measures the company's **solvency**, the capacity to tolerate losses and the ability to manage commitments in the long term. The indicator shows the percentage of the company's assets that are financed by equity.

Gearing, %	2021	2020*
Interest-bearing financial liabilities -	198 977	208 117
Cash and cash equivalents/	4 257	13 306
Equity x 100	122 611	114 190
Gearing, %	158,8	170,6

Gearing illustrates the company's **indebtedness**. The figure reveals the ratio between the equity invested in the company by shareholders and the interest-bearing debt borrowed from lenders. The second financial covenant of the Group's financing arrangements is the gearing ratio. The maximum value of this key figure is 115% excluding the effect of IFRS 16 (frozen GAAP). On the financial statements date, gearing calculated according to the financing agreement was 91%.

Net debt/adjusted EBITDA, rolling 12 months	2021	2020*
Interest-bearing financial liabilities -	198 977	208 117
Cash and cash equivalents	4 257	13 306
Net debt/	194 720	194 810
Adjusted EBITDA (rolling 12 months)	65 336	54 773
Net debt/adjusted EBITDA, rolling 12 months	3,0	3,6

This figure illustrates how quickly, at the current profit rate, the company would have paid off its debts if the EBITDA were to be used in full to repay the debts, if the company does not, for example, invest or distribute any dividend. The second financial covenant linked to the Group's financing arrangement is based on the ratio of the Group's net debt to pro forma EBITDA (leverage). The maximum value of the covenant linked to the financing arrangement is 3.75. The closer the value of the covenant is to the maximum value, the higher the loan margin. The Group's management and Board of Directors monitor the fulfilment of the covenant on a monthly basis and the covenant is reported to the lenders on a quarterly basis. The covenant calculations are also updated with forecasts whenever the Group is about to carry out a significant acquisition. On the financial statements date, leverage calculated according to the financing agreement was 2.30.

EBITDA and Adjusted EBITDA	2021	2020*
Profit for the period	19 091	8 901
Income taxes	-5 130	-4 835
Financial expenses	-3 956	-4 637
Financial income	242	232
Depreciation, amortisation and impairment	-34 701	-34 023
EBITDA	62 638	52 164
IFRS 3 costs	1 428	124
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	563	282
Other EBITDA adjustments	707	2 204
Total EBITDA adjustments	2 698	2 609
Adjusted EBITDA	65 336	54 773

EBITDA indicates how much is left of the company's revenue after deducting operating expenses. Assessments of whether EBITDA is sufficiently high should take into account the company's financial expenses, depreciation requirements and intended profit distribution. Adjusted EBITDA provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted EBITDA improves comparability between periods and is frequently used by analysts, investors and other parties.

The Group Management Team and operative management monitor and forecast adjusted EBITDA on a monthly basis.

EBITDA, %	2021	2020*
EBITDA/ Revenue x 100	62 638 577 774	52 164 508 682
EBITDA, %	10,8	10,3
Adjusted EBITDA, %	2021	2020*
Adjusted EBITDA/ Revenue x 100	65 336 577 774	54 773 508 682
Adjusted EBITDA, %	11,3	10,8

Operating profit (EBIT), adjusted EBIT and adjusted EBITA	2021	2020*
Profit for the period	19 091	8 901
Income taxes	-5 130	-4 835
Financial expenses	-3 956	-4 637
Financial income	242	232
Operating profit (EBIT)	27 936	18 141
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	-290	-232
Other adjustments to amortisation and impairment, total**	1	381
Total EBITDA adjustments*	2 698	2 609
Total operating profit (EBIT) adjustments	2 410	2 758

Adjusted operating profit (EBIT)	30 346	20 899
PPA amortisation	2 985	3 097
Amortisation and impairment of other intangible assets	3 714	3 197
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	290	232
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	37 335	27 424

Operating profit indicates how much is left of the proceeds of actual business operations before financial items and taxes. With operating profit, the company must cover, among other things, financial expenses, taxes and the distribution of dividends. Adjusted operating profit provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted operating profit improves comparability between periods and is frequently used by analysts, investors and other parties.

The Group Management Team and operative management monitor and forecast adjusted operating profit (EBIT) and adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) on a monthly basis.

Operating profit (EBIT), %	2021	2020*
Operating profit/ Revenue x 100	27 936 577 774	18 141 508 682
Operating profit (EBIT), %	4,8	3,6

Adjusted operating profit (EBIT), %	2021	2020*
Adjusted operating profit/ Revenue x 100	30 346 577 774	20 899 508 682
Adjusted operating profit (EBIT), %	5,3	4,1

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	2021	2020*
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)/ Revenue x 100	37 335 577 774	27 424 508 682
Adjusted EBITA, %	6,5	5,4

Cash flow after investments	2021	2020*
Net cash flow from operating activities	56 936	46 904
Net cash flow from investing activities	-32 064	-4 124
Cash flow after investments	24 873	42 780

Cash flow after investments (free cash flow) indicates how much cash is left for the company after deducting the cash tied up in operative business and investments. It indicates how much the company has left for its shareholders and creditors. Free cash flow indicates how sustainable the foundation of the company's profitability is, and it is used as the basis of the company's valuation.

Profit before taxes	2021	2020*
Profit for the period	19 091	8 901
Income tax	-5 130	-4 835
Profit before taxes	24 222	13 737
Gross investments	2021	2020*
Property, plant and equipment at the end of the period	44 989	43 996
Right-of-use assets at the end of the period	95 586	102 832
Other intangible assets at end of period	14 866	15 336
Goodwill at end of period	188 909	173 607
Depreciation, amortisation and impairment for the period are added	34 701	34 023
-		
Property, plant and equipment at the start of the period	43 996	53 237
Right-of-use assets at the start of the period	102 832	108 109
Other intangible assets at beginning of the period	15 336	18 133
Goodwill at beginning of the period	173 607	173 607
Proceeds from the sale of property, plant and equipment during the period	-1 503	-8 700
Gross investments	44 784	25 409

Gross investments refers to the acquisition of long-term factors of production, including M&A transactions. Divestments and proceeds from the sale of property, plant and equipment are not deducted from investments. Investments are also presented on a cash flow basis in the cash flow statement.

Organic revenue growth, %	2021	2020*
Revenue for the period -	577 774	508 682
Revenue from M&A transactions during the period	11 008	1 424
Revenue for the previous period	508 682	518 596
Organic revenue growth/	58 084	-11 338
Revenue for the previous period x 100	508 682	518 596
Organic revenue growth, %	11,4	-2,2
Revenue growth due to M&A transactions, %	2,2	0,3
Revenue growth	69 092	-9 914
Revenue growth, %	13,6	-1,9

Organic revenue growth is growth in existing business operations that has not come about as a result of M&A transactions. Organic growth can be achieved through increasing the service offering, new customer acquisition, growth in custom from existing customers, price increases and digitalisation. Social and healthcare outsourcing contracts won through public competitive bidding and new business locations established by the group itself are included in organic growth.

	2021	2020*
EBITDA	62 638	52 164
Adjustments to EBITDA		
Dismissal-related expenses	414	-60
Compensation under the share-based incentive scheme in relation to the expired tender offer		1 517
Onerous contracts	-225	
IFRS 3 costs	1 428	124
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	563	282
Other	518	747
Adjustments to EBITDA in total	2 698	2 609
Adjusted EBITDA	65 335	54 772
Depreciation, amortisation and impairment	-34 701	-34 023
Adjustments to depreciation, amortisation and impairment		
Double depreciation arising from a merger with no cash flow effect		354
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	-290	-232
Closure of operating locations	1	26
Adjustments to depreciation, amortisation and impairment in total	-288	149
PPA amortisation	2 985	3 097
Amortisation and impairment of other intangible assets, excluding cloud services	4 004	3 428
Amortisation and impairment of intangible assets, total	6 988	6 525
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	37 335	27 424
Operating profit (EBIT)	27 936	18 141
Financial income	242	232
Financial expenses	-3 956	-4 637
Income taxes	-5 130	-4 835
Profit for the period	19 091	8 901

The adjustment items** are presented in the income statement items as follows:

	2021	2020*
Employee benefit expenses	414	1 457
Other operating expenses	2 285	1 152
EBITDA adjustment items total	2 698	2 609
Depreciation, amortisation and impairment	-288	149
Operating profit adjustment items total	2 410	2 758

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

* The definition of adjustment items has changed: in addition to the former definition, adjustment items include costs of business acquisitions, costs recognised in relation to the IFRS Interpretations Committee's new Agenda Decision regarding cloud services, and reversals of depreciation.

Shares and shareholders

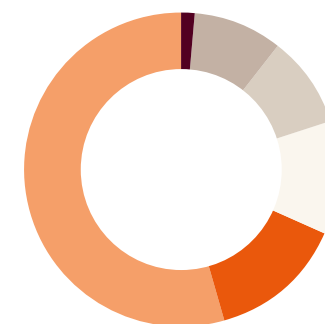
Major shareholders, 31 Dec. 2021

		Number of shares	Percentage of shares and votes
1	LOCALTAPIOLA GENERAL MUTUAL INSURANCE COMPANY	3 481 641	15,4 %
2	MWW YHTIÖ OY	2 309 010	10,2 %
3	FENNIA MUTUAL INSURANCE COMPANY	1 998 965	8,8 %
4	LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY	1 893 985	8,4 %
5	ELO MUTUAL PENSION INSURANCE COMPANY	1 267 161	5,6 %
6	NIEMISTÖ LEENA KATRIINA	704 687	3,1 %
7	ILMARINEN MUTUAL PENSION INSURANCE COMPANY	628 431	2,8 %
8	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), HELSINKI BRANCH	497 093	2,2 %
9	FONDITA NORDIC MICRO CAP MUTUAL FUND	470 000	2,1 %
10	OP-FINLAND SMALL CAP FUND	383 175	1,7 %
	10 largest, total	13 634 148	60,3 %
	Other shareholders	8 985 987	39,7 %
	Total	22 620 135	100,0 %

Distribution of shareholding by size range, 31 Dec. 2021

Shares per shareholder	Number of shareholders	% of shareholders	Number of shares	Percentage of shares, %
1 - 100	8 307	54,9 %	370 257	1,6 %
101 - 1 000	5 938	39,3 %	2 057 759	9,1 %
1 001 - 10 000	771	5,1 %	2 133 191	9,4 %
10 001 - 100 000	90	0,6 %	2 617 582	11,6 %
100 001 - 500 000	13	0,1 %	3 157 466	14,0 %
500 001 -	7	0,0 %	12 283 880	54,3 %
Total		100,0 %	22 620 135	100,0 %
of which nominee-registered shares			867 727	3,8 %
Outstanding shares			22 620 135	100,0 %

Distribution of shareholding by size range, 31 Dec. 2021



1-100 Shares per shareholder	1,6 %
101-1 000	9,1 %
1 001-10 000	9,4 %
10 001-100 000	11,6 %
100 001-500 000	14,0 %
500 001-	54,3 %

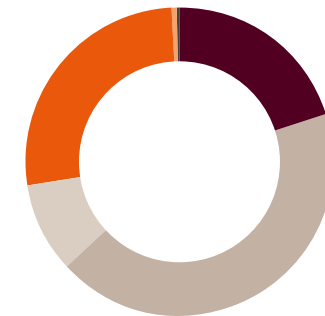
Distribution of shareholding by sector, 31 Dec. 2021

	Number of shareholders	% of shareholders	Number of shares	Percentage of shares, %
Private companies	534	3,5 %	4 360 877	20,0 %
Financial and insurance institutions	46	0,3 %	9 391 463	43,2 %
Public entities	6	0,0 %	2 047 965	9,4 %
Households	14 469	95,7 %	5 792 445	26,6 %
Non-profit organisations	39	0,3 %	133 408	0,6 %
Foreign shareholders	32	0,2 %	26 250	0,1 %
Total	15 126	100,0 %	21 752 408	96,2 %
Nominee registered			867 727	3,8 %
Outstanding shares			22 620 135	100,0 %

Shareholding by the management

	Direct holding		Indirect holdings	
	Number of shares	Percentage of shares and votes	Number of shares	Percentage of shares and votes
Board of Directors				
Mikko Wirén (MWW Yhtiö Oy)			2 309 010	10,2 %
Mikko Wirén	5 000	0,0%		
Leena Niemistö	704 687	3,1 %		
Hannu Juvonen	808	0,0 %		
Mika Manninen	808	0,0 %		
Kati Sulin	808	0,0 %		
Seija Turunen	1 212	0,0 %		
Management Team				
Joni Aaltonen	37 524	0,2 %		
Teija Kulmala	14 819	0,1 %		
Tarja Rantala	16 270	0,1 %		
Elina Heliö	1 743	0,0 %		
Marko Savolainen	9 815	0,0 %		
Juha-Pekka Halttunen	6 094	0,0 %		
Antti-Jussi Aro	500	0,0 %		
Riihijärvi Sari	0	0,0 %		

Distribution of shareholding by sector, 31 Dec. 2021



Private companies	20,0 %
Financial and insurance institutions	43,2 %
Public entities	9,4 %
Households	26,6 %
Non-profit organisations	0,6 %
Foreign shareholders	0,1 %

Financial statements 1 Jan–31 Dec 2021

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		Accounting policies
		New and revised standards and interpretations applied in the past financial year
		New and revised standards and interpretations to be applied in future financial years
Income statement	1	Revenue from contracts with customers and segment information
Income statement	2	Other operating income
Income statement	3	Materials and services
Income statement	4	Employee benefit expenses and the number of personnel
Income statement	5	Share-based incentive scheme for key personnel
Income statement	6	Other operating expenses and audit fees
Income statement	7	Depreciation, amortisation and impairment
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Consolidated statement of comprehensive income, IFRS

EUR 1,000	note	1.1.-31.12.2021	1.1.-31.12.2020 Restated*
Revenue	1	577 774	508 682
Other operating income	2	3 704	2 379
Materials and services	3	-209 516	-197 977
Employee benefit expenses	4	-255 164	-214 235
Other operating expenses	6	-54 151	-46 678
Share of profit in associated companies and joint ventures	28	-9	-7
EBITDA		62 638	52 164
Depreciation, amortisation and impairment	7	-34 701	-34 023
Operating profit (EBIT)		27 936	18 141
Financial income	8	242	232
Financial expenses	9	-3 956	-4 637
Financial income and expenses		-3 715	-4 404
Profit before taxes		24 222	13 737
Income tax	10	-5 130	-4 835
Profit for the period		19 091	8 901
Total comprehensive income for the period		19 091	8 901
To the owners of the parent company		20 095	8 687
To non-controlling interests		-1 004	214
Earnings per share for profit attributable to owners of the parent company, EUR			
Basic	11	0,89	0,38
Diluted		0,89	0,38

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Consolidated statement of financial position, IFRS

EUR 1,000	note	31.12.2021	31.12.2020 *Restated
Property, plant and equipment	12	44 989	43 996
Goodwill	13	188 909	173 607
Other intangible assets	13	14 866	15 336
Right-of-use assets	14	95 586	102 832
Interests in associates	28	308	17
Other investments		1 176	126
Other receivables	15	5 211	5 503
Deferred tax assets	19	5 484	5 555
		356 529	346 973

	note	31.12.2021	31.12.2020
Inventories		3 705	3 400
Trade and other receivables	16	92 143	75 771
Current tax assets		433	1 886
Cash and cash equivalents		4 257	13 306
		100 537	94 364
Total assets		457 066	441 337
Share capital		80	80
Reserve for invested unrestricted equity		116 520	116 520
Retained earnings		2 501	-7 633
		119 101	108 967
Non-controlling interests		3 510	5 223
Total equity		122 611	114 190
Deferred tax liabilities	19	5 884	5 761
Provisions	17	134	114
Lease liabilities	22	87 857	95 475
Financial liabilities	20	91 445	92 523
Other non-current liabilities		1 002	1 152
		186 321	195 024
Trade and other payables	18	125 107	109 352
Current tax liabilities		3 282	2 004
Provisions	17	71	648
Lease liabilities	22	18 392	18 705
Financial liabilities	20	1 283	1 415
		148 135	132 124
Total liabilities		334 455	327 147
Total equity and liabilities		457 066	441 337

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Consolidated statement of cash flows, IFRS

EUR 1,000	note	1.1. - 31.12.2021	1.1. - 31.12.2020 *Restated
Profit for the period		19 091	8 901
Taxes		5 130	4 835
Depreciation, amortisation and impairment		34 701	34 023
Financial income and expenses		3 724	4 411
Other		-45	-66
Net cash generated from operating activities before change in working capital		62 601	52 105
Change in working capital		-3 336	-1 830
Interest received		235	223
Taxes paid		-2 564	-3 594
Net cash flow from operating activities		56 936	46 904
Investments in property, plant and equipment and intangible assets		-14 833	-9 597
Proceeds from disposal of property, plant and equipment and intangible assets		526	6 843
Changes in other investments		-1 350	20
Dividends received		7	10
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	26	-16 414	-1 400
Net cash flow from investing activities		-32 064	-4 124
Acquisitions of non-controlling interests		-3 017	-18 282
Acquisition of own shares		-582	-692
Repayment of short-term borrowings	23	0	-501
Proceeds from long-term borrowings	23	20 000	0
Repayment of long-term borrowings	23	-21 584	-11 675
Repayment of lease liabilities	23	-19 822	-20 604
Interest and other operational financial expenses		-3 986	-4 512
Dividends paid and other profit distribution		-4 932	-212
Net cash flow from financing activities		-33 923	-56 477
Changes in cash and cash equivalents		-9 050	-13 697
Cash at the beginning of the financial year		13 306	27 004
Cash at the end of the financial year		4 257	13 306

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Consolidated statement of changes in equity, IFRS

Equity attributable to owners of the parent company					
	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2020	80	116 520	-15 481	4 965	106 083
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*			-761		-761
Restated equity, 1 Jan. 2020	80	116 520	-16 242	4 965	105 323
Profit for the period, reported			8 687	214	8 901
Total comprehensive income for the period			8 687	214	8 901
Dividends paid				-312	-312
Acquisition of own shares			-692		-692
Share-based benefits			1 312	0	1 312
Total transactions with owners			620	-312	308
Changes in NCI without a change in control			-698	356	-342
Total changes in subsidiary shareholdings			-698	356	-342
Total equity, 31 Dec. 2020	80	116 520	-7 633	5 223	114 190

Equity attributable to owners of the parent company					
	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2021	80	116 520	-7 633	5 223	114 190
Profit for the financial year			20 095	-1 004	19 091
Total comprehensive income for the period			20 095	-1 004	19 091
Dividends paid			-4 517	-315	-4 832
Acquisition of own shares			-582		-582
Share-based benefits			14		14
Total transactions with owners			-5 085	-315	-5 400
Changes in NCI without a change in control			-4 875	-395	-5 270
Total changes in subsidiary shareholdings			-4 875	-395	-5 270
Total equity, 31 Dec. 2021	80	116 520	2 501	3 510	122 611

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Accounting policies

Company profile

Pihlajalinna is one of the leading private social and healthcare service providers in Finland. The Group serves private persons, companies, insurance companies and public sector entities, such as municipalities and hospital districts. Pihlajalinna provides a broad range of social and healthcare services as well as wellbeing services. The service selection includes general practitioner and medical specialist services, occupational healthcare, social and healthcare outsourcing, fitness centre services, responsible doctor and remote consultation services as well as residential services and staffing services.

At the end of the financial year, the total number of Pihlajalinna's private clinics, hospitals, dental clinics, fitness centres and service housing units with 24-hour assistance was approximately 140. In addition, Pihlajalinna has four major complete social and healthcare outsourcing agreements that collectively cover some 60 locations (including health centres, maternity and child health clinics, service housing units with 24-hour assistance and daytime activity centres).

The Group's parent company, Pihlajalinna Plc, is a Finnish public limited company established under the laws of Finland, whose Business ID is 2617455-1. The company is domiciled in Tampere, and its registered address is Kehräsaari B, FI-33200 Tampere, Finland. Pihlajalinna Plc's shares are listed on the NASDAQ OMX Helsinki main market. A copy of the consolidated financial statements is available on the internet at investors.pihlajalinna.fi or can be obtained at the head office of the Group's parent company, address Kehräsaari B, 33200 Tampere, Finland.

The Board of Directors of Pihlajalinna Plc approved these financial statements in its meeting on 17 February 2022. In accordance with the Finnish Limited Liability Companies Act, the shareholders may adopt or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting can also decide on modifications to be made to the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and their preparation complies with the IAS and IFRS as well as SIC and IFRIC interpretations effective on 31 December 2021. 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 Regulation (EC) No. 1606/2002 and interpretations thereof. The notes to the consolidated financial statements also comply with the Finnish accounting and company legislation that complements the IFRS regulations.

Accounting policies that influence a particular note to the consolidated financial statements are indicated with the heading Accounting policies in the note in question.

The consolidated financial statements are presented in euros and all figures are rounded to the nearest thousand, unless otherwise specified.

New accounting policies applied in the financial year that ended on 31 december 2021

Configuration or customisation costs in a cloud computing arrangement - IAS 38 Intangible assets (effective immediately) The Agenda Decision issued by the IFRS Interpretations Committee in April 2021 clarifies the accounting of the costs of configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement. The Agenda Decision addresses whether the company that purchases the service can recognise an intangible asset in its balance sheet, and if not, how the configuration or customisation costs are to be treated in accounting. Agenda Decisions are intended to be applied as soon as possible after their publication. Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, this Agenda Decision regarding the recognition of configuration or customisation costs in a cloud computing arrangement.

Retrospective effect on the 2020 financial statements of the IFRIC agenda decision

	2020 reported figures	Effect of the IFRIC Agenda Decision	2020 restated
ASSETS			
Other intangible assets	16.3	-1.0	15.3
Deferred tax assets	5.4	0.2	5.6
Total non-current assets	347.8	-0.8	347.0
Total Assets	442.1	-0.8	441.3
EQUITY			
Retained earnings	-15.6	-0.8	-16.3
Profit for the period	8.7	0.0	8.7
Total	109.8	-0.8	109.0
Non-controlling interests	5.2	0.0	5.2
Total Equity	115.0	-0.8	114.2
Total Equity and liabilities	442.1	-0.8	441.3

INCOME STATEMENT			
Other operating expenses	-46.4	-0.3	-46.7
EBITDA	52.4	-0.3	52.2
Depreciation, amortisation and impairment	-34.3	0.2	-34.0
Operating profit (EBIT)	18.2	0.0	18.1
Profit before taxes	13.8	0.0	13.7
Income tax	-4.8	0.0	-4.8
Total comprehensive income for the period	8.9	0.0	8.9
Total comprehensive income for the period attributable:			
To the owners of the parent company	8.7	0.0	8.7
To non-controlling interests	0.2	0.0	0.2

Cash flow from operating activities decreased and cash

flow from investing activities increased by EUR 0.6 million due to the application of the Agenda Decision.

New and amended standards applied in the past financial year

In 2021, the Group has adopted the following amended standards published by the IASB. They are not, however, estimated to have a material effect on Pihlajalinna's financial statements.

COVID-19-related Rent Concessions after 30 June 2021 – Amendments to IFRS 16 Leases (effective from 1 April 2021 for financial years beginning on or after 1 January 2021)

The amendment allows lessees to not recognise rent concessions as changes in leases, provided that the concessions are a direct consequence of COVID-19 and meet certain conditions. The expedient was not applied to the financial statements for 2021.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2021)

The amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. The amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Consolidation principles

Subsidiaries

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

Intragroup shareholdings are eliminated using the acquisition method. The consideration transferred and

the acquired entity's identifiable assets and assumed liabilities are measured at fair value at the date of acquisition. Acquisition-related costs are expensed. Any contingent consideration is measured at fair value at the date of acquisition and classified as a liability. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect any new information. The measurement period may not exceed one year from the acquisition date. 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 after the end of the measurement period.

Non-controlling interests in the acquiree are recognised either at fair value or an amount that corresponds to their pro rata share of the acquiree's net assets. The amount by which the consideration transferred, non-controlling interests in the acquiree and previously owned holding combined exceed the fair value of the acquired net assets is recognised as goodwill in the consolidated statement of financial position. If the combined value of the consideration, non-controlling interests and previously owned holding is lower than the fair value of the acquiree's net assets, the difference is recognised in the statement of comprehensive income.

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.

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

the goodwill generated through the acquisition. Unrealised profits between the Group and an associate or a joint venture are eliminated in proportion to the Group's ownership interest. The Group's pro rata share of an associate's or a joint venture's profit for the financial year is included in operating profit.

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

Foreign currency translation

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

Segment reporting

Pihlajalinna's CEO makes significant operational decisions at the Group level. The Group operates only in Finland and its management system is based on a regional organisation structure. Under Pihlajalinna's operating structure, the Group's CEO, with the help of the Chief Operating Officer (COO) and the other members of the Management Team, is responsible for the Group's business operations and service offering to both the private and public sectors. The COO is responsible for preparing the Group businesses' budgets with the help of the Regional Directors. The Group CEO is responsible for the resources, investments and profitability of the Group's businesses. Pihlajalinna's cash-generating unit corresponds to the reporting segment, i.e. the Group. The senior operating decision-maker, Pihlajalinna's CEO, monitors the Group's result. Group-level figures are reported as segment information.

Accounting policies requiring management judgement and major sources of estimation uncertainty

In the course of preparing the financial statements, it is necessary to make estimates and assumptions about the future. However, such estimates and assumptions may later prove inaccurate compared with actual outcomes. The Group regularly monitors the realisation of the estimates and assumptions and changes in the underlying factors together with the business units by using several, both internal and external, sources of information. Any changes in estimates and assumptions are recognised in the financial year during which the estimate or assumption is corrected and in all subsequent financial years. Additionally, it is necessary to exercise judgement in the application of the accounting policies. The most significant estimates and assumptions are presented under the note in question under the heading **Key accounting estimates and decisions based on management judgement**.

New and revised standards and interpretations to be applied in future financial years

* = The regulation in question was not approved for application in the EU by 31 December 2021.

Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022).

The Annual Improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time

adopter: The amendment simplifies the application of IFRS 1 in a subsidiary that becomes a first-time adopter later than its parent. The subsidiary may elect to measure cumulative translation differences at the amounts included in the consolidated financial statements of the parent.

- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – example 13: The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes a requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those of IFRS 13 Fair Value Measurement. Assumptions concerning cash flows and discount rates should be consistent when using the present value method to measure fair value, i.e. both should be based on either a pre-tax or post-tax discount rate and pre-tax or post-tax cash flows.

Property, Plant and Equipment – Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations (effective for

financial years beginning on or after 1 January 2022).

The amendments update a reference in IFRS 3 and include further specifications related to updating the reference.

IFRS 17 Insurance Contracts (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers).

The new standard for insurance contracts helps investors and other parties better understand insurers' risk exposure, profitability and financial position. This standard replaces the IFRS 4 standard.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements * (effective for financial years beginning on or after 1 January 2023, early application is permitted).

The amendments aim to promote consistency in application and clarify the requirements on determining whether a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements * (effective for financial years beginning on or after 1 January 2023, early application is permitted).

The amendments clarify the application of the materiality principle to disclosures of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors * (effective for financial years beginning on or after 1 January 2023, early application is permitted).

Notes to the consolidated financial statements, IFRS

1. Revenue from contracts with customers Accounting policies

The Group's revenue consists of payments related to the sale of healthcare services, social services and wellbeing services measured at fair value, adjusted by any discounts and other adjustment items. The healthcare services provided by the Group consist of occupational health services, services provided at private clinics and hospitals, responsible doctor services, diagnostics services, rehabilitation services and dental care services. The social services provided by the Group consist of services for the elderly and the disabled, mental health services and substance abuse group services. A significant part of the consolidated revenue consists complete social and healthcare outsourcing, which also includes the provider's liability for the costs of specialised care. The Group produces recruitment services related to healthcare professionals. The Group's Forever fitness centres offer diverse wellbeing services for adults who exercise. Fitness centre services complement Pihlajalinna's preventive occupational healthcare services and rehabilitation services carried out after specialised care procedures. Pihlajalinna's services are also extensively available via digital channels.

The Group recognises the remuneration of employed healthcare professionals and contract-based practitioners in revenue on a gross basis, i.e. based on total customer invoicing. According to the management's view, Pihlajalinna has primary responsibility for the provision of services to its customers. Therefore, the Group is involved in a contractual relationship as a principal which is exposed to significant risks and benefits related to the sale of services. The Group records the remuneration of contract-based practitioners in the income statement under

the item External services.

IFRS 15 Revenue from Contracts with Customers includes a five-step model for recognising revenue from contracts with customers: when to recognise revenue, and at what amount. Revenue can be recognised over time or at a point in time, and the passing of control is a key criterion. Pihlajalinna has identified the following principal performance obligations:

Social and healthcare outsourcing

- statutory social and healthcare services for a municipality's residents, separately described in contracts with customers, including possible public specialised care
- individual social and healthcare service visits by residents of other municipalities

Private clinics and dental care

- individual customer visits to healthcare services at operating locations or digitally, including related support services

Surgical operations

- individual visits and related support services (e.g. private individuals who pay for their services themselves or through insurance companies)

Occupational healthcare

- individual occupational healthcare customer visits (e.g. appointments with occupational healthcare nurses and doctors, laboratory tests) at operating locations or digitally
- preventive and health-promoting separately agreed services (e.g. occupational health check-ups, workplace-specific occupational health surveys)

- other additional services agreed upon with the customer (e.g. first aid course)

Fitness centre services

- obligations related to monthly and annual fees for fitness centre services
- individual separately charged additional services

Recruitment services

- customer-specific monthly fees for recruitment services
- individual separately charged recruitment services

Responsible doctor services

- location-specific daily charges described in the customer agreement

Staffing service

- selling a healthcare professional's labour event-specifically or based on time
- customer-specific monthly fees for emergency and on-call services

Residential services

- elderly care home services on each day covered by the agreement
- individual separately charged additional services or health centre visits

Digital services

- Remote doctor services
- Remote nurse services
- Other digital services related to appointment booking and assessing the need for care, other digital services ordered by the customer

The transaction price primarily comprises individual services according to the price list or annual, monthly, daily or hourly rates based on customer agreements. In most cases, the price concerns an individual performance obligation. In some cases, the price includes a variable element of consideration (e.g. discount, penalty charge, bonus, additional price, additional service), which is allocated to one or more performance obligations. The performance obligations are fulfilled either over time (e.g. outsourcing, residential services, fitness centre services, recruitment services, responsible doctor services, fixed-price occupational health services) or at a point in time (e.g. occupational healthcare services, individual customer visits, additional services).

The performance obligation in social and healthcare outsourcings is the municipality's statutory social and healthcare service operations described in the customer agreement. Outsourcing arrangements are primarily based on a fixed annual price, and they are recognised as revenue based on the passage of time. The recognition of revenue from the Group's complete social and healthcare services outsourcing agreements may become more accurate with a delay and may also include variable consideration. The Group may not always be aware of the actual costs of the agreements, which may also affect revenue recognition.

Revenue from individual services is recognised on a treatment visit-specific or service--specific basis based on service use.

Key accounting estimates and decisions based on management judgement

Determining the annual profitability of the Group's fixed-term complete social and healthcare services outsourcing agreements may become accurate with a delay. The Group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements, and the agreements may involve variable elements of compensation. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the cost liability of specialised care considerably during the finan-

cial year, and between financial periods, in Pihlajalinna's municipal companies. The fixed-term service agreements for all of the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognised the variable compensation components and cost compensation under the agreements using the same criteria and model for all clients. Demands for the compensation of cost increases due to changes in services corresponding to the actual costs and investment costs that serve operations after the end of the term of the contract being the client's responsibility constitute the majority of costs and variable compensation components that are specified with a delay. For 2021, the assessment of investment costs and COVID-19 related costs included in invoicing by hospital districts can only be carried out after the hospital districts have published their financial statements.

Pihlajalinna has recognised only part of these legally justified claims in its income statement. The parties to the agreements are bound by an obligation to negotiate and negotiation is the primary procedure. If the obligation to negotiate does not lead to payment, the receivables are sought through legal action, which may further delay the collection of items presented in current receivables in the financial statements.

Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay:

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement. The difference in views regarding whether the fixed annual price for social and healthcare services can decrease due to price adjustments amounted to approximately EUR 3.7 (2.6) million at the end of the financial year. Jämsän Terveys filed an additional counterclaim against the City of Jämsä. The additional counterclaim concerns the effect of changes in the services under the service agreement on price and the service provider's liability for financing investments by the Pirkanmaa Hospital District insofar as such investments serve operations after the term of the service agreement. The service provider is entitled to

price adjustments corresponding to increases in costs and the contractual parties are under an obligation to negotiate and try to reach an agreement. In its counterclaim, Jämsän Terveys claims a total of approximately EUR 16 million from the City of Jämsä. The total amount of variable compensation under the counterclaim that Jämsän Terveys has recognised as revenue and recorded in its receivables amounts to EUR 3.9 (3.8) million.

As regards Kuusiolinna Terveys Oy, the disputes concerning the annual price and other separate charges were settled with all of the clients during the financial year. The decisions of the City Boards of Alavus and Ähtäri and the Municipal Boards of Soini and Kuortane pertaining to the agreed-upon matters became legally valid in August 2021.

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänvuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 4.1 (3.5) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs.

The total amount of contractually and legally justified variable compensation from the City of Parkano that Kolmostien Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 1.7 (0.6) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs. The client approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement.

Revenue by region

Pihlajalinna reports its sales revenue divided into the following geographical regions:

- Southern Finland includes Pihlajalinna's business operations in the regions of Uusimaa, South West Finland, Päijät-Häme, Kymenlaakso and South Karelia.
- Mid-Finland includes Pihlajalinna's business operations in the regions of Pirkanmaa, Satakunta, Kanta-Häme, Central Finland, South Savo, North Karelia and North Savo.
- Ostrobothnia includes Pihlajalinna's business operations in the regions of Southern Ostrobothnia, Ostrobothnia and Central Ostrobothnia.
- Northern Finland includes Pihlajalinna's business operations in the regions of North Ostrobothnia, Kainuu and Lapland.

EUR 1,000	2021	%	2020	%
Southern Finland	148 291	23	114 749	20
Mid-Finland	330 820	51	316 810	56
Ostrobothnia	128 335	20	116 808	20
Northern Finland	29 934	5	16 176	3
Other operations	13 374	2	9 755	1
Intra-Group sales	-72 980		-65 617	
Consolidated revenue	577 774	100	508 682	100

Sales revenue by customer group

Pihlajalinna's customer groups are corporate customers, private customers and public sector customers.

- The Group's corporate customer group consists of Pihlajalinna's occupational health customers, insurance company customers and other corporate contract customers.
- The Group's private customers are private individuals who pay for services themselves and may subsequently seek compensation from their insurance company.
- The Group's public sector customer group consists of public sector organisations in Finland, such as municipalities, joint municipal authorities, congregations, hospital districts and the public administration when purchasing social and healthcare outsourcing services, residential services, occupational health services and staffing services.

EUR 1,000	2021	%	2020	%
Corporate customers	137 773	21	120 719	21
of which insurance company customers	34 798	5	31 378	5
Private customers	85 320	13	81 150	14
Public sector	427 661	66	372 430	65
of which complete outsourcing	300 813	46	287 897	50
of which staffing	26 073	4	23 027	4
of which occupational healthcare and other services	100 775	15	61 507	11
Intra-Group sales	-72 980		-65 617	
Consolidated revenue	577 774	100	508 682	100

Information on key customers

The Group's sales revenue from the four largest municipal customers totalled approximately EUR 277.9 (272.5) million, representing 48% (54%) of the Group's eliminated revenue.

Estimate of unsatisfied performance obligations related to fixed-term service agreements on the provision of social and healthcare services, EUR million

EUR 1,000	31.12.2021	31.12.2020	1000 €	31.12.2021	31.12.2021
2021		259	2030	167	158
2022	263	260	2031	37	36
2023	266	262	2032	6	6
2024	269	263	2033	6	6
2025	247	240	2034	6	6
2026	199	192	2035	6	6
2027	201	193			
2028	204	194			
2029	206	195			
				2 085	2 276

Summary of the Group's complete outsourcing agreements and their agreement periods

Service provider - client	First year of service production under the current contract	Duration of contract (years)
Jämsän Terveys Oy - City of Jämsä	2015	10
Kuusiolinna Terveys Oy - KuusSote	2016	15
Mäntänvuoren Terveys Oy - City of Mänttä-Vilppula	2016	15
Kolmostien Terveys Oy - City of Parkano	2015	15
Bottenhavets Hälsa Ab (Selkämeren Terveys Oy) - Kristiinankaupunki	2021	15 - 20 years

2. Other operating income

Accounting policies

Government grants received as compensation for expenses already incurred are recognised in profit or loss for the period in which they become receivable. These grants are presented under other operating income.

Government grants related to capitalised development projects are recognised as deductions from the carrying amounts of intangible assets, when there is reasonable assurance that such grants will be received and that the Group will comply with the conditions for receiving them. The grants will be recognised as income over the useful life of an asset by way of reduced depreciation.

The Group has subleased certain premises that are not used for business operations. Income from these leases is presented under other operating income.

Sale and leaseback

With regard to sale and leaseback agreements completed prior to the adoption of IFRS 16, the Group will continue the allocation of capital gains as before in accordance with the transition provision of IFRS 16.

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 under other operating income. The unrecognised portion of the difference between the carrying amount and the sales price is presented as Other liabilities in the statement of financial position.

EUR 1,000	2021	2020
Capital gains on property, plant and equipment	209	235
Rental income	528	550
Government grants	1 160	1 379
Other income items	1 807	215
Total	3 704	2 379

Effects of COVID-19

In June 2020, the Finnish Government decided on support for business costs for companies that had suffered a significant decrease in revenue due to the COVID-19 pandemic and that have had costs that are difficult to adjust. In 2021, the Finnish Government carried out the fourth round of cost support for companies. In the financial year 2021, Pihlajalinna recognised a total of EUR 628 thousand in financial support intended to cover the fixed costs of the Group's fitness centres in other operating income under government grants. In 2020, Pihlajalinna received EUR 800 thousand in cost support, which was the Group-specific maximum amount.

Compensation for the costs of pandemic-related services under the Group's complete outsourcing agreements is presented in other operating income under other income items. Agreement on the compensation principles was reached with the client municipalities in 2021. Municipalities and joint municipal authorities are compensated for costs directly related to the COVID-19 pandemic by means of government grants.

3. Materials and services

Accounting policies

Inventories are measured at the lower of cost and probable net realisable value.

EUR 1,000	2021	2020
Materials	-20 452	-19 967
Change in inventories	153	1 092
External services, practitioners	-73 042	-71 931
External services, other	-116 176	-107 171
Total	-209 516	-197 977

Effects of COVID-19

The Group's purchases of personal protective equipment and other hygiene precautions taken in response to the COVID-19 pandemic increased the value of inventories in 2021.

4. Employee benefit expenses

Accounting policies

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 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.

The long-term share-based incentive scheme is recognised as an expense over its accrual period. The gross amount of the incentive scheme includes the share component and the cash component. Approximately half of the gross remuneration, corresponding to withholding taxes, is paid in cash.

EUR 1,000	2021	2020
Wages and salaries	-211 095	-179 381
Share-based incentive schemes		
- implemented as shares	-357	-1 517
Pension costs – defined contribution plans	-35 344	-27 009
Other social security expenses	-8 368	-6 327
Total	-255 164	-214 235

The employer's TyEL pension contributions were reduced by 2.6 percentage points for the period 1 May–31 December 2020. The pension insurance company will not pay customer compensation for the period during which the reduced rate was in effect. The

effect of the temporary reduction in the employer's TyEL pension contributions will be compensated in full during the period 2022-2025 through an increase in the employer's TyEL pension contributions.

	2021	2020
Personnel on average (FTE)	4 746	4 308
Personnel at the end of the period (NOE)	6 297	5 550

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

5. Share-based incentive scheme for key personnel

At its meeting on 14 February 2019, the Board of Directors approved the terms of a share-based long-term incentive programme for Pihlajalinna Group's senior management (LTIP 2019). The incentive programme is effective from 1 January 2019 onwards and it is aimed at the CEO, the Management Team and other key employees selected for inclusion in the programme. LTIP 2019 constitutes a five-year plan period. None of the share rewards received by the key employees thereunder may be sold or transferred prior to 2022, and the share rewards are subject to a two-year transfer restriction for each performance period. In the event that a beneficiary's employment ends during the transfer restriction period, shares that have already been received must be returned. The key employee is required to have made an investment in Pihlajalinna shares as a precondition for participation in the programme. At the end of the financial year, the incentive programme included 27 key employees.

The fixed matching share programme (commitment shares) consisted of a commitment period from the beginning of 2019 to the payment of the fixed share reward at the end of 2020. In this scheme, the company matched each key employee's share investments with additional shares at a fixed rate. A total of 97,000 matching shares were awarded. This figure is the gross reward, from which the applicable taxes were deducted, leaving a net amount of 45,105 shares that were transferred to the participants on 28 December 2020. The shares are subject to a transfer restriction, but they are not subject to the obligation to return the shares in the event of termination.

The performance- and quality-based matching share plan included three one-year performance periods (the calendar years 2019-2021), during which the participants could earn performance-based additional shares, provided that the company reached the performance objectives set by the Board of Directors. Based on each individual performance period, the participant can earn a maximum of two additional shares for three shares invested without consideration (gross before the deduction of the applicable payroll tax). The performance-based share rewards will be delivered after the respective performance periods according to the programme in the spring of 2020, 2021 and 2022.

No performance- and quality-based share rewards materialised for the first perfor-

mance period 2019 pursuant to the matching share plan, as the minimum objectives set for the programme were not achieved.

For the second performance period 2020, the gross reward for the Group's management was 56,583 shares. The net amount of 26,546 shares were paid to the participants on 25 February 2021. These shares are subject to a transfer restriction, but they are not subject to the obligation to return the shares in the event of termination.

The performance targets for the performance period 2021 were related to the achievement of the consolidated adjusted operating profit target for 2021, the development of the customer satisfaction index (NPS) and employee net promoter score (eNPS), the growth of the share of internal production in specialised care, the implementation of the efficiency improvement programme for municipal companies and items that, according to the management's estimate, may have a delayed impact on the profitability of complete outsourcing agreements. For the performance period 2021, the gross reward for the Group's management is 18,816 shares. The shares are expected to be transferred to the participants in February 2022. The shares are subject to the normal transfer restriction.

6. Other operating expenses

EUR 1,000	2021	2020 restated*
Facility expenses	-9 907	-9 600
Equipment and information management expenses	-23 235	-20 707
Sales and marketing expenses	-7 832	-6 065
Other expenses	-13 177	-10 307
Total	-54 151	-46 678
Auditor's fees		
Auditing, BDO		-122
Auditing, KPMG Oy Ab	-288	-225
Statements, KPMG Oy Ab	-10	-7
Non-audit services, KPMG Oy Ab		-16
Total	-298	-370

*Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

7. Depreciation and impairment

Accounting policies

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

Buildings	10–25 years
Renovation expenses on real estate	5–10 years
Machinery and equipment	3–10 years
Other tangible assets	3–5 years

For the magnetic imaging equipment at new private clinics, the Group adopted a units-of-production based depreciation method effective from 1 January 2018. The amount of depreciation is based on the units of production derived from the equipment. For the Group's other machinery and equipment, the Group still uses straight-line depreciation. As the utilisation rate of imaging capacity is low during the first years of a new operating location, the units-of-production method provides a more accurate reflection of the actual economic use of the magnetic imaging equipment in question.

For intangible assets with finite economic 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
Non-competition agreements	2–5 years
Intellectual property rights	3–7 years

Property, plant and equipment is depreciated on a straight-line basis over the shorter of economic useful life or lease term.

The planned depreciation periods of property, plant and equipment are as follows:

Right-of-use plots	25 years
Right-of-use buildings	
and business premises	1–15 years
Right-of-use equipment	3–10 years

Impairment is recognised pursuant to IAS 36 for onerous right-of-use buildings and business premises.

EUR 1,000	2021	2020 restated*
Depreciation, amortisation and impairment by asset type		
Intangible assets		
Trademarks	-776	-776
Capitalised development costs	-961	-924
Customer relationship value	-1 622	-1 479
Non-competition agreements	-355	-536
Patient database	-232	-306
Other intangible assets	-2 752	-2 272
	-6 699	-6 293
Property, plant and equipment		
Buildings	-96	-170
Renovation expenses on real estate	-2 463	-2 620
Machinery and equipment	-6 604	-6 012
Other tangible assets	-1	-1
	-9 163	-8 803
Right-of-use assets		
Right-of-use plots	-91	-120
Right-of-use business premises and buildings	-17 885	-17 578
Right-of-use business premises and buildings, impairment		-26
Right-of-use equipment	-863	-1 202
	-18 840	-18 927
Total depreciation, amortisation and impairment	-34 701	-34 023

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

8. Financial income

EUR 1,000	2021	2020
Dividend income from financial assets measured at fair value through profit or loss	7	10
Interest income from loans and receivables	118	94
Interest income from financial lease receivables	83	94
Other financial income	35	34
Total	242	232

9. Financial expenses

EUR 1,000	2021	2020
Interest expenses from financial liabilities carried at amortised cost	-1 726	-2 128
Interest expenses on lease liabilities	-1 706	-1 900
Other financial expenses	-524	-609
Total	-3 956	-4 637

Due to the changes in the operating environment caused by the COVID-19 epidemic, Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement at the end of March 2020. As part of the agreement, a permanent new margin ceiling was added to the financing arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50. Financial expenses in 2020 were increased by a waiver expense associated with the financing arrangement and higher interest rate margins.

10. Income taxes

Accounting policies

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

EUR 1,000	2021	2020
Current taxes	-5 291	-4 159
Taxes for the previous financial years	2	-2
Deferred taxes:		
Origination and reversal of temporary differences	159	-675
Total	-5 130	-4 835

Reconciliation of effective tax rate

EUR 1,000	2021	2020
Profit before taxes	24 222	13 737
Taxes calculated on the basis of the Finnish tax rate (20%)	-4 844	-2 747
Income not subject to tax	2	2
Non-deductible expenses	-284	67
Unrecorded deferred tax assets from tax losses	-635	-318
Utilised prior losses with unrecognised tax benefits	495	81
Share of associated company's profit	-2	-1
Share-based remuneration	24	-59
Payment of liability to B series shareholders (end of arrangement)		-1 938
Other items	112	80
Taxes for prior financial years	2	-2
Taxes in the income statement	-5 130	-4 835
Effective tax rate	-21,2 %	-35,2 %

11. Earnings per share

Accounting policies

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

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.

When calculating diluted earnings per share, the average number of shares is adjusted by the dilution effect of the share-based incentive scheme.

	2021	2020
Profit for the financial year attributable to owners of the parent, EUR	20 094 607,63	8 686 658,43
Number of shares outstanding, weighted average	22 589 383	22 586 212
Earnings per share (EPS), EUR/share	0,89	0,38
Diluted earnings per share, EUR/share	0,89	0,38

12. Property, plant and equipment

Accounting policies

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.

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.

In 2018, the Group opened private clinics in Turku, Oulu and Seinäjoki. The Group acquired 3 Tesla high-field magnetic imaging equipment for the clinics in Oulu and Turku and a 1.5 Tesla high-field magnetic imaging device for the clinic in Seinäjoki. For the magnetic imaging equipment at these green field private clinics, the Group adopted a units-of-production based depreciation method effective from 1 January 2018. The amount of depreciation is based on the units of production derived from the magnetic imaging equipment. For the Group's other machinery and equipment, the Group still uses straight-line depreciation. As the utilisation rate of imaging capacity is very low during the first years of a new operating location, the units-of-production method provides a more accurate reflection of the actual economic use of the magnetic imaging equipment in question than straight-line depreciation.

Property, plant and equipment

EUR 1,000	Land areas	Buildings	Renovation expenses on real estate	Shares in real estate companies	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at 1 January 2021	36	2 937	29 370	5 572	55 584	172	539	94 209
Additions		0	792		8 337	0	1 793	10 921
Business combinations			4		39			43
Transfers between items		89	384		101		-785	-212
Disposals					-564		-202	-766
Cost at 31 December 2021	36	3 026	30 549	5 572	63 496	172	1 344	104 195
Accumulated depreciation at 1 January 2021		-410	-16 665		-33 130	-7		-50 212
Depreciation and amortisation		-96	-2 463		-6 604	-1		-9 163
Transfers between items			-3		-112			-116
Disposals		0	0		286			286
Accumulated depreciation at 31 December 2021		-506	-19 131		-39 560	-8		-59 206
Carrying amount at 1 January 2021	36	2 527	12 703	5 572	22 454	165	539	43 996
Carrying amount at 31 December 2021	36	2 521	11 417	5 572	23 936	164	1 344	44 989

EUR 1,000	Land areas	Buildings	Renovation expenses on real estate	Shares in real estate companies	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at 1 January 2020	36	9 512	26 604	5 579	53 237	179	2 223	97 370
Additions		136	458		5 455	0	1 171	7 220
Transfers between items		-27	2 625	-7	391	-7	-1 835	1 139
Disposals		-6 683	-317		-3 499	0	-1 020	-11 519
Cost at 31 December 2020	36	2 937	29 370	5 572	55 584	172	539	94 209
Accumulated depreciation at 1 January 2020		-404	-13 678		-30 039	-12		-44 133
Depreciation and amortisation		-170	-2 620		-6 012	-1		-8 803
Transfers between items		22	-684		-364	5		-1 020
Disposals		141	317		3 284			3 742
Accumulated depreciation at 31 December 2020		-410	-16 665		-33 130	-7		-50 212
Carrying amount at 1 January 2020	36	9 108	12 925	5 579	23 199	167	2 223	53 237
Carrying amount at 31 December 2020	36	2 527	12 704	5 572	22 454	165	539	43 996

13. Intangible assets

Accounting policies

Goodwill

Goodwill generated through business combinations is measured at the amount by which the consideration transferred, non-controlling interests in the acquiree and previously owned holding combined exceed the fair value of the identifiable acquired net assets. Goodwill typically reflects the value of acquired market share, business expertise and synergies.

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

Cloud computing arrangement

Accounting treatment of cloud service arrangements depends on whether the cloud-based software is classified as an intangible asset or a service contract. The arrangements in which the Group has no authority on the software are accounted as service agreements which entitle the Group to utilize the cloud service provider's application software during the contract period. Application software license fees and related configuration or customization costs are recognized (for example, in other operating expenses) when the services are received. Prepayments to the cloud service provider for software customization that are not separable are recognized as an expense during the contract period.

Capitalised development costs

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. Subsequent to their initial recognition, capitalised development costs are measured at cost less accumulated amortisation and impairment. The amortisation period for development costs is 3 to 10 years, during which capitalised development costs are amortised using the straight-line method.

The Group's capitalised development costs that have not been amortised are associated with the following projects:

- New operating model for fixed-price occupational healthcare agreements and a related occupational healthcare portal
- Renewal of primary care service models, involving remote service models for municipal residents and mobile solutions (social and healthcare service centre concept)
- Sports clinic concept
- Pihlajalinna mobile application and website development with the aim of making AI-assisted digital services available to all customers.
- Specialised care referral forwarding and coordination operating model developed for the Parkano social and healthcare partnership area
- Takeover of social and healthcare services in Mänttä-Vilppula and the development of operating models
- The three-year SYKKI project, funded with Tekes subsidies, aimed at creating an effective and cost-efficient model for public social and healthcare services

Intangible assets

EUR 1,000	Goodwill	Trademarks	Development costs	Customer relationship value	Non-competition agreement	Patient database	Other intangible assets	Other long-term expenditures	Pre-payments	Total
Cost at 1 January 2021	173 607	7 762	6 348	8 397	7 507	5 677	6 605	10 404	47	226 355
Additions			21				232	2 775	985	4 011
Business combinations	15 301			2 175			9	8		17 493
Transfers between items							48	358	-316	89
Cost at 31 December 2021	188 909	7 762	6 369	10 572	7 507	5 677	6 894	13 543	715	247 949
Accumulated depreciation at 1 January 2021		-5 479	-3 057	-6 893	-7 142	-5 411	-5 511	-3 919		-37 410
Depreciation and amortisation		-776	-961	-1 622	-355	-232	-538	-2 215		-6 699
Transfers between items							-48	-16		-64
Accumulated depreciation at 31 December 2021		-6 255	-4 019	-8 515	-7 497	-5 642	-6 096	-6 149		-44 173
Carrying amount at 1 January 2021	173 607	2 284	3 289	1 505	365	267	1 095	6 483	47	188 944
Carrying amount at 31 December 2021	188 909	1 508	2 349	2 057	10	35	798	7 394	715	203 775

EUR 1,000	Goodwill	Trademarks	Development costs	Customer relationship value	Non-competition agreement	Patient database	Other intangible assets	Other long-term expenditures	Pre-payments	Total
Cost at 1 January 2020	173 607	7 762	5 968	8 397	7 507	5 677	7 650	7 751	443	224 763
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*							-755	-648		-1 403
Restated cost at 1 January 2020	173 607	7 762	5 968	8 397	7 507	5 677	6 895	7 103	443	223 360
Additions			380				114	2 796	311	3 603
Transfers between items							10	507	-708	-191
Disposals							-414	-2		-417
Cost at 31 December 2020	173 607	7 762	6 348	8 397	7 507	5 677	6 605	10 404	47	226 355
Accumulated depreciation at 1 January 2020		-4 702	-2 133	-5 414	-6 606	-5 105	-5 601	-2 511		-32 071
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*							350	102		452
Restated accumulated depreciation at 1 January 2020	0	-4 702	-2 133	-5 414	-6 606	-5 105	-5 251	-2 408		-31 618
Depreciation and amortisation		-776	-924	-1 479	-536	-306	-688	-1 584		-6 293
Transfers between items							14	71		85
Disposals							414	2		417
Accumulated depreciation at 31 December 2020		-5 479	-3 057	-6 893	-7 142	-5 411	-5 511	-3 919		-37 410
Carrying amount at 1 January 2020	173 607	3 060	3 835	2 984	901	572	1 644	4 694	443	191 740
Carrying amount at 31 December 2020	173 607	2 284	3 289	1 505	365	267	1 095	6 483	47	188 944

Other intangible assets include licences and computer software.

* Pihlajalinnä has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Impairment testing of goodwill

Accounting policies

Goodwill generated in M&A transactions is allocated to cash-generating units (CGU). Under Pihlajalinna's operating structure, the Group's CEO, with the help of the Chief Operating Officer (COO) and the other members of the Management Team, is responsible for the Group's business operations and service offering to both the private and public sectors. The COO is responsible for preparing the Group businesses' budgets with the help of the Regional Directors. The Group CEO is responsible for the resources, investments and profitability of the Group's businesses. Pihlajalinna's cash-generating unit corresponds to the reporting segment, i.e. the Group.

The recoverable amount is determined by value-in-use calculations. Cash flow-based value-in-use is determined by calculating the discounted present value of expected cash flows. The discount rate used in the calculations is determined using the weighted average cost of capital (WACC), which describes the total cost of equity and liabilities, taking into account the time value of money and the specific risks associated with Pihlajalinna's business. The discount rate is a pre-tax rate. The risk-free interest rate, risk multiplier (beta) and risk premium parameters used in determining the discount rate are based on information obtained from the market. Cash flow estimates have been validated by comparing them to Pihlajalinna's market capitalisation.

Potential impairment loss on goodwill is recognised immediately in the income statement. Previously recognised impairment losses on goodwill are not reversed.

	2021	2020
Discount rate (pre tax WACC)	7,68 %	7,59 %
Discount rate (after tax WACC)	6,36 %	6,39 %
Terminal growth rate after the forecast period (5 years)	1,30 %	2,00 %
The terminal period's share of the amount of expected cash flows:	73 %	75 %

The Group carried out its annual impairment testing of goodwill based on the situation on 30 November 2021 (30 November 2020). The result of the testing was that no impairment losses were recognised for the Group's cash-generating unit, i.e. the Group as a whole, for the financial year that ended on 31 December 2021. The Group's recoverable amount exceeded the carrying amount.

EUR 1,000	2021	2020
Tested goodwill in total, Group	188 909	173 607
Goodwill as per the statement of financial position at the end of the financial year	188 909	173 607

Sensitivity analyses in impairment testing

Based on the testing calculations, there is no need to recognise impairment. The CGU's recoverable amount exceeded the carrying amount.

The table below shows the required change in assumptions that would lead to the recoverable amount falling below the carrying amount.

	2021	2020
Decline in EBIT margin	more than 2 percentage points	more than 2 percentage points
Decline in volume	more than 21 percentage points	more than 19 percentage points
Increase in discount rate	more than 4 percentage points	more than 4 percentage points

Key accounting estimates and decisions based on management judgement

The cash flow forecasts used in calculating value-in-use in impairment testing are based on the budget for 2022 approved by the Board of Directors. The budgeted growth of revenue and cash flow in 2022 is based on a market growth assumption of 4% based on economic forecasts for the Finnish economy and the management's business targets, taking into account the declining trend in services related to COVID-19. Cash flows for the forecast period 2023-2026 are estimated in impairment testing using a moderate market growth assumption of 2%. The terminal growth rate applied after the forecast period is 1.3%, which corresponds to the long-term inflation forecast for the Finnish economy. The acquisition of Pohjola Hospital Ltd was not taken into account in impairment testing on the financial statements date. The date of the acquisition's completion, 1 February 2022, was only confirmed after the end of the financial year.

The assumptions of the development of prices and costs used in the cash flow estimates are based on the management's estimates of the development of demand and the markets, which are compared with external information sources. The productivity and efficiency assumptions used in the calculations are based on internal targets, with previous actual development taken into account in their estimation.

14. Right-of-use assets

Accounting policies

Most of the Pihlajalinna rental arrangements in line with the IFRS 16 are leases for business premises. The other lease arrangements in line with the standard concern land areas, machinery and equipment (exercise equipment, clinical equipment, cars and other equipment). Pihlajalinna applies the IFRS 16 exemption that allows lessees to elect not to recognise a right-of-use asset and corresponding lease liability for assets with a lease term of 12 months or less as well as assets of low value. Assets of low value include, for example, IT equipment and office furniture. Furthermore, to make the accounting of leases easier, Pihlajalinna elects not to separate service components from leases, instead treating the entire agreement as a lease in its consolidated financial statements. For lease arrangements valid until further notice, with a short notice period, Pihlajalinna will estimate the probable lease term.

Right-of-use assets are measured at cost, which includes the following items:

- original amount of the lease liability
- direct expenses of the initial phase and
- expenses due to restoring to original condition

Right-of-use assets are presented under property, plant and equipment and lease liabilities are presented under financial liabilities. The right-of-use asset is initially measured at cost and depreciated over the economic life of the asset. The right-of-use asset is also subject to IAS 36 Impairment of Assets. The lease liability is initially measured at the present value of future lease payments. In later periods, the lease liability is measured using the effective interest rate method, according to which the lease liability is measured at amortised cost and the interest expense is amortised over the lease term. The standard allows the lessee to also include non-lease elements of an agreement (typically services) in the lease liability.

EUR 1,000	Right-of-use plots	Right-of-use buildings and business premises	Right-of-use equipment	Total
Cost at 1 January 2021	756	176 820	5 350	182 926
Additions	84	8 917	805	9 807
Business combinations		2 802		2 802
Transfers between items		-670	-77	-747
Disposals		-1 972	-491	-2 463
Cost at 31 December 2021	840	185 897	5 587	192 325
Accumulated depreciation at 1 January 2021	-393	-75 838	-3 863	-80 094
Depreciation and amortisation	-91	-17 885	-863	-18 840
Transfers between items		670	77	747
Disposals		1 112	336	1 448
Accumulated depreciation at 31 December 2021	-484	-91 941	-4 314	-96 738
Carrying amount at 1 January 2021	363	100 981	1 487	102 832
Carrying amount at 31 December 2021	357	93 956	1 273	95 586

EUR 1,000	Right-of-use plots	Right-of-use buildings and business premises	Right-of-use equipment	Total
Cost at 1 January 2020	561	166 200	5 903	172 664
Additions	239	13 558	792	14 589
Disposals	-44	-2 938	-1 345	-4 328
Cost at 31 December 2020	756	176 820	5 350	182 926
Accumulated depreciation at 1 January 2020	-287	-60 562	-3 706	-64 555
Depreciation and amortisation	-120	-17 604	-1 202	-18 927
Disposals	15	2 328	1 045	3 388
Accumulated depreciation at 31 December 2020	-393	-75 838	-3 863	-80 094
Carrying amount at 1 January 2020	274	105 638	2 197	108 109
Carrying amount at 31 December 2020	363	100 981	1 487	102 832

Short-term leases recognised in the income statement, totalling EUR 115 (91) thousand, and minor leases recognised in the income statement, totalling EUR 734 (723) thousand, are practical exemptions provided by IFRS 16 applied by the Group.

Lease liabilities relating to right-of-use items are specified in Note 22 Financial liabilities.

15. Other non-current receivables

Accounting policies

Right-of-use assets that have been transferred to a lessee under a sublease and classified as financial leases have been derecognised from fixed assets and presented on the balance sheet as net investments in a sublease.

EUR 1,000	2021	2020
Lease deposits paid	535	545
Non-current subleases	4 586	4 868
Other receivables	90	90
Total	5 211	5 503

Pihlajalinna subleased two care homes that it sold and leased back in May 2020.

The table below presents the contractual maturity analysis of subleases. The figures are undiscounted and they include both future interest payments and repayments of the net investment.

Maturity distribution of sublease receivables

		less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Carrying amount at 31 Dec. 2021	5 187	601	502	431	341	3 313

16. Trade and other receivables

Accounting policies

At the end of each reporting period, the Group assesses whether or not there is objective evidence of impairment regarding any individual financial asset. Objective evidence of impairment of loans and other receivables includes significant financial distress of the debtor and payments being delinquent or substantially delayed. Impairment of loans is recognised in financial expenses in the income statement and impairment of other receivables is recognised in other operating expenses for the period in which the impairment was identified.

The expected credit loss model is based on the amount of historical credit losses. The lifetime expected credit losses are calculated by multiplying the gross carrying amount of unpaid trade receivables by the expected loss.

Key accounting estimates and decisions based on management judgement

Determining the annual profitability of the Group's fixed-term complete social and healthcare services outsourcing agreements may become accurate with a delay. The Group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements, and the agreements may involve variable elements of compensation. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the cost liability of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The fixed-term service agreements for all of the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognised the variable compensation components and cost compensation under the agreements using the same criteria and model for all clients. Demands for the compensation of cost increases due to changes in services corresponding to the actual costs and investment costs that serve operations after the end of the term of the contract being the client's responsibility constitute the majority of costs and variable compensation components that are specified with a delay. For 2021, the assessment of investment costs and COVID-19 related costs included in invoicing by hospital districts can only be carried out after the hospital districts have published their financial statements.

Pihlajalinna has recognised only part of these legally justified claims in its income statement. The parties to the agreements are bound by an obligation to negotiate and negotiation is the primary procedure. If the obligation to negotiate does not lead to payment, the receivables are sought through legal action, which may further delay the collection of items presented in current receivables in the financial statements.

EUR 1,000	2021	2020
Trade receivables	79 701	59 071
Prepayments and accrued income	11 362	15 734
Current subleases	601	518
Other receivables	479	448
Total	92 143	75 771

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

Due to the COVID-19 epidemic, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in customers' payment behaviour. The collection of trade receivables has been enhanced. The amount of receivables more than 90 days past due is significantly increased by withheld payments concerning trade receivables and trade payables between

Jämsän Terveys and Mäntänvuoren Terveys and the cities of Jämsä and Mänttä-Vilppula.

As described under 'Risks and uncertainties in business operations', if the negotiation obligation does not lead to payment, the receivables will be collected through legal action. This may further delay the collection of items presented in current receivables in the financial statements.

The Group recognised EUR 547 thousand (EUR 316 thousand) in impairment losses on trade receivables during the financial year.

Age distribution of trade receivables

EUR 1,000	2021	Impairment losses	Share of expected impairment losses	Net 2021
Past due	25 897	-8	0,0 %	25 889
Less than 30 days	4 152	-12	0,3 %	4 140
30-60 days	2 333	-67	2,9 %	2 266
61-90 days	1 965	-133	6,8 %	1 832
More than 90 days	46 053	-479	1,0 %	45 574
Total	80 399	-698		79 701

	2020	Impairment losses	Share of expected impairment losses	Net 2020
Past due	23 646	-8	0,0 %	23 638
Less than 30 days	3 783	-12	0,3 %	3 771
30-60 days	1 853	-66	3,6 %	1 787
61-90 days	2 216	-131	5,9 %	2 085
More than 90 days	28 263	-473	1,7 %	27 790
Total	59 760	-689		59 071

Key accounting estimates and the use of management judgement are discussed in Note 1 Revenue from contracts with customers.

The management of credit risks related to trade receivables is discussed in more detail in Note 25 Financial risk management.

EUR 1,000	2021	2020
Credit loss provision at 1 January	689	674
Credit losses recorded	-547	-316
Change in credit loss provision	556	330
Credit loss provision at 31 December	698	689

Material items included in prepayments and accrued income

EUR 1,000	2021	2020
Sales and income accruals	4 361	4 006
Personnel expenses	1 876	1 575
Expenses paid in advance	4 115	6 782
Other	1 009	3 371
	11 362	15 734

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

17. Provisions

Accounting policies

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.

A restructuring provision is recognised when the Group has in place a detailed plan for such restructuring and its implementation has commenced or the interested parties have been informed of the main points of such a plan.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable expenses of meeting the obligations under the contract.

EUR 1,000	2021	2020
Current provisions	71	648
Non-current provisions	134	114
Total	205	762

EUR 1,000	Onerous contracts	Restructuring provision	Total
1.1.2020	1 359	448	1 807
Increases in provisions	100	0	100
Provisions used	-597	-448	-1 045
Reversals of unused provisions	-100		-100
31.12.2020	762	0	762
Increases in provisions	20	300	320
Provisions used	-645	-232	-877
Reversals of unused provisions			0
31.12.2021	137	68	205

18. Trade and other payables

EUR 1,000	2021	2020
Trade payables	52 571	45 262
Accrued liabilities	65 915	57 572
Pre-payments	938	1 158
Other liabilities	5 683	5 359
Total	125 107	109 352
Material items included under Accrued liabilities:		
Wages and salaries and social security payments	42 425	32 675
Doctor's fee liability	8 261	7 269
Allocation of sales	18	82
Allocation of purchase invoices	11 057	15 943
Financial items	65	191
Other accrued liabilities	4 087	1 412
	65 915	57 572

The amount of trade payables is increased by withheld payments concerning trade receivables and trade payables between Jämsän Terveys and the City of Jämsä and Mäntänvuoren Terveys and the City of Mänttä-Vilppula, which are discussed in Note 16.

19. Deferred tax assets and liabilities

Accounting policies

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, fair value-based adjustments made in connection with business combinations, and unused tax losses.

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

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

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

Changes in deferred taxes during 2021:

Deferred tax assets (EUR 1,000)	1 January 2021	Recognised in profit and loss	Subsidiaries acquired	31.12.2021
Tax losses carried forward confirmed by tax authorities	2 438	108		2 546
Sales proceeds from sale and leaseback arrangements	253	-30		223
Provisions	590	-297		293
Share-based incentive scheme	122	-62		60
IAS 37, contingent assets	527	223		749
Effect of IFRS 16	715	58		774
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	200	55		255
Other items	710	-209	83	584
Deferred tax assets on the statement of financial position	5 555	-154	83	5 484
Deferred tax liabilities				
Property, plant and equipment and intangible assets	4 498	304		4 803
Recognition of property, plant and equipment and intangible assets at fair value in business combinations	884	-597	435	722
Effect of IFRS 16	337	-1		336
Other items	42	-19		22
Deferred tax liabilities on the statement of financial position	5 761	-312	435	5 884

Changes in deferred taxes during 2020:

Deferred tax assets (EUR 1,000)	Restated 1.1.2020*	Recognised in profit and loss	Subsidiaries acquired	Restated 31.12.2020*
Tax losses carried forward confirmed by tax authorities	2 017	421		2 438
Liability to holders of Series B shares	1 557	-1 557		0
Sales proceeds from sale and leaseback arrangements	283	-30		253
Provisions	942	-352		590
Share-based incentive scheme	53	69		122
IAS 37, contingent assets	369	157		527
Effect of IFRS 16	452	263		715
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	200	0		200
Other items	333	376		710
Deferred tax assets on the statement of financial position	6 206	-651	0	5 555
Deferred tax liabilities				
Property, plant and equipment and intangible assets	3 969	529		4 498
Recognition of property, plant and equipment and intangible assets at fair value in business combinations	1 503	-619		884
Effect of IFRS 16	192	145		337
Other items	61	-19		42
Deferred tax liabilities on the statement of financial position	5 726	35	0	5 761

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Tax losses	Available tax losses		Tax values recorded		Tax values not recorded	
	2021	2020	2021	2020	2021	2020
Maturing within five years	1 944	3 681				736
Maturing later than within five years	21 916	18 752	2 547	2 438	2 225	1 312
Total	23 860	22 432	2 547	2 438	2 225	2 048
Taxes calculated on the basis of the Finnish tax rate (20%)	4 772	4 486				

The recognition of deferred tax assets on the statement of financial position is justified when the Group is likely to accrue taxable income against which the losses in question can be used before they expire.

The Group will primarily apply for the right to deduct all confirmed losses of its acquired subsidiaries. The Tax Authority has granted the right to deduct confirmed losses in spite of changes in ownership.

20. Financial assets and liabilities by measurement category

Accounting policies

When a financial asset or liability is recognised on the transaction date, the Group measures it at its acquisition cost, which is equal to the fair value of the consideration given or received.

Financial assets

For the purpose of measurement after initial recognition, the Group's financial assets are classified as financial assets measured at amortised cost and financial assets measured at fair value through profit or loss. The Group has no financial instruments classified as derivatives nor financial assets measured at fair value through other comprehensive income. 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.

The Group's trade receivables, loan receivables, lease deposits and cash and cash equivalents have been classified as financial assets measured at amortised cost using the effective interest method, taking any impairment into account.

Financial assets measured at fair value through profit or loss consist of quoted and unquoted shares. The Group has no holdings of shares quoted in public markets.

Cash and cash equivalents

Cash and cash equivalents consist of cash at hand and demand deposits. The account with credit limit in use is included in current financial liabilities.

Financial liabilities

The Group classifies loans from financial institutions, accounts with credit limits, lease liabilities, trade payables and other liabilities as financial liabilities measured at amortised cost using the effective interest method. Transaction costs are included in the initial carrying amount. Arrangement fees for loan commitments are treated as transaction costs. The Group classifies contingent considerations arising from M&A transactions as financial liabilities measured at fair value through profit or loss. No interest is paid on liabilities arising from contingent considerations. 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 after the end of the measurement period. The Group has no financial instruments classified as derivatives.

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.

EUR 1,000 31.12.2021	Note	Fair value hierarchy	Fair value through profit or loss	Amortised cost	Total carrying amounts	Fair values total
Impairment of financial assets						
Non-current financial assets						
Other shares and participations		level 3	1 476		1 476	1 476
Lease deposits	15	level 2		535	535	535
Other receivables	15	level 2		90	90	90
Current financial assets						
Trade receivables	16			79 701	79 701	79 701
Other receivables	16	level 2		479	479	479
Cash and cash equivalents				4 257	4 257	4 257
Total			1 476	85 062	86 538	86 538
Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institutions	22	level 2		90 838	90 838	90 838
Lease liabilities	22	level 2		87 857	87 857	87 857
Other liabilities	22	level 2		607	607	607
Current financial liabilities						
Loans from financial institutions	22	level 2		1 283	1 283	1 283
Cheque account with credit limit	22			0	0	0
Lease liabilities	22	level 2		18 392	18 392	18 392
Trade and other payables	18			52 571	52 571	52 571
Total				251 548	251 548	251 548

Fair value assessment

Financial assets and liabilities recognised at fair value on the consolidated statement of financial position are classified according to their valuation-based hierarchy levels and measurement methods as follows:

Fair value hierarchy levels

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. The Group has no financial assets or liabilities measured according to level 1 of the hierarchy.

Level 2: The fair value is determined using valuation methods. The financial assets and liabilities are not subject to trading in active and liquid markets. The fair values can be determined based on quoted market prices and deduced valuation. The carrying amount of the trade receivables and financial assets essentially corresponds to their fair value,

EUR 1,000 31.12.2020	Note	Fair value hierarchy	Fair value through profit or loss	Amortised cost	Total carrying amounts	Fair values total
Impairment of financial assets						
Non-current financial assets						
Other shares and participations		level 3	126		126	126
Lease deposits	15	level 2		545	545	545
Other receivables	15	level 2		90	90	90
Current financial assets						
Trade receivables	16			59 071	59 071	59 071
Other receivables	16	level 2		448	448	448
Cash and cash equivalents				13 306	13 306	13 306
Total			126	73 460	73 586	73 586
Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institutions	22	level 2		91 879	91 879	91 879
Lease liabilities	22	level 2		95 475	95 475	95 475
Other liabilities	22	level 2		644	644	644
Current financial liabilities						
Loans from financial institutions	22	level 2		1 415	1 415	1 415
Cheque account with credit limit	22			0	0	0
Lease liabilities	22	level 2		18 705	18 705	18 705
Trade and other payables	18			45 262	45 262	45 262
Total				253 379	253 379	253 379

as the effect of discounting is not significant taking the maturity of the receivables into consideration. The fair values of lease liabilities 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. The carrying amount of other financial liabilities essentially corresponds to their fair value, as the effect of discounting is not significant taking the maturity of the receivables into consideration.

Level 3: The fair value is not based on verifiable market information, and information on other circumstances affecting the value of the financial asset or liability is not available or verifiable.

The Group's other shares and participations consist solely of shares in unlisted companies.

21. Notes on equity

Accounting policies

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.

Reconciliation of the number of shares

EUR 1,000	Number of shares	Share capital	Reserve for invested unrestricted equity	Total
Shares, total, 1 January 2020	22 620 135	80	116 520	116 600
Treasury shares held by the parent company on 31 December 2020	2 294			
Outstanding shares on 31 December 2020	22 617 841	80	116 520	116 600
Shares, total, 1 January 2021	22 620 135	80	116 520	116 600
Treasury shares held by the parent company on 31 December 2021	25 900			
Outstanding shares on 31 December 2021	22 594 235	80	116 520	116 600

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

Reserve for invested unrestricted equity

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

Distributable funds

The parent company's total distributable funds amount to EUR 222,747,364.13, of which the profit for the financial year accounts for EUR 13,893,203.86.

Dividends

The Board of Directors proposes that a dividend of EUR 0.30 per share be paid for the financial year that ended on 31 December 2021.

22. Financial liabilities

EUR 1,000	2021	2020
Non-current interest-bearing liabilities		
Bank loans	90 838	91 879
Other liabilities	607	644
Lease liabilities	87 857	95 475
	179 302	187 997
Current interest-bearing liabilities		
Bank loans	1 283	1 415
Cheque accounts with credit limit	0	0
Lease liabilities	18 392	18 705
	19 675	20 119
Interest-bearing financial liabilities total	198 977	208 117

At the end of the financial year, the Group had EUR 45.0 (40.0) million of unused committed short-term credit limits. In addition, EUR 45.0 (60.0) million of an additional credit limit, which is subject to a separate credit decision, was unused on the financial statements date.

Drawdowns from the Group's revolving credit facility are actually long-term by nature, although their maturity is 1, 3 or 6 months.

Lease liabilities

EUR 1,000	2021	2020
Non-current lease liabilities		
Right-of-use plots	305	286
Right-of-use business premises and buildings	86 963	94 605
Right-of-use equipment	588	583
	87 857	95 475
Current lease liabilities		
Right-of-use plots	63	88
Right-of-use business premises and buildings	17 715	17 723
Right-of-use equipment	614	894
	18 392	18 705

23. Changes in interest-bearing liabilities with no impact on cash flow

EUR 1,000	2020	Cash flow	Acquired business operations	New instalments and lease liabilities	Effective interest rate	2021
Non-current interest-bearing liabilities	92 523	-1 323		149	96	91 445
Current interest-bearing liabilities	1 415	-261		130		1 283
Lease liabilities	114 179	-19 822	2 801	9 090		106 248
Total liabilities from financing	208 117	-21 406	2 801	9 369	96	198 976

24. Capital management

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

The key indicators concerning capital management are the equity ratio, the ratio of net debt to adjusted EBITDA and gearing.

EUR 1,000	Note	2021	2020 Restated*
Equity		122 611	114 190
Total statement of financial position – prepayments received		456 127	440 179
Equity ratio 1)		26,9 %	25,9 %
Interest-bearing financial liabilities	22	198 977	208 117
Cash and cash equivalents		-4 257	-13 306
Interest-bearing net debt		194 720	194 810
Gearing 2)		158,8 %	170,6 %
EBITDA		62 638	52 164
Adjustment items**		2 698	2 609
Adjusted EBITDA		65 336	54 773
Net debt/adjusted EBITDA		3,0	3,6

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

** Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships, as well as fines and corresponding compensation payments. Pihlajalinna also presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

During the financial year, the Group acquired 60,000 of its own shares based on an authorisation granted by the Annual General Meeting on 15 April 2020. The shares were acquired in public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of purchase. The shares were used as part of the Group's incentive scheme. On the financial statements date, the Group held 25,900 treasury shares.

- 1) The formula for calculating the equity ratio is $100 \times \text{Equity} / (\text{Total statement of financial position} - \text{prepayments received})$
- 2) The formula for calculating gearing is $100 \times \text{Interest-bearing net debt} / \text{Equity}$

25. Financial risk management

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

Group's financial administration actively monitors compliance with the financial covenants and assesses financial leeway in relation to the covenant maximums as part of the Group's business planning.

Interest rate risk

The Group is exposed to interest rate risk through its external financing arrangement. In accordance with the Group's risk management principles, the Board of Directors decides on the need for, and extent of, interest rate hedging for the Group's loan portfolio. The Group had no interest rate hedging arrangements in place on the financial statements date. However, due to inflation and the upward pressure on interest rates, the Board of Directors is considering hedging against interest rate risk.

On the financial statements date, 54% (56%) of the interest-bearing liabilities were subject to fixed interest rates. During the financial year, the average annual interest rate

on the Group's interest-bearing liabilities was approximately 1.68% (1.87%). The duration, i.e. the fixed interest rate period, of the financing portfolio was 3.2 (3.6) years.

The table below presents the Group's interest rate position at the end of the reporting period.

EUR 1,000	2021	2020
Fixed rate financial liabilities	107 567	115 790
Variable rate financial liabilities	91 521	92 535
Total variable rate position	91 521	92 535

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.

	2021	2021	2020	2020
	0.5 percentage points higher	0.5 percentage points lower	0.5 percentage units higher	0.5 percentage units lower
Change				
Effect on profit before tax	-458	0	-463	0

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

Liquidity risk

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

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.

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The agreement is valid until 9 March 2023. Pihlajalinna has started refinancing negotiations that are intended to be completed before the end of March 2022. The current arrangement comprises a EUR 50 million revolving credit facility and a long-term bullet loan of EUR 70 million. It also includes an opportunity to increase the total amount by EUR 60 million (to EUR 180 million), subject to separate decisions on a supplementary loan from the funding providers.

On the financial statements date, the Group's cash and cash equivalents amounted to EUR 4.3 (13.3) million, in addition to which the Group had EUR 45.0 (40.0) million in unused committed credit limits available.

In addition, EUR 45.0 million of an additional credit limit, which is subject to a separate credit decision, was unused on the financial statements date.

The Group's equity ratio at the end of the financial year was 26.9 (25.9) per cent.

The Group has good financial standing and its business operations are profitable, and

therefore the company has not identified any significant risks related to the availability of additional financing.

Financial liabilities repayment schedule

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.

EUR 1,000	Carrying amount at 31 Dec. 2021	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	92 121	-2 958	-90 984	-265	0	0
Lease liabilities	106 248	-19 934	-16 175	-14 029	-11 942	-51 236
Other interest-bearing liabilities	607	-20	-57	-57	-57	-738
Trade payables	52 571	-52 571				
Total	251 548	-75 483	-107 216	-14 351	-11 999	-51 974

EUR 1,000	Carrying amount at 31 Dec. 2020	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	93 293	-3 526	-3 337	-90 960	-249	0
Lease liabilities	114 179	-20 387	-17 314	-13 626	-12 181	-59 060
Other interest-bearing liabilities	644	-20	-57	-57	-57	-794
Trade payables	45 262	-45 262				
Total	253 379	-69 196	-20 708	-104 642	-12 486	-59 854

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 financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. The calculation of covenants will continue with the creditor banks in accordance with the accounting principles confirmed in the original financing arrangement (frozen GAAP, i.e. excluding the IFRS 16 impact). The Group met the set covenants on 31 December 2021.

Due to the changes in the operating environment caused by the COVID-19 epidemic, Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement at the end of March 2020. The temporary covenants for the first and second quarter of the year were as follows: leverage must not exceed 4.25 and gearing must not exceed 140 per cent. The covenants of the financing arrangement – leverage of 3.75 and gearing of 115 per cent – took effect again when the covenants were reviewed in the third quarter of 2020.

In connection with this, a permanent new margin ceiling was added to the financing

arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50. On 31 December 2021, leverage in accordance with the financing arrangement stood at 2.30 (2.78) and gearing was 91% (94%).

Pihlajalinna and the creditor banks agreed on the acquisition of Pohjola Hospital Ltd and the financing of the transaction in a timely manner, before the turn of the year in addition to a temporary raise in gearing-covenant level to 140 per cent in the first half of the year 2022. The transaction was financed by means of the additional credit limit in February 2022.

At the end of the reporting period, 31 December 2021, the loan amount to which the covenants apply was EUR 90.0 (90.0) million.

Credit risk

The Group's credit risk mostly consists of credit risks involved in customer receivables related to business operations. The Group's largest customers are municipalities, joint municipal authorities or large and solvent listed companies. The Group's key credit risks are presented in Note 16 Trade and other receivables.

The payment information of corporate and private customers is checked at every appointment. For the collection of payments, the Group uses an external collections agency. The Group offers private customers financing via SveaRahoitus. This arrangement includes a check of the customer's creditworthiness.

The age distribution of trade receivables is presented in Note 16 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 20 Financial assets and liabilities by measurement category).

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.

26. Acquired business operations

Acquisitions during the financial year 2021

EUR 1,000 Acquired entity	Month of acquisition	Industry	Domicile
Työterveys Virta Oy	4/2021	Occupational health services	Oulu
The business operations of Finla Työterveys Oy's Mänttä-Vilppula unit.	11/2021	Occupational health services	Mänttä-Vilppula

Accounting policies

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.

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

EUR 1,000	2021
Consideration	
Cash, basic transaction price	17 941
Total cost of the combination	17 941

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

EUR 1,000	Note	2021
Property, plant and equipment	12	30
Intangible assets	13	2 195
Right-of-use assets	14	2 801
Available-for-sale financial assets		1
Deferred tax assets		83
Trade and other receivables		1 552
Cash and cash equivalents		1 527
Total assets		8 188
Deferred tax liabilities		435
Restructuring provision		300
Lease liabilities	22	2 801
Other liabilities		2 012
Total liabilities		5 549
Acquired net assets		2 640

Goodwill generated in the acquisition:

EUR 1,000	Note	2021
Consideration transferred		17 941
Net identifiable assets of acquirees		-2 640
Goodwill	13	15 301
Transaction price paid in cash		17 941
Cash and cash equivalents of acquiree		-1 527
Effect on cash flow*		16 414

Customer contracts, non-compete agreements and patient databases were recognised 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 expenses, a total of EUR 366 thousand, have been recorded under other operating expenses.

Had the acquired business operations been consolidated since the beginning of the financial year, the consolidated revenue for the review period would have amounted to EUR 616.3 million and operating profit would have totalled EUR 27.4 million.

Acquisition of non-controlling interests during the financial year 2021

In August 2021, Pihlajalinna increased its holding in Kuusiolinna Terveys Oy, a joint venture with the municipalities of Alavus, Ähtäri, Kuortane and Soini. The transaction was made with the municipality of Kuortane. After the transaction, the Group owns 97 per cent of the company.

27. Subsidiaries and material non-controlling interests

The Group's structure

The Group had 28 (30) subsidiaries in 2021. Of these subsidiaries, 14 (16) are wholly-owned and 14 (14) are partially owned. A list of all of the Group's subsidiaries is presented in Note 30 Related party transactions. In 2021, the Group had 2 (1) associated companies and 1 (1) joint operation.

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	
		2021	2020	2021	2020*	2021	2020
Jämsän Terveys Oy	Jämsä	49 %	49 %	-1 653	-289	-1 422	231
Pihlajalinna Erityisasumispalvelut Oy	Hämeenlinna	30 %	30 %	-72	10	-209	-137
Dextra Lapsettomuusklinikka Oy	Helsinki	49 %	49 %	414	436	851	653
Pihlajalinna Liikuntakeskukset Group	several	30 %	30 %	-245	-604	1 854	2 099
Suomen Yksityiset Hammaslääkärit Group	several	37 %	45 %	-3	-23	393	477
				-1 559	-469	1 467	3 322

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

	Jämsän Terveys Oy		Pihlajalinna Erityisasumispalvelut Oy		Dextra Lapsettomuusklinikka Oy		Pihlajalinna Liikuntakeskukset Group		Suomen Yksityiset Hammaslääkärit Group	
EUR 1,000	2021	2020	2021	2020	2021	2020	2021	2020*	2021	2020
Current assets	42 550	30 919	544	415	1 715	1 166	1 326	1 272	270	700
Non-current assets	1 808	1 810	4 524	2 582	1 369	1 712	37 694	40 725	2 087	2 070
Current liabilities	46 686	31 517	1 672	1 026	695	797	15 392	14 510	1 193	1 504
Non-current liabilities	481	647	4 062	2 421	18	168	18 239	21 246	20	84
Revenue	75 022	73 997	4 302	3 650	5 980	5 425	12 579	11 797	4 392	4 478
Operating profit	-3 576	-698	-214	82	1 149	1 149	-458	-1 921	12	-80
Profit/loss	-3 374	-591	-238	35	897	889	-823	-2 028	-7	-51
Share of profit/loss attributable to owners of the parent	-1 721	-301	-167	24	483	453	-578	-1 425	-4	-28
Non-controlling interests' share of profit/loss	-1 653	-289	-72	10	414	436	-245	-604	-3	-23
Net cash flow from operating activities	-3 911	-2 537	18	283	1 386	1 401	4 158	3 737	155	360
Net cash flow from investing activities	-137	-125	-2 164	-126	-600	-772	-1 512	-286	118	-176
Net cash flow from financing activities	-201	-209	2 146	-157	-793	-623	-2 620	-7 015	-255	-214
of which dividends paid to non-controlling interests					-215	-123		-89		

* Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

28. Interests in associates and joint arrangements

Accounting policies

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.

Associates and joint ventures are consolidated using the equity method. If the Group's share of the loss of an associate or a joint venture exceeds the carrying amount of the investment, then the investment is carried at zero value, and the losses exceeding the carrying amount are not consolidated, unless the Group is committed to fulfilling the obligations of the associate or joint venture. An investment in an associate or a joint venture includes the goodwill generated through the acquisition. Unrealised profits between the Group and an associate or a joint venture are eliminated in proportion to the Group's ownership interest. The Group's pro rata share of an associate's or a joint venture's profit for the financial year is included in operating profit.

EUR 1,000		2021	2020
Interests in associates	Ullanlinnan Silmälääkärit Oy	20	17
	Digital Health Solutions Oy	288	
Interests in joint operations	Koy Levinpihlaja	40	40
Total carrying amount		348	57

Interests in associates

Name	Main business location	Industry	Holding, %	
			2021	2020
Ullanlinnan Silmälääkärit Oy	Helsinki	Healthcare services	37 %	37 %
Digital Health Solutions Oy	Sotkamo	All legal business	18 %	

The Group's pro rata share of an associate's or a joint venture's profit for the financial year is presented separately in operating profit up to the carrying amount of the Group's investment in their shares.

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.

29. Contingent assets and liabilities and commitments

Collateral given on own behalf	2021	2020
Sureties	4 407	4 401
Properties' VAT refund liability	59	85
Lease commitments for off-balance sheet leases	849	794
Lease deposits	535	545

Lawsuits and official proceedings

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement. The difference in views regarding whether the fixed annual price for social and healthcare services can decrease due to price adjustments amounted to approximately EUR 3.7 (2.6) million at the end of the financial year. Jämsän Terveys filed an additional counterclaim against the City of Jämsä. The additional counterclaim concerns the effect of changes in the services under the service agreement on price and the service provider's liability for financing investments by the Pirkanmaa Hospital District insofar as such investments serve operations after the term of the service agreement. The service provider is entitled to price adjustments corresponding to increases in costs and the contractual parties are under an obligation to negotiate and try to reach an agreement. In its counterclaim, Jämsän Terveys claims a total of approximately EUR 16 million from the City of Jämsä. The total amount of variable compensation under the counterclaim that Jämsän Terveys has recognised as revenue and recorded in its receivables amounts to EUR 3.9 (3.8) million. The District Court hearings were held in January 2022. The District Court has announced that it will hand down its decision at the beginning of March.

The District Court of Kanta-Häme issued a decision on the dispute between Pihlajalinna and the municipality of Hattula on 11 June 2021. The District Court found that Hattula did not have the right to terminate the agreement. Nevertheless, Pihlajalinna was ordered to pay compensation totalling EUR 123,175, including interest, to Hattula as contractual penalties and damages for breaches during the contract period. Pihlajalinna's counterclaim was approved with regard to its basis but rejected with regard to its amount. Each party was responsible for its legal costs.

On 31 August 2021, in arbitration proceedings brought against a subsidiary of Pihlajalinna Group regarding a breach of contract, an arbitration court found that the claimant had suffered damages of EUR 295,800 due to the unfounded termination of an agreement. The court of arbitration ordered Pihlajalinna to pay compensation for damages and the claimant's legal expenses, totalling EUR 82,943, and, under joint and several liability, pay for the costs of the arbitration proceedings, totalling EUR 98,694. Pihlajalinna still has certain employment-related legal proceedings pending. These are not expected to have a significant financial impact on the Group.

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.

The Group's parent company and subsidiary relationships

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

Company	Domicile	Holding	% of votes
Parent company Pihlajalinna Plc	Tampere		
Pihlajalinna Terveys Oy	Parkano	100 %	100 %
Ikipihlaja Johanna Oy	Jämsä	100 %	100 %
Jokilaakson Terveys Oy	Jämsä	90 %	90 %
Pihlajalinna Lääkärikeskukset Oy	Helsinki	100 %	100 %
Mäntänvuoren Terveys Oy	Mänttä-Vilppula	91 %	91 %
Ikipihlaja Kuusama Oy	Kokemäki	100 %	100 %
Ikipihlaja Sofianhovi Oy	Mänttä-Vilppula	100 %	100 %
Wiisuri Oy	Jyväskylä	100 %	100 %
Ikipihlaja Matinkartano Oy	Lieto	100 %	100 %
Ikipihlaja Setälänpiha Oy	Lieto	100 %	100 %
Ikipihlaja Oiva Oy	Raisio	100 %	100 %
Kolmostien Terveys Oy	Parkano	96 %	96 %
Jämsän Terveys Oy	Jämsä	51 %	51 %
Kuusiolinnat Terveys Oy	Alavus	97 %	97 %
Lääkäriasema DokTori Oy	Lappeenranta	100 %	100 %
Kompassi Lääkärikeskus Oy	Seinäjoki	100 %	100 %
Mediapu Oy	Oulu	100 %	100 %
Pihlajalinna Turku Oy	Turku	92 %	92 %
Pihlajalinna Erityisasumispalvelut Oy	Hämeenlinna	70 %	70 %
Pihlajalinna Oulu Oy	Oulu	100 %	100 %
Dextra Lapsettomuuskeskus Oy	Helsinki	51 %	51 %
Bottenhavets Hälsa Ab - Selkämeren Terveys Oy	Kristiinankaupunki	75 %	75 %
Linnan Klinikka Oy	Hämeenlinna	100 %	100 %
Pihlajalinna Liikuntakeskukset Oy	Tampere	70 %	70 %
Forever Helsinki Oy	Helsinki	70 %	70 %
Suomen Yksityiset Hammaslääkärit Oy	Tampere	63 %	63 %
Pihlajalinna Hammasklinikat Oy	Tampere	63 %	63 %
Laihian Hyvinvointi Oy	Laihia	81 %	81 %

Information on the associates is presented in Note 28 Interests in associates and joint arrangements.

Changes in Group structure

The following changes in group structure were implemented during the financial year:

Merged company	Target company	Month of acquisition
Pihlajalinna Seinäjoki Oy	Pihlajalinna Lääkärikeskukset Oy	9.4.2021
Terveyspalvelu Verso Oy	Pihlajalinna Lääkärikeskukset Oy	1.5.2021
Työterveys Virta Oy	Pihlajalinna Oulu Oy	1.9.2021

Employee benefits of management

EUR 1,000	2021	2020
Monetary salaries, Management Team	1 054	1 120
Share-based rewards, Management Team	226	381
Fringe benefits, Management Team	16	25
Salaries and other short-term employee benefits, Management Team, total	1 297	1 526

Salaries and remuneration

EUR 1,000		2021	2020
Joni Aaltonen, CEO			
Monetary salaries		283	285
Share-based rewards		100	136
Fringe benefits		21	13
Total		405	433
Board of Directors			
Vice-Chairman of the Board	Leena Niemistö	58	45
Chairman of the Board	Mikko Wirén	345	259
Chairman of the Audit Committee	Seija Turunen	53	35
Board member	Kati Sulin	42	31
Board member	Matti Jaakola (until 15 April 2021)	9	34
Board member	Hannu Juvonen	41	35
Board member	Mika Manninen	41	35
Total		588	473

Of the annual remuneration paid in shares, a total of 5,000 shares held by the company were transferred to the Chairman of the Board of Directors, with 1,212 shares transferred to the Vice Chairman and the Chairman of the Audit Committee each, and 808 shares to each member of the Board of Directors.

According to the CEO's contract, the notice period for dismissal is 3 months. The company is liable to pay the CEO one-time compensation for termination amounting to six months' total salary.

The CEO's pension benefits are according to the statutory pension scheme. The CEO is not a member of the Board of Directors.

Related party transactions and related party receivables and liabilities:

	2021	2020
Key management personnel		
Rents paid	834	892
Services procured	958	945
Trade payables	83	-3

The Group has leased several of its business premises from a member of the key management personnel: the premises in Nokia, Karkku, Tampere and Kangasala.

A Group company has an agreement with a member of the key management personnel, under which the Group buys healthcare professionals' services.

31. Events after the balance sheet date

Pihlajalinna and Pohjola Hospital were combined

The Finnish Competition and Consumer Authority (FCCA) unconditionally approved the combining of Pihlajalinna and Pohjola Hospital. The acquisition is an important element of Pihlajalinna's growth strategy, and it strengthens the combined entity's service portfolio in all healthcare specialities. The business combination also enables the geographical expansion of the service network, especially in the Helsinki Metropolitan Area and other growth centres. Growth potential is further strengthened by the new five-year service agreement signed with Pohjola Insurance in connection with the deal. The transaction was completed on 1 February 2022.

As previously announced, the net debt-free purchase price, paid in cash, was EUR 31.8 million. Pohjola Hospital's revenue was EUR 62.5 million in 2021 and EUR 59.4 million in 2020. Established in 2013, Pohjola Hospital is a chain of hospitals specialising in orthopaedics, i.e. the treatment of musculoskeletal disorders and accidents. Pohjola Hospital operates in five cities with university hospitals: Helsinki, Tampere, Turku, Oulu and Kuopio.

The company had an average of 295 employees and over 300 practitioners in 2021.

The purchase price allocation for the Pohjola Hospital acquisition is still being finalised. The calculation will be completed within one year of the date of acquisition, by 31 January 2023. Pihlajalinna presents a preliminary purchase price allocation. Adjustments have been made to the opening balance sheet of Pohjola Hospital on 31 January 2022 based on the calculation. The fair value adjustments mainly concern right-of-use assets, other provisions and deferred taxes.

EUR 1,000

Consideration	
Cash, basic transaction price	31 800
Total cost of the combination	31 800

The preliminary values of the assets and liabilities acquired for consideration at the time of acquisition were as follows:

Property, plant and equipment	358
Intangible assets	6 037
Right-of-use assets	112 771
Other receivables	4 612
Deferred tax assets	3 848
Trade and other receivables	8 584
Cash and cash equivalents	1 809

Total assets	138 019
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Deferred tax liabilities	1 095
Other provisions	4 881
Lease liabilities	131 744
Other liabilities	8 458

Total liabilities	146 178
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Preliminary net assets	-8 159
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Goodwill generated in the acquisition:

Consideration transferred	31 800
Net identifiable assets of acquirees	8 159

Goodwill	39 959
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Transaction price paid in cash	31 800
Cash and cash equivalents of acquiree	-1 809

Effect on cash flow*	29 991
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EUR 953 thousand of the costs related to the foregoing acquisitions have been recognised in other operating expenses (IFRS 3 costs). The preparation of the acquisition cost calculation requires management estimates concerning the fair values of the acquired assets and liabilities. The preliminary acquisition cost calculation may be subsequently adjusted based on further analyses and additional information. Adjustments to the fair values of the acquired assets and liabilities will affect the preliminary estimate of goodwill. These adjustments may be material.

The Shareholders' Nomination Board's proposals to the Annual General Meeting 2022

The number of members and composition of the Board of Directors:

The Nomination Board proposes to the Annual General Meeting of Pihlajalinna Plc, scheduled to be held on 13 April 2022, that the number of the members of the Board be confirmed to be seven instead of the current six.

The Nomination Board proposes that Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén, currently members of the Board of Directors, be re-elected as members of the Board of Directors. The Nomination Board proposes that Heli Iisakka be elected as a new member of the Board of Directors. Heli Iisakka, born 1968, M.Sc. (Econ.), is the CFO of Colliers Finland Oy. Iisakka is independent of the company and its major shareholders.

With regard to the procedure for the election of the members of the Board of Directors, the Shareholders' Nomination Board recommends that the shareholders vote on the proposal as a whole at the Annual General Meeting. This recommendation is based on Pihlajalinna having, in accordance with the Nordic model of good corporate governance, a Shareholders' Nomination Board that is external to the Board of Directors. The task of the Nomination Board is to ensure that, in addition to the qualifications of the individual candidates for Board membership, the proposed Board of Directors as a whole has the best possible expertise and experience from the Group's perspective, and that the composition of the Board of Directors also meets the other requirements stipulated by the Corporate Governance Code for listed companies.

The personal details of the current members of the Board and the details of their positions of trust are available at investors.pihlajalinna.fi/corporate-governance/board-of-directors.

The Nomination Board further proposes that the Annual General Meeting elect Mikko Wirén as the Chairman of the Board and Leena Niemistö as the Vice-Chairman.

The Shareholders' Nomination Board proposes that, due to the ongoing significant changes in the social services and healthcare sector and the company's significant ongoing strategic development, the role of the Chairman of the Board of Directors should still be a full-time role for the next term of office. The Nomination Board's shared will is that, after this term, the role of the Chairman of the Board of Directors will no longer be a full-time role.

Remuneration of the members of the Board of Directors

The Shareholders' Nomination Board proposes that the remuneration of the Chairman of the Board of Directors be kept unchanged, and that the remuneration of the Vice-Chairman, the Chairman of the Audit Committee and the members of the Board of Directors be increased, with the following annual remuneration to be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2023: to the Chairman of the Board of Directors EUR 250,000; to the Vice-Chairman EUR 39,000, and to members EUR 26,000.

The proposal is that the annual remuneration to be paid in company shares and cash so that about 40 per cent of the remuneration is used to purchase the company's shares on behalf of the members and the remaining share of the remuneration is paid in cash. The remuneration can be paid either entirely or partially in cash if the member of the Board of Directors has, on the day of the General Meeting, 13 April 2022, been in possession of over EUR 1,000,000 worth of company shares. The company is responsible for the expenses and transfer tax arising from the acquisition of the shares. The remuneration to be paid in shares can be paid by transferring company shares in possession of the company to the members of the Board of Directors or by purchasing shares directly on behalf of the Board members within three weeks after the interim report for the period of 1 January–31 March 2022 has been published. If this is not possible due to legal or other regulatory reasons, such as insider regulations, the shares will be transferred or purchased at the earliest possible time thereafter or, alternatively, the remuneration will be paid in cash. If the term of a Board member ends before the Annual General Meeting of 2023, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

The Nomination Board proposes that each member of the Board of Directors be paid a cash attendance fee of EUR 500 per Board or Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the Company's travel policy.

PARENT COMPANY FINANCIAL STATEMENTS, FAS

Parent company income statement, FAS

EUR 1,000	note	1.1. - 31.12.2021	1.1. - 31.12.2020
Revenue	1.1.	5 205	4 224
Other operating income	1.2.	459	464
Personnel expenses	1.3.	-1 350	-1 625
Depreciation, amortisation and impairment	1.4.	-2 004	-1 825
Other operating expenses	1.5.	-4 795	-4 303
Operating profit (loss)		-2 486	-3 065
Financial income and expenses	1.6.	-565	-1 216
Profit (loss) before appropriations and taxes		-3 051	-4 281
Appropriations	1.7.		
Change in depreciation difference		-32	-199
Group contribution		20 350	14 000
Income taxes	1.8.	-3 373	-1 821
Profit (loss) for the financial year		13 893	7 698

Parent company balance sheet, FAS

EUR 1,000	note	31.12.2021	31.12.2020
Assets			
Non-current assets			
Intangible assets	2.1.	4 048	4 739
Property, plant and equipment	2.2.	2 155	2 454
Investments	2.3.	284 835	284 485
		291 038	291 677
Current assets			
Non-current receivables	2.4.	37	39
Current receivables	2.5.	82 787	58 056
Cash and cash equivalents		2 179	7 840
		85 002	65 936
Total assets		376 040	357 613
Equity and liabilities			
Equity	2.6.		
Share capital		80	80
Reserve for invested unrestricted equity		183 190	183 190
Retained earnings		26 152	23 553
Profit/loss for the financial year		13 893	7 698
		223 316	214 522
Accumulated appropriations	2.7	1 018	986
Mandatory provisions	2.8	21	48
Liabilities	2.9		
Non-current liabilities		90 368	91 066
Current liabilities		61 316	50 992
		151 685	142 058
Total equity and liabilities		376 040	357 613

Parent company cash flow statement, FAS

EUR 1,000	31.12.2021	31.12.2020
Cash flow from operating activities		
Profit for the period	13 893	7 698
Depreciation, amortisation and impairment	2 004	1 825
Financial income and expenses	565	1 216
Other adjustments (appropriations and taxes)	-16 944	-11 999
Cash flow before change in working capital	-482	-1 259
Change in net working capital	-2 699	641
Cash flows from operating activities before financial items and taxes	-3 181	-618
Interest received	1 449	1 154
Direct taxes paid	-2 416	-70
Cash flow from operating activities	-4 149	466
Cash flow from investing activities		
Investments in tangible and intangible assets	-904	-769
Other investments	-350	
Cash flow from investing activities	-1 254	-769
Cash flow from financing activities		
Proceeds from short-term borrowings from group companies	11 724	22 929
Loans granted to Group companies	-17 973	-6 532
Repayment of short-term borrowings		-501
Proceeds from long-term borrowings	20 000	
Repayment of long-term borrowings	-20 771	-10 734
Group contributions received	14 000	6 000
Interest paid	-2 139	-2 344
Dividends paid	-4 517	
Omien osakkeiden hankinta	-582	-692
Cash flow from financing activities	-258	8 127
Change in cash and cash equivalents	-5 661	7 824
Cash at the beginning of the financial year	7 840	16
Cash at the end of the financial year	2 179	7 840

Notes to the financial statements 31 december 2021

Accounting policies

Pihlajalinna Plc (2617455-1), domiciled in Tampere, is the parent company of Pihlajalinna Group. The company was established on 15 April 2014.

Valuation of non-current assets

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

The planned depreciation periods are as follows:

Development costs	5-7 years
Other intellectual property rights	5-7 years
Other long-term expenditures	5-7 years
Machinery and equipment	3-10 years

Acquisition costs of assets included in non-current assets with a probable economic useful life of less than 3 years, and small-scale acquisitions (value under EUR 850) have been expensed in the financial year during which they were acquired in full. Financial assets are measured at the lower of cost or fair market, if the impairment is considered to be permanent.

Recognition of deferred taxes

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

Revenue recognition

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

Capitalised development costs (Accounting Ordinance 2:4, 3-4)

The company's capitalised product development expenditure relating to the Pihlajalinna mobile application and the company website will be amortised over their economic useful lives. Unamortised development expenditure included in intangible assets, which restricts profit distribution, amounted to EUR 489 (753) thousand at the end of the financial year.

Recognition of pension schemes

The personnel's statutory pension security is handled by an external pension insurance company. Pension costs are recognised as expenses during the year of their accrual.

1.1. Revenue

EUR 1,000	2021	2020
Revenues by sector	5 205	4 224
Sale of services	5 205	4 224

1.2. Other operating income

EUR 1,000	2021	2020
Rental income	116	116
Lease income from equipment	328	328
Insurance indemnities received	0	1
Capital gains on property, plant and equipment		19
Government grants received	14	0
	459	464

1.3. Personnel expenses

EUR 1,000	2021	2020
Wages and salaries	-1 234	-1 514
Pension costs	-100	-96
Other social security expenses	-16	-16
Total	-1 350	-1 625
Average number of employees during the financial year	3	3

The remuneration of the Board of Directors of Pihlajalinna Plc is included in the company's personnel expenses. The Annual General Meeting of 15 April 2021 decided that remuneration shall be paid to the members of the Board of Directors as follows: to the full-time Chairman of the Board of Directors EUR 250,000 per year; to the Vice-Chairman of the Board and the Chairman of the Audit Committee EUR 36,000 per year, and to members EUR 24,000 per year. In addition, the Annual General Meeting decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting.

The annual remuneration shall be paid in company shares and in cash, with approximately 40 per cent of the remuneration used to acquire shares in the name and on behalf of the members of the Board of Directors, and the remainder paid in cash. The remuneration can be paid either entirely or partially in cash if the member of the Board of Directors has, on the day of the General Meeting, 15 April 2021, been in possession

of over EUR 1,000,000 worth of company shares. The company is responsible for the expenses and transfer tax arising from the acquisition of the shares. The remuneration to be paid in company's own shares was executed 11 May 2021, immediately after publishing the interim report, by relinquishing 9,848 of the company's own shares. Rest of the annual remuneration was paid at the same time in cash. If the term of a Board member ends before the Annual General Meeting of 2022, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

A total of 5,000 shares were transferred to the Chairman of the Board, 1,212 shares to the Vice-Chairman of the Board and the Chairman of the Audit Committee, and 808 shares to the members of the Board of Directors. In addition, the reasonable travel expenses of the members of the Board of Directors are reimbursed in accordance with the Company's travel policy. A summary of the remuneration of the Board of Directors and the

Management Team is included in the Remuneration Report.

1.4. Depreciation and impairment

EUR 1,000	2021	2020
Depreciation according to plan		
Intangible assets	-1 593	-1 458
Property, plant and equipment	-411	-367
	-2 004	-1 825

1.5. Other operating expenses

EUR 1,000	2021	2020
Voluntary social security expenses	-111	-49
Facility expenses	-120	-105
Vehicle expenses	-19	-24
ICT expenses	-3 560	-2 757
Machinery and equipment expenses	-1	0
Sales, marketing and travel expenses	-77	-36
Administrative expenses	-848	-1 331
Other operating expenses, total	-4 735	-4 303
Auditor's fees		
audit fees	113	92
auxiliary services	6	5
	119	97

1.6. Financial income and expenses

EUR 1,000	2021	2020
Interest income from non-current investments		
From Group companies	1 449	1 154
From others	0	0
Interest income from non-current investments, total	1 449	1 154
Interest expenses and other financial expenses		
To others	-2 013	-2 370
Interest expenses and other financial expenses, total	-2 013	-2 370
Financial income and expenses, total	-565	-1 216

1.7. Appropriations

EUR 1,000	2021	2020
Difference between depreciation according to plan and depreciation in taxation	-32	-199
Group contributions received	20 350	14 000
	20 318	13 801

1.8. Income taxes

EUR 1,000	2021	2020
Change in deferred tax assets		
Income taxes on actual operations during the financial year	-3 373	-1 821
Income taxes total	-3 373	-1 821

Notes to the balance sheet

EUR 1,000	31.12.2021	31.12.2020
2.1. Intangible assets		
Development costs		
Acquisition cost at the start of the financial year	1 607	1 607
Acquisition cost at the end of the period	1 607	1 607
Accumulated amortisation according to plan during the financial year	-854	-590
Accumulated amortisation according to plan during the financial year	-264	-264
Carrying amount at the end of the period	489	753
Other intellectual property rights		
Acquisition cost at the start of the financial year	1 615	1 615
Additions	43	
Acquisition cost at the end of the period	1 658	1 615
Accumulated amortisation according to plan during the financial year	-1 028	-789
Accumulated amortisation according to plan during the financial year	-221	-240
Carrying amount at the end of the period	409	587
Other long-term expenditures		
Acquisition cost at the start of the financial year	5 264	4 082
Additions	787	645
Transfers between items		536
Acquisition cost at the end of the period	6 051	5 264
Accumulated amortisation according to plan during the financial year	-1 871	-917
Accumulated amortisation according to plan during the financial year	-1 108	-954
Carrying amount at the end of the period	3 072	3 393
Prepayments for intangible assets		
Acquisition cost at the beginning	6	440
Additions	73	103
Transfers between items		-536
Carrying amount at the end of the period	79	6
Intangible assets, total		
Acquisition cost at the start of the financial year	8 492	7 743
Additions	903	749
Transfers between items		
Acquisition cost at the end of the period	9 394	8 492
Accumulated amortisation according to plan during the financial year	-3 753	-2 295
Accumulated amortisation according to plan during the financial year	-1 593	-1 458
Carrying amount at the end of the period	4 048	4 739

EUR 1,000	31.12.2021	31.12.2020
2.2. Property, plant and equipment		
Machinery and equipment		
Acquisition cost at the start of the financial year	3 472	3 411
Additions	112	172
Disposals		-111
Acquisition cost at the end of the period	3 584	3 472
Accumulated amortisation according to plan during the financial year	-1 018	-716
Accumulated depreciation on disposals and transfers		65
Accumulated amortisation according to plan during the financial year	-411	-367
Carrying amount at the end of the period	2 155	2 454
Property, plant and equipment, total		
Acquisition cost at the start of the financial year	3 472	3 411
Additions	112	172
Disposals	0	-111
Acquisition cost at the end of the period	3 584	3 472
Accumulated amortisation according to plan during the financial year	-1 018	-716
Accumulated depreciation on disposals and transfers	0	65
Accumulated amortisation according to plan during the financial year	-411	-367
Carrying amount at the end of the period	2 155	2 454
2.3. Investments		
Other shares and participations		
Additions	350	
Acquisition cost at the end of the period	350	
Shares in subsidiaries		
Acquisition cost at the start of the financial year	284 485	284 485
Acquisition cost at the end of the period	284 485	284 485
Total investments	284 835	284 485

A full list of the Group's subsidiaries is presented in Note 30 "Related party transactions" to the consolidated financial statements.

EUR 1,000	31.12.2021	31.12.2020
2.4. Non-current receivables		
Receivables from others		
Lease deposits given	37	39
	37	39
Total non-current receivables	37	39
2.5. Current receivables		
Receivables from others		
Other receivables	376	303
Prepayments and accrued income	2 195	1 483
	2 570	1 786
Receivables from Group companies		
Trade receivables	-43	30
Loan receivables	59 788	41 815
Prepayments and accrued income	20 445	14 426
	80 190	56 271
Material items included under Prepayments and accrued income		
Group contribution	20 350	14 000
Allocation of sales	95	426
Accrued social security expenses	85	
Other	2 109	1 483
	22 639	15 909
Total current receivables	82 760	58 056
2.6. Equity		
Restricted equity		
Share capital at the beginning	80	80
Share capital at the end	80	80
Total restricted equity	80	80
Unrestricted equity		
Reserve for invested unrestricted equity at the beginning	183 190	183 190
Reserve for invested unrestricted equity at the end	183 190	183 190
Retained earnings at the beginning	31 251	24 244
Dividends paid	-4 517	
Acquisition of own shares	-582	-692
Retained earnings	26 152	23 553
Profit for the period	13 893	7 698
Total unrestricted equity	223 236	214 442
Total equity	223 316	214 522

EUR 1,000	31.12.2021	31.12.2020
Retained earnings	26 152	23 553
Profit for the period	13 893	7 698
Reserve for invested unrestricted equity	183 190	183 190
Capitalised development costs	-489	-753
Distributable unrestricted equity	222 747	213 689
Number of shares	22 620 135	22 620 135
of which treasury shares	25 900	2 294
Number of outstanding shares	22 594 235	22 617 841
2.7. Accumulated appropriations		
Accumulated depreciation difference	1 018	986
2.8. Mandatory provisions		
Onerous contracts	21	48
2.9. Liabilities		
2.9.1 Non-current liabilities		
Liabilities to others		
Loans from financial institutions	90 000	90 000
Other non-current liabilities	332	1 030
Lease deposits received	36	36
	90 368	91 066
Non-current liabilities, total	90 368	91 066
2.9.2 Current liabilities		
Liabilities to others		
Trade payables	297	2 056
Other liabilities	811	1 256
Accrued liabilities	3 062	2 297
	4 170	5 609
Liabilities to Group companies		
Trade payables	1	72
Accrued liabilities	111	
Other liabilities	57 035	45 311
	57 147	45 383
Material items included under Accrued liabilities		
Personnel expense allocations	149	134
Interest allocations	65	191
Taxes	2 769	1 812
Other items	189	160
	3 172	2 297
Current liabilities, total	61 316	50 992

Other notes

EUR 1,000	31.12.2021	31.12.2020
Collaterals and contingent liabilities		
<i>Collaterals given on behalf of Group companies</i>		
Other sureties	121	121

Pihlajalinna's financing arrangements

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The arrangement comprises a EUR 50 million revolving credit facility and a long-term bullet loan of EUR 70 million. It also includes an opportunity to increase the total amount by EUR 60 million (to EUR 180 million), subject to separate decisions on a supplementary loan from the funding providers.

The financing arrangement includes the customary leverage (ratio of net debt to pro forma EBITDA) and gearing covenants. The calculation of covenants will continue with the creditor banks in accordance with the accounting principles confirmed in the original financing arrangement (frozen GAAP, i.e. excluding the IFRS 16 impact and IFRS Interpretations Committee's agenda decision on the accounting of the costs of configuring or customising a cloud computing arrangement). The Group met the set covenants on 31 December 2021.

Due to the changes in the operating environment caused by the COVID-19 epidemic, Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement for the first two quarters of 2020 at the end of March 2020. The original covenants of the financing arrangement – leverage of 3.75 and gearing of 115 per cent – took effect again when the covenants were reviewed in the third quarter of 2020.

In connection with this, a permanent new margin ceiling was added to the financing arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50. On 31 December 2021, leverage in accordance with the financing arrangement stood at 2.30 and gearing at 91 per cent.

Due to the acquisition of Pohjola Hospital Ltd, Pihlajalinna and the creditor banks agreed, before the end of the year, on temporarily increasing the gearing covenant to

140 per cent for the first and second quarters of 2022.

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the financial year, Pihlajalinna had EUR 45.0 million (EUR 40.0 million) in unused committed credit limits. In addition, EUR 45.0 million of an additional credit limit, which is subject to a separate credit decision, was unused on the financial statements date.

Pihlajalinna and the creditor banks agreed on the acquisition of Pohjola Hospital Ltd and the financing of the transaction in a timely manner, before the turn of the year. The transaction was financed by means of the additional credit limit in February 2022. At the end of the reporting period, 31 December 2021, the withdrawn loan amount to which the covenants apply was EUR 90.0 million (EUR 90.0 million).

EUR 1,000	31.12.2021	31.12.2020
Lease commitments		
Within one year		
Between one and five years	569	451
Over five years later	71	214

Dates and signatures to the report by the Board of Directors and the financial statements

Tampere, 17 February 2022

Mikko Wirén
Chairman

Leena Niemistö

Kati Sulin

Seija Turunen

Hannu Juvonen

Mika Manninen

Joni Aaltonen
CEO

Auditor's Note

A report on the performed audit has been issued today.

Tampere, on the date of the electronic signature
KPMG Oy Ab

Lotta Nurminen
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Pihlajalinna Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pihlajalinna Plc (business identity code 2617455-1) for the year ended 31 December 2021. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have pro-

vided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. We have not provided any non-audit services to the parent company or group companies.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Judgmental items relating to municipality outsourcing contracts (refer to notes 1, 16 and 29 in the consolidated financial statements) and emphasis of matter

We draw attention to note 1 and the receivables totaling EUR 9.7 million presented in sections Key accounting estimates and decisions based on management judgement and Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay. Circumstances described in the notes may affect the payments to be received for these receivables. Our opinion is not modified in respect of this matter.

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| <ul style="list-style-type: none"> • A notable proportion of the Group's revenue is based on long-term outsourcing contracts with municipalities. These include both complete outsourcing contracts for social and healthcare services as well as other outsourcing contracts. • The Group's profitability of complete outsourcing contracts for social and healthcare services may become more accurate with a delay. The Group may not always be aware of the actual costs of the agreements during the financial year and there may be variable considerations included. • High level of management judgement, which can have a significant impact on the consolidated result and statement of financial position, is involved in the accounting for outsourcing contracts due to the extent of the contracts, definitions of contractual obligations and amendment clauses for changed situations. • In note 1 section Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay the following items relating to outsourcing contracts with municipalities are presented: <ul style="list-style-type: none"> • The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement. The difference of opinion regarding the determination of the annual price totalled approximately EUR 3.7 million at the time of the financial statements. Jämsän Terveys filed an additional counterclaim against the City of Jämsä. Jämsän Terveys Oy has included in its receivables a total of EUR 3.9 million from the city of Jämsä, associated with the effect of changes in the services under the service agreement on price and the service provider's liability for financing investments by the hospital district insofar as such investments serve operations after the term of the service agreement. • Mäntänvuoren Terveys Oy has receivables totaling EUR 4.1 million from a client. The receivables are associated with an estimate of the investment cost liability in specialised care and cost increases caused by service changes. • Kolmostien Terveys Oy has receivables of EUR 1.7 million from a client. The receivables are associated with an estimate of the investment cost liability in specialised care and cost increases caused by service changes. • Due to the significant amount of accounting estimates in relation to the result for the period and equity and the receivables being past due, recognized judgmental items relating to the municipality outsourcing contracts are considered a key audit matter. | <ul style="list-style-type: none"> • We observed the judgmental items recorded in the consolidated financial statements through discussions with management, analytically and by performing substantive testing. We obtained related agreements, calculations and administrative documents. • We obtained legal opinions on the service agreements and juridical basis for recognizing these items as well as their amounts from a law firm used by the Group. In addition, we inquired a representative from the law firm on these matters in more detail. • We obtained legal representation letters about the legal dispute in district court. • We assessed the recognition principles applied to judgmental income and expense items against IFRS principles and considered the appropriateness of the Group's disclosures in respect of judgmental items. • We assessed how the Group has received payments relating to previously recognized judgmental items and obtained a representation letter from the management about the collectability of these receivables. • We reported in more detail about the contents of these judgmental items to the Audit Committee and the Board of Directors. |
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Goodwill impairment assessment (refer to note 13 to the consolidated financial statements)

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| <ul style="list-style-type: none"> • The Group has expanded its activities through acquisition of companies. As a result, the consolidated statement of financial position 31 December 2021 includes goodwill totaling EUR 188.9 million. • Goodwill is not amortized but is tested at least annually for impairment. Determining the cash flow forecasts underlying the impairment tests requires management make judgments over certain key inputs, for example revenue growth rate, discount rate, long-term growth rate and inflation rates. • Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, goodwill impairment assessment is considered a key audit matter. | <ul style="list-style-type: none"> • Our audit procedures included, among others, assessing key inputs in the calculations such as revenue growth rate, profitability and discount rate, by reference to the parent company's Board approved budgets, data external to the Group and our own views. • We assessed the historical accuracy of forecasts prepared by management by comparing the actual results for the year with the original forecasts. • We involved KPMG valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information. • Furthermore, we considered the appropriateness of the Group's disclosures in respect of goodwill and impairment testing. |
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Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting when Pihlajalinna Plc was established on 15 April 2014 and our appointment represents a total period of uninterrupted engagement of eight years. In Pihlajalinna Terveys Oy we were first appointed as auditors for the financial year ended 31 December 2010. Pihlajalinna Plc became a public interest entity on 8 June 2015. We have been the company's auditors since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Tampere 21 February 2022
KPMG OY AB

Lotta Nurminen

Authorised Public Accountant, KHT

Information for shareholders

General meeting

The Annual General Meeting of Pihlajalinna Plc will be held on Wednesday, 13 April 2022 at 2:00 p.m.. The meeting will be held exceptionally without the presence of shareholders or their proxy representatives at Pihlajalinna's head office at Kehräsaari B, 33200 Tampere.

Right to participate

The right to participate in the Annual General Meeting will rest with shareholders who, on the Annual General Meeting record date of 1 April 2022, are registered in the company's shareholders' register maintained by Euroclear Finland Oy

Registration

A shareholder who is registered in the company's shareholders' register and who wants to participate in the meeting by voting in advance must register and vote in advance by 7 April 2022 at 15 p.m. at the latest, by which time the registration will be completed and votes must have been received. Registration and voting in advance is possible at Pihlajalinna's website investors.pihlajalinna.fi/?sc_lang=en or a shareholder may submit the advance voting form available on Pihlajalinna's Annual General Meeting webpages as of 25 March 2022, or equivalent information, to Innovatics Oy by email to the address agm@innovatics.fi or by post to the address Innovatics Oy, Annual General Meeting/Pihlajalinna Plc, Ratamestarinkatu 13 A, 00520 Helsinki. If a shareholder participates in the meeting by submitting his/her advance votes to Innovatics Oy by post or email prior to the deadline for registration and advance voting, this will be deemed to constitute due registration for the Annual General Meeting, provided that it includes all information required for the registration and advance voting as set out above.

The instructions concerning advanced voting are also available on Pihlajalinna's Annual General Meeting webpages. Additional information about registration and advance voting is also available during the registration period by calling the number +358 10 2818 909 on weekdays from 9.00 a.m. to 12.00 noon and 1.00 p.m. to 4.00 p.m.

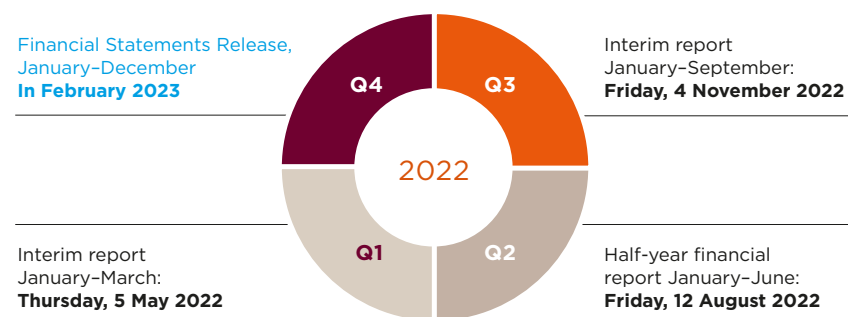
Possible powers of attorney must be submitted either at the time of online registration and advance voting or by email to the address agm@pihlajalinna.fi, or by post to the address Pihlajalinna Plc/AGM, PL Kehräsaari B, 33200 Tampere before the end of the registration period and voting period, by which time the above-mentioned powers of attorney must have been received.

Payment of dividend

The Board of Directors proposes to the AGM that, based on the balance sheet confirmed for the financial period ending 31 December 2021, EUR 0.30 per share will be distributed as a dividend. As the amount of the dividend proposed by the Board of Directors is lower than the minority dividend according to Chapter 13, Section 7 of the Limited Liability Companies Act, the shareholders are entitled to claim the minority dividend referred to above. The minority dividend shall be distributed if the claim is supported by shareholders holding at least one tenth of all the shares in the company in a preliminary vote. The amount of the minority dividend corresponds to half of the profit of the parent company for the financial year, i.e. EUR 0.307 per share. A shareholder requesting a minority dividend may vote in favour of the minority dividend in the advance vote, without having to make a separate request or counter-proposal.

The dividend will be paid to shareholders who, on the dividend payment record date of 19 April 2022, are registered in the company's shareholders' register maintained by Euroclear Finland Oy. The Board of Directors proposes that the dividend be paid on 26 April 2022.

Pihlajalinna's financial reporting in 2022



The interim reports will be published at approximately 8:00 a.m. in Finnish and English, and they will be available on Pihlajalinna's website at investors.pihlajalinna.fi.

Pihlajalinna's management organises information events for analysts and the media on a regular basis. Pihlajalinna complies with a silent period of 30 days and a closed window before the publication of results

Investment survey

As far as Pihlajalinna is aware, the following investment banks and stockbrokers monitor Pihlajalinna and publish reports on the company: Pihlajalinna is not liable for the estimates presented in the analyses.

- Danske Bank
- Carnegie
- Inderes
- OP
- SEB
- Evli
- Nordea

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Additional information is available in the investor section at investors.pihlajalinna.fi

Pihlajalinna share price development 2021

— Pihlajalinna
— OMX Helsinki 25

