



Interim Report
1 January–30 September 2023

Organic growth of revenue continued, profitability and financial position improved as planned

This interim report is unaudited. The comparison figures in brackets refer to the corresponding period in the previous year.

A brief look at July–September:

- Revenue amounted to EUR 165.6 (165.2) million – an increase of EUR 0.3 million, or 0.2 per cent. The divestment of dental care services and reduction in COVID-19 services¹⁾ and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -16.1 million, or -9.8 per cent.
- Without COVID-19 services and the decrease in the cost liability of demanding specialised care, organic growth was EUR 14.4 million, or 8.7 per cent.
- The effect of M&A transactions²⁾ on revenue growth was EUR 2.1 million, or 1.3 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 9.6 (9.4) million – an increase of 2.2 per cent. Profitability was negatively affected by retrospective costs of demanding specialised care and the decline in COVID-19 services.
- Net cash flow from operating activities amounted to EUR 6.6 (6.7) million.
- Earnings per share (EPS) was EUR 0.13 (0.14).
- The customer volumes⁴⁾ of private clinics grew by 5 per cent year-on-year, with remote services representing 41 (40) per cent of all appointments.
- Tuomas Hyryläinen started as the CEO of Pihlajalinna on 1 September 2023.
- Pihlajalinna specifies guidance for 2023. The Group expects the adjusted EBITA to improve from the previous year's level to EUR 34-37 million (EUR 26.7 million in 2022). As a result of the establishment of wellbeing services counties, Pihlajalinna aims to finalise the negotiations related to open receivables with the previous contract parties Jämsä, Parkano and Mänttä-Vilppula cities. The outcome of the negotiations may affect 2023 earnings per share.

A brief look at January–September:

- Revenue amounted to EUR 537.0 (502.1) million – an increase of EUR 34.9 million, or 7.0 per cent. The divestment of dental care services and reduction in COVID-19 services¹⁾ and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -43.3 million, or -8.6 per cent.
- Without COVID-19 services and the decrease in the cost liability of demanding specialised care, organic growth was EUR 62.0 million, or 12.4 per cent.
- The effect of M&A transactions²⁾ on revenue growth was EUR 16.2 million, or 3.2 per cent.
- Adjusted EBITDA³⁾ was EUR 59.9 (52.2) million – an increase of 14.8 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 27.9 (24.4) million – an increase of 14.1 per cent.
- Net cash flow from operating activities amounted to EUR 52.9 (42.4) million.
- Earnings per share (EPS) was EUR 0.44 (0.45).
- Pihlajalinna issued a EUR 20 million hybrid bond on 27 March 2023. The issue ensures that the Group has leeway in executing its strategy and improving its financial position.
- The customer volumes⁴⁾ of private clinics grew by 17 per cent year-on-year (grew by 12 per cent without M&A transactions). Remote services represented 40 (39) per cent of all appointments.

¹⁾ COVID-19 services include COVID-19 testing, sample collection, vaccination and other potential services directly related to managing the COVID-19 pandemic.

²⁾ Pohjola Hospital Ltd 1 February 2022, Etelä-Savon Työterveys Oy 1 April 2022, Lääkärikeskus Ikioma Oy 1 April 2022, Punkkibussi® business 1 April 2022, MediEllen Oy 1 September 2022, Seppämagneetti Oy and Seppälääkärit Oy 1 October 2022.

³⁾ Alternative performance measure. In addition to the IFRS figures, Pihlajalinna presents additional, alternative performance indicators which the company monitors internally and which provide the company's management, investors, stock market analysts and other stakeholders with important additional information concerning the

company's financial performance, financial position and cash flows. These performance indicators should not be reviewed separately from the IFRS figures and they should not be considered to replace the IFRS figures.

⁴⁾ Excluding municipal outsourcing, COVID-19 testing and dental care.

	7–9/2023 3 months	7–9/2022 3 months	change %	1–9/2023 9 months	1–9/2022 9 months	change %	2022
INCOME STATEMENT							
Revenue, EUR million	165.6	165.2	0.2	537.0	502.1	7.0	690.5
EBITDA, EUR million	20.1	18.1	11.2	60.8	42.9	41.7	54.4
EBITDA, %	12.1	10.9	11.0	11.3	8.6	32.5	7.9
Adjusted EBITDA, EUR million ¹⁾	20.5	18.9	8.7	59.9	52.2	14.8	64.2
Adjusted EBITDA, % ¹⁾	12.4	11.4	8.5	11.2	10.4	7.3	9.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million ¹⁾	9.6	9.4	2.2	27.9	24.4	14.1	26.7
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ¹⁾	5.8	5.7	2.0	5.2	4.9	6.7	3.9
Operating profit (EBIT), EUR million	7.1	6.6	8.1	22.5	9.5	-137.8	8.9
Operating profit (EBIT), %	4.3	4.0	7.9	4.2	1.9	-122.4	1.3
Adjusted operating profit (EBIT), EUR million ¹⁾	7.4	7.3	0.2	21.4	18.5	15.6	18.6
Adjusted operating profit (EBIT), % ¹⁾	4.4	4.4	0.0	4.0	3.7	8.1	2.7
Profit before tax (EBT), EUR million	4.4	4.5	-2.5	14.3	4.4	-228.1	1.5
SHARE-RELATED INFORMATION							
Earnings per share (EPS), EUR	0.13	0.14	-7.7	0.44	0.45	-2.7	0.42
Equity per share, EUR				6.84	5.51	24.0	5.50
OTHER KEY FIGURES							
Return on capital employed (ROCE), %				4.3	3.6	18.1	2.3
Return on equity (ROE), %				7.2	9.7	-25.9	6.2
Equity ratio, %				22.6	19.4	16.3	18.6
Gearing, %				243.6	308.9	-21.2	313.8
Interest-bearing net debt, EUR million				372.2	388.8	-4.3	385.7
Net debt/adjusted EBITDA, 12 months ¹⁾				5.2	5.8	-10.7	6.0
Gearing, excluding IFRS 16, %				97.4	140.0	-30.4	139.95
Interest-bearing net debt excluding IFRS 16, EUR million				155.3	182.2	-14.8	178.6
Net debt/adjusted EBITDA, excluding IFRS 16, 12 months ¹⁾				3.5	4.0	-12.2	4.4
Gross investments, EUR million ²⁾	25.4	12.0		61.8	216.5	-71.5	234.5
Cash flow from operating activities, EUR million	6.6	6.7	-0.8	52.9	42.4	24.6	64.9
Cash flow after investments, EUR million	2.7	-5.2		38.0	-34.1	211.6	-18.6
Average number of personnel (FTE)				4,976	4,793	3.8	4,851
Personnel at the end of the period (NOE)				7,044	7,004	0.6	7,016
Practitioners at the end of the period				2,202	1,891	16.4	1,812
NPS, private clinics				79.0	77.5	1.94	77.1
NPS, municipal outsourcing activities				72.8	72.2	0.83	72.6

¹⁾ Significant transactions that are not part of the normal course of business, are related to business acquisition or divestment 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 businesses and business locations, gains and losses on the sale of businesses, cost 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 presents costs concerning cloud computing arrangements, and reversals of amortisation, as adjustment items.

EBITDA adjustments in the quarter amounted to EUR 0.4 (0.8) million and amounted to EUR -1.0 (9.3) million for the review period. Adjustments to operating profit in the quarter amounted to EUR 0.3 (0.8) million and EUR -1.1 (9.0) million for the review period.

²⁾ Assets acquired via leases are regarded as equal to assets acquired by the Group itself, meaning that right-of-use assets pursuant to IFRS 16 are included in gross investments.

Pihlajalinna's outlook for 2023, specified

In 2023, Pihlajalinna will focus on improving its profitability and financial position.

- The Group expects the consolidated revenue to increase from the previous year's level (EUR 690.5 million in 2022).
- Pihlajalinna specifies guidance for 2023. The Group expects the adjusted EBITA to improve from the previous year's level to EUR 34-37 million (EUR 26.7 million in 2022).
- As a result of the establishment of wellbeing services counties, Pihlajalinna aims to finalise the negotiations related to open receivables with the previous contract parties Jämsä, Parkano and Mänttä-Vilppula cities. The outcome of the negotiations may affect 2023 earnings per share.
- The Group continues measures to strengthen its financial position. Change negotiations that were concluded in March 2023 and efficiency improvement program are expected to improve Pihlajalinna's profitability. Price increases are expected to compensate the effects of cost inflation.

Slowed economic growth, weakened consumer confidence and rising market interest rates may affect Pihlajalinna's service demand and financial performance more than expected.

The earlier guidance published on 17 February 2023 and repeated latest on 11 August 2023:

In 2023, Pihlajalinna will focus on improving its profitability and financial position.

- The Group expects the consolidated revenue to increase from the previous year's level (EUR 690.5 million in 2022).
- The Group expects the adjusted operating profit before the amortization and impairment of intangible assets (EBITA) to improve from the previous year's level (EUR 26.7 million in 2022).
- The Group continues measures to strengthen its financial position. Change negotiations that were concluded in March 2023 and efficiency improvement program are expected to improve Pihlajalinna's profitability. Price increases are expected to compensate the effects of cost inflation.

The outlook for 2023 involves uncertainty related to the high inflation in the euro area, the development of costs in general and the development of wages in particular. The impacts of the commencing wellbeing services counties on the social and healthcare sector also remain uncertain. According to the negotiations, the management of the wellbeing services county of Central Finland has decided to propose to the board of the wellbeing services county that the costs for the demanding specialised care will be separated from the annual price of Jämsän Terveys Oy's service agreement retrospectively from 1 July 2023. Slowed economic growth, weakened consumer confidence and rising market interest rates may affect Pihlajalinna's service demand and financial result more than expected.

Tuomas Hyryläinen, CEO:

In the third quarter Pihlajalinna's revenue totalled EUR 165.6 million (165.2), despite a EUR 16.1 million decrease in revenue due to the removal of the cost liability for demanding specialised care in the wellbeing services counties of Pirkanmaa and Central Finland, the decrease in COVID-19 services and the divestment of dental care services. Considering the above-mentioned factors, organic growth was 8.7 per cent. Revenue from private services increased, particularly in insurance company customers and occupational healthcare services. We strengthened our insurance company partnerships by signing a new three-year cooperation agreement with Fennia. The value of the agreement is approximately EUR 25–30 million per year.

Pihlajalinna's adjusted EBITA developed as planned. The efficiency measures we initiated to strengthen our profitability and financial position are paying off. Profitability was increased by the efficiency actions commenced in 2022 in public services, as well as by favorable utilisation rate development in private clinics. Adjusted EBITA for the third quarter of the year increased to EUR 9.6 million (9.4), 2.2 per cent, despite the retrospective costs related to demanding specialised care in the wellbeing services county of Central Finland.

Queues for non-urgent specialised care continue to grow in the public sector. According to the National Institute for Health and Welfare, nearly 178,000 patients were waiting for access to non-urgent specialised care in August 2023 (169,000 in April 2023). The measures taken by the Finnish government to reduce healthcare waiting times are progressing. Due to this, the demand for private healthcare services will increase, including the growth of service voucher and other outsourced service usage. Kela reimbursements for private medical appointments have been decided to significantly increase at the beginning of 2024.

Pihlajalinna has a comprehensive network of hospitals and private clinics along with extensive diagnostic services. We have all capability to help fast in reducing the critical backlog of healthcare queues in Finland. Over the years, we have shown that the multi-provider model enables most cost-effective and impactful healthcare services for customers. For example, the results of the IMPRO research project by the Academy of Finland (1/2023) reveal that the complete outsourcing model of Pihlajalinna has had a significant effect on the total costs of healthcare services.

During the review period, Pihlajalinna has identified and initiated several new efficiency measures to improve its profitability and financial position. With the efficiency improvement program, we are able to alleviate the effects of the increasing competition and wage inflation.

I have had the pleasure of working in Pihlajalinna for about two months now. I am impressed with the strong expertise of Pihlajalinna professionals. The work initiated towards improving the well-being and leadership development of our personnel is extremely important. To take care of our customers means we have well-being personnel and practitioners who enjoy working in Pihlajalinna. This is crucial for us. I would like to thank all Pihlajalinna professionals for the warm and open welcome I have received. The entire organisation is committed to moving forward with an open mind, respecting our values.

Efficiency improvement program 2023

Pihlajalinna initiated measures to strengthen its profitability and financial position in 2022 in public services and expanded the scope of the measures to include private healthcare services at the beginning of 2023. The measures cover several areas, and their effects will become evident gradually in 2023.

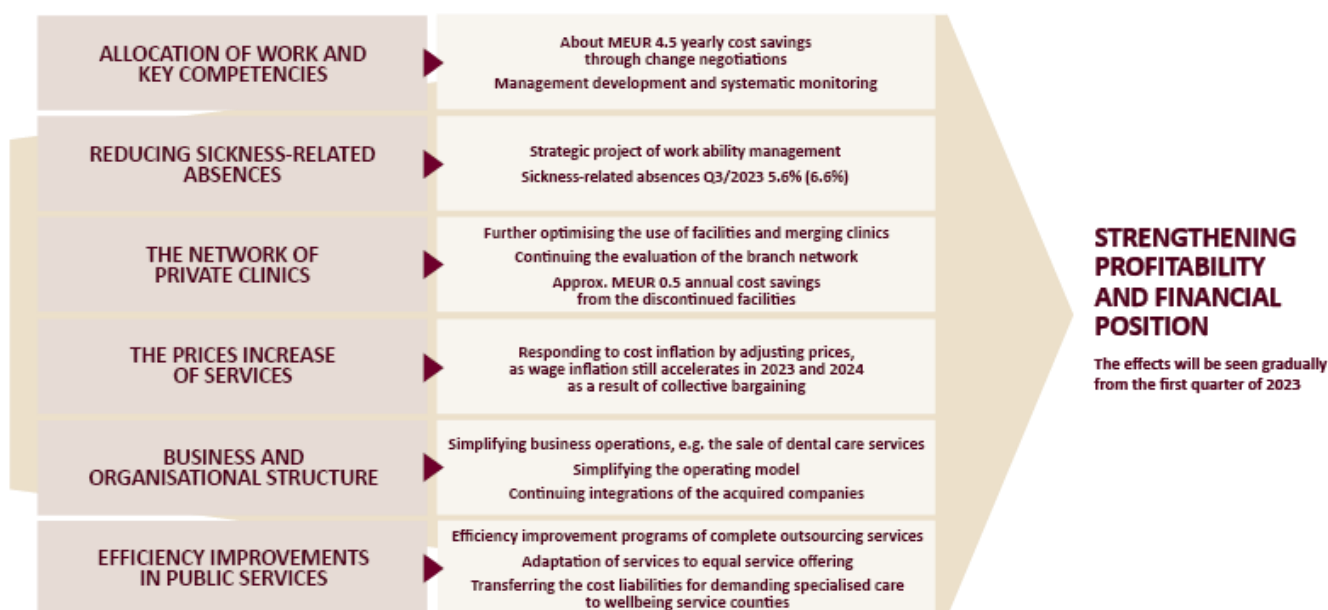
During the year the company has made price increases to its services, conducted change negotiations, scaled down its network of operating locations, simplified the operating model in private healthcare services and clarified the business portfolio by divesting dental care services. The change negotiations and streamlining the network of operating locations will produce annual cost savings of approximately EUR 5 million. During the review period Pihlajalinna has identified and initiated several new efficiency measures and the effects will become evident gradually in enhanced efficiency.

The cost liability for demanding specialised care under complete outsourcing agreements transferred to the Pirkanmaa and Central Finland's wellbeing services counties in accordance with the current legislation. In the Pirkanmaa wellbeing services county, the Group's cost liability ended on 1 January 2023. The transfer of the cost liability for the demanding specialised care reduces annual revenue by approximately 23 million euros. In the wellbeing services county of Central Finland, the Group's cost liability ended on 1 July 2023.

The transfer of the cost liability for the demanding specialised care reduces annual revenue by approximately 18 million euros. The aforementioned changes improve the predictability of the Group's business.

To strengthen its financial position, the company issued an EUR 20 million hybrid bond in March. The net proceeds from the transaction were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility. Due to improved profitability, the divestment of dental care services and the issue of the hybrid bond, the company's financial position improved significantly and the waiver terms of the creditor banks ceased in April, which reduced the cost of the company's debt financing.

Measures to strengthen profitability and financial position



The operating environment

The demand for healthcare services in Finland

The size of the Finnish healthcare market is estimated to be about EUR 15 billion, of which approximately 75 per cent is funded and produced by the public sector. The use of private healthcare services has remained well above the previous year (Nordea Consumption Indicator 10/2023). The demand of private medical expense insurance is also increasing, with some 1.3 million people already covered by private medical expense insurance in Finland. Of these, approximately 460,000 are children, 555,000 adults and 280,000 insured through companies.

Queues for treatment and care guarantee

Queues for non-urgent specialised care continue to grow in the public sector. According to the National Institute for Health and Welfare, nearly 178,000 patients were waiting for access to non-urgent specialised care at the end of August 2023 (169,000 in April 2023). Of those patients, 30,500, or 17.2 per cent, had been waiting for over six months (12.5 per cent in April 2023).

The legislation concerning the care guarantee in primary care was amended on 1 September 2023. Following the amendment, patients must receive access to care within 14 days of the assessment of the need for care, and within seven days starting from November 2024.

Wellbeing services counties and ensuring the provision of social and healthcare services for the population

The responsibility for organising and producing social and healthcare services was transferred to the 21 newly established wellbeing services counties and the City of Helsinki on 1 January 2023. The need for social and healthcare services will grow further due to the ageing of the population, and to address the situation, cooperation between public and private services is required. Private sector operators produce approximately 22 per cent of all social and healthcare services. Various studies have shown that the service production model with the highest efficiency in terms of costs and resources is the multi-provider model, which involves service production and provision through cooperation between the public sector, private sector and non-profit organisations.

The new government program aims to control the increase of the costs of social and healthcare services, tighten the management of the wellbeing services counties, and increase the share of private companies in the provision of legally required social and healthcare services. The more active use of service vouchers and other outsourced services to shorten the queues for treatment is evident in the wellbeing services counties. For example, the wellbeing services county of Western Uusimaa announced on 28 August 2023 that it will allocate EUR 800,000 to service vouchers for 2023, and HUS announced on 11 September 2023 that it will take further steps to reduce the queues, in particular, for artificial joint and back surgery and neurosurgery. In addition, the Ministry of Social Affairs and Health announced on 22 September 2023 that the Kela reimbursements for private medical appointments will increase from EUR 8 to an average of EUR 30. The change will take effect at the beginning of 2024. In the government program, a total of EUR 335 million has been allocated to reducing queues for treatment.

Labour force availability and development of wages in the social and healthcare sector

The labour shortages in the social and healthcare sector make access to treatment slower, and the recruitment of competent personnel is challenging. The Ministry of Finance estimates that as many as 200,000 new workers will be needed in social and healthcare services over the period 2020–2035. The 2023 labour forecast for the municipal sector estimates that the shortage of social and healthcare service professionals in the public sector alone was nearly 38,000 persons in 2022.

The implementation of the 0.7 staffing ratio for 24-hour elderly care will be postponed from the current year to 2028 due to the new government program. The government program also emphasises that the staffing ratio should be met by utilising all employee groups approved by law and leveraging the opportunities presented by technology.

The two-year collective agreement for the private healthcare service sector (TPTES) will expire in the spring of 2024. In accordance with the current terms and conditions, the monthly wages and pay scales will increase by a total of 2.95 per cent. The collective bargaining negotiations are expected to be difficult in spring 2024, and industrial action is also likely. The collective agreement for the private social services sector (SOSTES) will remain in force until the end of 2025, and wages will increase by a total of 13.07 per cent during the agreement period.

Economic forecasts and inflation

Consumer expectations for both their personal finances and the Finnish economy improved year-on-year. The balance figure of the consumer confidence indicator stood at -11.5 (-18.3) in September 2023. However, confidence did weaken from the spring, when the indicator averaged at -9.

The rise in prices, tighter monetary policy and weak export demand are weighing on the growth of the Finnish economy. According to the forecast by the Bank of Finland, the economy is expected to contract by 0.4 per cent in 2023. Inflation is expected to slow this year, partly due to the decrease in energy prices, which supports household purchasing power. However, the increase in interest rates will dampen both the investment and private consumption growth in the coming years, and the economic growth forecast for 2024 is only 0.9 per cent. In 2025, economic growth is projected to accelerate to 1.5 per cent.

Sustainability

Pihlajalinna systematically continues to develop sustainability strategy and prepares to the new sustainability reporting according to the Corporate Sustainability Reporting Directive (CSRD). Pihlajalinna has previously reported according to the GRI which is in line with the new reporting standard.

The work ability management is one of the company's key themes for the current strategy period. During the review period, Pihlajalinna has continued with the 2022 launched collaboration project with pension insurance companies. One of the main objectives of the project is to reduce sickness-related absences. During the reporting period, Pihlajalinna's sickness-related absence rate was 5.6 (6,6) per cent. In full year 2022 sickness-related absence rate* was 6,7 per cent.

The company follows actively the Net Promoter Score (NPS) to measure customer experience, which is one of the key sustainability indicators. The customer experience of the appointments continued positive development and the NPS was 79.0 (77.5). The NPS for complete and partial outsourcing arrangements was 72.8 (72.2).

*Sickness-related absence rate calculation have been specified to be in line with generally used model defined by Confederation of Finnish Industries.

Consolidated revenue and result

	7–9/2023 3 months	7–9/2022 3 months	change	1–9/2023 9 months	1–9/2022 9 months	change	2022
Revenue, EUR million	165.6	165.2	0.3	537.0	502.1	34.9	690.5
Revenue from COVID-19 services	0.1	2.3	-2.2	0.6	13.9	-13.3	16.7
M&A transactions effect on revenue	2.1	20.0	-18.0	16.2	55.6	-39.4	77.8
Revenue from divested services	0.0	3.5	-3.5	4.7	12.1	-7.4	16.6
Revenue from demanding specialised care	12.0	22.5	-10.5	44.8	67.6	-22.7	90.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	9.6	9.4	0.2	27.9	24.4	3.5	26.7
Profit before tax (EBT), EUR million	4.4	4.5	-0.1	14.3	4.4	10.0	1.5
Income tax, EUR million	-1.1	-0.5	-0.6	-3.3	4.4	-7.7	6.1
Profit for the period, EUR million	3.3	4.0	-0.7	11.0	8.7	2.3	7.7
Earnings per share (EPS), EUR	0.13	0.14	0.0	0.44	0.45	0.0	0.42

July–September 2023

Pihlajalinna's revenue totalled EUR 165.6 (165.2) million, an increase of EUR 0.3 million, or 0.2 per cent. The divestment of dental care services and reduction in COVID-19 services and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -16.1 million, or -9.8 per cent. Without COVID-19 services and the removal of the cost liability for demanding specialised care, organic growth was EUR 14.4 million, or 8.7 per cent. M&A transactions amounted for EUR 2.1 million, or 1.3 per cent, of the growth in revenue.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 9.6 (9.4) million. The adjusted EBITA margin was 5.8 (5.7) per cent. Adjustments to EBIT amounted to EUR 0.3 (0.8) million.

Pihlajalinna's EBIT was EUR 7.1 (6.6) million, an increase of EUR 0.5 million.

Profitability was affected negatively by retrospective costs of demanding specialised care and the decline in COVID-19 services. The cost liability for demanding specialised care under the complete outsourcing agreement for Jämsä ended on 1 July 2023. The efficiency improvement measures that started in 2022 in the public sector have improved the profitability of primary care and social services in complete outsourcing arrangements. The profitability of private clinics improved with increase in utilisation rates.

The Group's net financial expenses amounted to EUR -2.7 (-2.0) million. Pihlajalinna's interest expenses increased due to the higher market interest rates. Profit before taxes amounted to EUR 4.4 (4.5) million. Taxes in the income statement amounted to EUR -1.1 (-0.5) million. In the comparison period Pihlajalinna utilised prior losses with unrecognised tax benefits.

Profit was EUR 3.3 (4.0) million. Earnings per share (EPS) was EUR 0.13 (0.14).

January–September 2023

Pihlajalinna's revenue totalled EUR 537.0 (502.1) million, an increase of EUR 34.9 million, or 7.0 per cent. The divestment of dental care services and reduction in COVID-19 services and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -43.3 million, or -8.6 per cent. Without COVID-19 services and the removal of the cost liability for demanding specialised care, organic growth was EUR 62.0 million, or 12.4 per cent. M&A transactions amounted for EUR 16.2 million, or 3.2 per cent, of the growth in revenue.

EBITDA was EUR 60.8 (42.9) million, an increase of EUR 17.9 million, or 41.7 per cent. Adjusted EBITDA was EUR 59.9 (52.2) million, an increase of EUR 7.7 million, or 14.8 per cent. EBITDA adjustments totalled EUR -1.0 (9.3) million.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 27.9 (24.4) million, an increase of EUR 3.5 million, or 14.1 per cent. The adjusted EBITA margin was 5.2 (4.9) per cent.

EBITA adjustments totalled EUR -1.1 (9.0) million. EBITA for the review period has been adjusted for the gain of EUR 3.6 million recognised on the sale of dental care services and employment termination costs of EUR -1.2 million, which are treated as items affecting comparability. In the comparison period, a write-down of EUR -4.7 million recognised due to the outcome of the District Court hearing concerning the dispute between Jämsän Terveys Oy and the City of Jämsä, and costs of EUR 1.8 million arising from the integration of acquired businesses, were treated as an adjustment items.

Pihlajalinna's EBIT was EUR 22.5 (9.5) million, an increase of EUR 13.1 million.

Profitability was negatively affected by the decreased COVID-19 services and the significantly increased and retrospective costs of demanding specialised care. In the wellbeing services county of Pirkanmaa, the cost liability for demanding specialised care ended on 1 January 2023, and in Central Finland, it ended on 1 July 2023. We still have cost liability for demanding specialised care in the wellbeing services county of South Ostrobothnia.

The efficiency improvement measures that started in 2022 in the public sector have improved the profitability of primary care and social services in complete outsourcing arrangements. The profitability of surgical operations improved due to higher net sales. The divestment of dental care services has also had positive impact on profitability.

The Group's net financial expenses amounted to EUR -8.2 (-5.1) million. The interest expenses increased due to the higher market interest rates and a one percentage point increase in the highest margin level in accordance with the waiver agreement related to the company's financing arrangement. The waiver terms expired at the end of April due to the issue of hybrid bond, the divestment of dental care services and Pihlajalinna's improved profitability. Profit before taxes amounted to EUR 14.3 (4.4) million.

Taxes in the income statement amounted to EUR -3.3 (4.4) million. The Finnish Tax Administration granted Pihlajalinna the right to deduct Pohjola Hospital Ltd's confirmed tax losses for previous fiscal years and confirmed tax losses for the fiscal years 2021–2022. The deferred tax asset in question, amounting to EUR 6.2 million, was recognised through the income statement during the financial year 2022.

Profit amounted to EUR 11.0 (8.7) million. Earnings per share (EPS) was EUR 0.44 (0.45).

Consolidated statement of financial position and cash flow

	7–9/2023 3 months	7–9/2022 3 months	change	1–9/2023 9 months	1–9/2022 9 months	change	2022
Cash flow from operating activities, EUR million	6.6	6.7	-0.1	52.9	42.4	10.4	64.9
Of which change in working capital, EUR million	-13.3	-10.9	-2.4	-5.6	5.2	-10.8	16.8
Net cash flow from investing activities, EUR million	-3.9	-11.8	7.9	-14.8	-76.5	61.7	-83.4
Net cash flow from financing activities, EUR million	-11.5	4.7	-16.2	-33.8	41.6	-75.5	27.4
Cash at end of period, EUR million				17.3	11.8	5.5	13.1
Gearing, %				243.6	308.9	-65.4	313.8
Gearing, excluding IFRS 16, %				97.4	140.0	-42.6	139.95
Interest-bearing net debt, EUR million				372.2	388.8	-16.6	385.7
Interest-bearing net debt excluding IFRS 16, EUR million				155.3	182.2	-26.9	178.6

Pihlajalinna Group's total statement of financial position amounted to EUR 676.0 (648.5) million. Consolidated cash and cash equivalents amounted to EUR 17.3 (11.8) million.

Net cash flow from operating activities during the review period amounted to EUR 52.9 (42.4) million. The change in net working capital was EUR -5.6 (5.2) million.

Net cash flow from investing activities totalled EUR -14.8 (-76.5) million for the review period. The M&A transactions had an impact of EUR -1.5 (-53.1) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -19.1 (-21.3) million. The divestment of the Group's dental care services improved net cash flow from investing activities for the review period by EUR 5.7 million. The Group's cash flow after investments (free cash flow) was EUR 38.0 (-34.1) million for the review period.

Net cash flow from financing activities totalled EUR -33.8 (41.6) million for the review period. The change in financial liabilities, including changes in credit limits, amounted to EUR -23.4 (78.1) million. Pihlajalinna issued EUR 20 million hybrid bond during the review period. The net proceeds from the hybrid bond were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility. Interest paid and other financial expenses amounted to EUR -4.9 (-5.8) million. During the first quarter of 2023, the Group sold the interest swap that was effective on the financial statements date. The sale had an effect of approximately EUR 3.9 million on the net cash flow of interest paid and other financial expenses.

Hybrid bond

Pihlajalinna issued EUR 20 million hybrid bond on 27 March 2023. The hybrid bond bears a fixed interest rate of 12.00 percent per annum until 27 March 2026 ("Reset Date"), and from the Reset Date, a floating interest rate as defined in the terms and conditions of the capital securities.

The hybrid bond is instrument that is subordinated to the company's other debt obligations. The hybrid bond does not have a specified maturity date. Pihlajalinna is entitled to redeem the hybrid bond on the Reset Date and thereafter on each interest payment date. The hybrid bond will be treated as equity in Pihlajalinna's IFRS consolidated financial statements. The hybrid bond does not confer to the holders the rights of a shareholder and do not dilute the holdings of the current shareholders.

The net proceeds from the hybrid bond were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility and for general financing purposes.

Financing arrangements

Pihlajalinna's financing arrangement comprises a long-term loan of EUR 130 million and a revolving credit facility of EUR 70 million for general financing needs and acquisitions. It also includes an opportunity to later increase the total amount by EUR 100 million (to EUR 300 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. IFRS 16 lease liabilities are not considered in the calculation of the covenants (Frozen GAAP). The loan margin of the financing is additionally linked to Pihlajalinna's annual sustainability objectives related to patient satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment within the target time.

In late 2022, Pihlajalinna and the creditor banks agreed on a temporary increase to the covenants of the financing arrangement and increasing the highest margin by one percentage point from the beginning of 2023 until the third quarter of the year. The creditor banks waived off the increase to the highest margin and the other waiver terms in late April when the company demonstrated it would remain under the original covenants for the next 12 months.

The original gearing covenant of the financing arrangement is 115 per cent and the leverage covenant is 3.75. At the end of the review period, gearing in accordance with the financing arrangement was 97 per cent and leverage stood at 3.32.

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 review period, Pihlajalinna had EUR 65 million in unused committed credit limits. Furthermore, an additional credit limit of EUR 100 million, which is subject to a separate credit decision, is unused.

The company has an interest rate swap agreement with a nominal value of EUR 65 million, which is used to convert the interest on a floating rate financing arrangement to a fixed rate. Cash flow hedge accounting is applied to the interest rate swap agreement, which means that the effective portion of the change in fair value is recognised in other comprehensive income. The interest rate swap entered effect in March 2023 and remain in effect until 25 March 2027.

Acquisitions and capital expenditure

Gross investments, including acquisitions, amounted to EUR 61.8 (216.5) million. Gross investments in M&A transactions including right-of-use assets (e.g. lease commitments) amounted to EUR 0.7 (174.0) million. The Group has not done any business acquisitions during the review period. Acquisition items during the review period were related to adjustments to the contingent considerations of the acquisitions made during the financial year 2022. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of development, additional and replacement investments required for growth, amounted to EUR 22.9 (19.8) million. Gross investments in connection with the opening of new units amounted to EUR 0.0 (3.0) million. Gross investments in right-of-use assets amounted to EUR 38.9 (19.1) million. Exceptionally significant gross investments in right-of-use assets were increased in the review period due to extensions to business premises agreements and rent increases.

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.9 (3.5) million. The investment commitments are related to business

premises investments, additional and replacement investments in clinical equipment and information system projects.

Complete and partial outsourcing agreements

Company	Pihlajalinna's holding 31 Dec 2022	Pihlajalinna's holding 30 Sep 2023	First year of service production under the current contract	Duration of the original contract (years)
Jokilaakson Terveys Oy	90 %	90 %	internal service provision	internal service provision
Jämsän Terveys Oy	51 %	51 %	2015	10
Kuusiolinna Terveys Oy*	97 %	97 %	2016	15
Mäntänvuoren Terveys Oy	91 %	91 %	2016	15
Kolmostien Terveys Oy	96 %	96 %	2015	15
Bottenhavets Hälsa Ab - Selkämeren Terveys Oy	75 %	75 %	2021	15–20 years

*On 30 October 2023, the county council of the wellbeing services county of South Ostrobothnia decided to terminate the outsourcing agreement with effect at the end of 2025, in accordance with the Act on the Implementation of the Reform of Health, Social and Rescue Services and on the Entry into Force of Related Legislation. The council's decision is not yet legally binding.

Summary of the revenue and profitability of complete and partial outsourcing agreements (intra-Group sales eliminated):

Complete and partial outsourcing agreements	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022	2021
INCOME STATEMENT						
Revenue, EUR million	62.2	70.2	196.7	209.6	281.4	277.0
EBITDA, EUR million	4.3	5.9	11.4	6.1	6.0	6.6
EBITDA, %	6.9	8.5	5.8	2.9	2.1	2.4
Adjusted EBITDA, EUR million	4.3	6.0	11.5	11.6	11.5	6.7
Adjusted EBITDA, %	6.9	8.5	5.8	5.5	4.1	2.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	3.7	5.3	9.6	9.6	8.8	4.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	5.9	7.5	4.9	4.6	3.1	1.5

More information on the profitability of complete outsourcing agreements is presented in the section *Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay*.

Personnel

At the end of the review period, the number of personnel amounted to 7,044 (7,004), an increase of 40 persons or 1 per cent. The Group's personnel averaged 4,976 (4,793) persons as full-time equivalents, an increase of 183 persons or 4 per cent. The Group employee benefit expenses totalled EUR 238.3 (216.2) million, an increase of EUR 22.1 million or 10 per cent.

In the review period, sickness-related absences rate amongst the Group's own personnel calculated by using model defined by Confederation of Finnish Industries was 5.6 (6.6) per cent. In 2022, the sickness-related absences rate was 6.7 per cent.

At the end of the review period, the number of practitioners was 2 292 (1 891), an increase of 311 or 16 per cent.

Management Team

Tuomas Hyyryläinen started as the CEO on September 1, 2023. Hyyryläinen joined Pihlajalinna from Fiskars Group where he worked since 2018 as EVP Business Area Crea and since 2019 as a member of Group's management team. Interim CEO Mikko Wirén will continue as Member of the Board of Directors.

CEO Tuomas Hyyryläinen serves as the Chair of the Management Team. The Management Team also includes CIO Antti-Jussi Aro, COO Private Clinic and Hospital Services Timo Harju, CFO Tarja Rantala, CMO Sari Riihijärvi, COO Public Services Eetu Salunen and CLO Marko Savolainen.

Board of Directors

The Annual General Meeting on 4 April 2023 resolved that the number of the members of the Board of Directors shall be fixed at eight members instead of the previous seven. Heli Iisakka, Hannu Juvonen, Leena Niemistö, Seija Turunen and Mikko Wirén were re-elected to serve as members of the Board of Directors until the next Annual General Meeting. Kim Ignatius, Tiina Kurki and Jukka Leinonen were elected as a new Board Members.

The Annual General Meeting elected Jukka Leinonen as the Chair of the Board and Leena Niemistö as the Vice-Chair of the Board.

Committees nominated by the Board

Audit Committee: Seija Turunen (chair), Kim Ignatius, Heli Iisakka and Tiina Kurki

People and Sustainability Committee: Hannu Juvonen (chair), Leena Niemistö, Jukka Leinonen and Mikko Wirén

In its October meeting, Pihlajalinna Plc's Board of Directors appointed Mikko Wirén, who acted as interim CEO till 31 August 2023, as a member of People and Sustainability Committee. It was agreed that all members of the Board of Directors may join any of the committee meetings.

Shares and shareholders

The total number of shares was 22,620,135 of which 22,561,505 were outstanding and 58,630 were held by the company which corresponds to 0.26 per cent of all shares and votes. At the end of the review period, the company had 15,352 (15,671) shareholders.

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	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
No. of shares outstanding at end of period	22,561,505	22,549,644	22,561,505	22,549,644	22,549,644
Average no. of shares outstanding during period	22,556,606	22,592,643	22,555,964	22,563,852	22,560,271
Highest price, EUR	9.40	12.98	9.90	13.18	13.18
Lowest price, EUR	7.62	11.30	6.82	9.17	8.48
Average price, EUR ¹⁾	8.28	12.04	8.61	11.62	11.06
Closing price, EUR	8.11	11.80	8.11	9.27	8.52
Share turnover, 1,000 shares	270	1,511	1,998	2,997	3,770
Share turnover, %	1.2	6.7	8.9	13.3	16.7
Market capitalisation at end of period, EUR million	183.0	266.1	183.0	209.0	192.1

¹⁾ average rate weighted by trading level

Risks and uncertainties in business operations

Pihlajalinna's operations are affected by strategic risks, operational, financial and damage risks. In its risk management, Pihlajalinna's aim is to operate as systematically as possible and incorporate risk management in normal business processes. The Group invests in quality management systems and the management of occupational safety and health risks. Pihlajalinna aims to limit the potential adverse impacts of risks. The assessment of sustainability-related risks plays an important role in risk management.

Pihlajalinna operates only in Finland. Russia's invasion of Ukraine has indirect impacts on the Group's operations due to the slowing of economic growth, supply chain disruptions, high inflation and rising market interest rates. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions.

In all its operations, Pihlajalinna considers data protection, information security and related requirements. Information security threats and jeopardised data protection can lead to significant reputational damage and claims for compensation, among other consequences. Pihlajalinna has taken steps to prepare for the elevated risk of cyber-attacks related to the war in Ukraine.

High sickness-related absences among the personnel may reduce the company's profitability and complicates service provision. The company has also identified uncertainties related to the availability of personnel in the social and healthcare sector and development of wages. The costs of wage harmonisation in the social and healthcare sector in relation to the creation of the wellbeing services counties also remain uncertain to some degree.

Pihlajalinna has recognised risks associated with projects related to the company's growth, including acquisitions, digital development and information system projects. The successful implementation of these projects is a precondition for profitable growth in accordance with the company's strategy.

Monitoring and forecasting the covenants of the company's financing agreements is a significant part of the company's risk management. The company's financing agreement and the hybrid bond issued on 27 March 2023 are described in more detail in the section *Financing arrangements*.

The development of the Finnish economy, general cost inflation, wage inflation and rising market interest rates have a negative impact on the cost level and, consequently, on Pihlajalinna's business operations, profitability and potentially access to additional financing. In addition, inflation and high interest rates affect consumers' disposable income and employment trends, which in turn have an impact on the demand for private healthcare services.

The most significant risks and uncertainties in social and healthcare services are linked to the policies and legislation implemented in Finnish society.

Complete and partial outsourcings

A number of negotiations stipulated by the legislation concerning the reform of healthcare and social services have been carried out in cooperation with the wellbeing services counties. The negotiations were conducted in order to ensure the application of the service agreements as part of the organisation and production of services in the wellbeing services counties. Pursuant to the legislation concerning the reform of social and healthcare services, the wellbeing services counties were required to indicate by the end of October 2023 whether their subcontracting agreements will end. This affects the term of validity of Pihlajalinna's service agreements and the scope of the services provided.

The service agreements between the wellbeing services county of Pirkanmaa and Mäntänvuoren Terveys and Kolmostien Terveys will continue until the original termination date of the agreements. The cost liability for demanding specialised care specified in the agreements ended on 1 January 2023.

Jämsä Terveys's agreement with the wellbeing services county of Central Finland will expire in August 2025. The cost liability for demanding specialised care specified in the agreement ended on 1 July 2023. In August 2023, it was agreed with the wellbeing services county of Central Finland that the services will gradually be transferred to the wellbeing services county in the first half of 2024. The primary and specialised care services provided by Jokilaakson Terveys will continue at Jokilaakso Hospital in accordance with the subcontracting agreement until 2025. Jokilaakson Terveys has an exception permit issued by the Ministry of Social Affairs and Health for round-the-clock emergency and on-call services in primary healthcare, as required for its operations. The permit is currently valid until the end of 2024, but the wellbeing services county of Central Finland has announced that it will apply for an extension of the permit until the end of 2025.

On October 30, 2023, the regional council of the South Ostrobothnia wellbeing services county decided to terminate the outsourcing agreement with Kuusiolinna Terveys, which was originally valid until 2030, with the termination set for the end of 2025. Pihlajalinna believes that the decision requires a comprehensive legal assessment. The regional council's decision is not yet legally binding.

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 include variable elements of compensation.

The fixed-term service agreements for the Group's complete outsourcing arrangements are highly similar regarding 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.

The management has assessed the impact of the decision handed down on 4 April 2022 by the District Court of Central Finland on Pihlajalinna's other complete outsourcing agreements. The District Court did not deny the validity of the grounds for the variable charges in Jämsän Terveys' service agreement, but the District Court found that the evidence presented regarding the realisation of the costs was insufficient. The ruling is not final.

Pihlajalinna has recognised only part of its 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.

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

Jämsän Terveys Oy

On 4 April 2022, the District Court of Central Finland handed down its ruling on the dispute concerning the service agreement between Jämsän Terveys Oy and the City of Jämsä. The ruling is not final. As a result of adjustment items in accordance with the court's ruling, the profit attributable to the owners of Pihlajalinna Group's parent company decreased by EUR -2.8 million during the previous financial year. The ruling decreased revenue in previous financial year by EUR -2.4 million, and EBITDA was encumbered by EUR -4.7 million in previous financial year. Jämsän Terveys has filed an appeal regarding the District Court's ruling to the Court of Appeal. The Court of Appeal is expected to hand down its ruling before the end of the year. The operating preconditions for Jämsän Terveys' service production have been secured with good cooperation with the Wellbeing services county of Central Finland.

Jämsän Terveys Oy has recognised as revenue and recorded in its receivables EUR 1.4 (1.1) million, mainly COVID-19-related costs for the 2022 year, which the City has not paid in breach of the service agreement. In addition, a difference of opinion has emerged between the company and the City during the financial year on the impact of the transfer of personnel on the annual fee under the service agreement. The parties are engaged in negotiations to resolving outstanding issues. The above matters have been agreed with the wellbeing services county of Central Finland, as presented to the City of Jämsä as of 1 January 2023.

Mäntänuoren Terveys Oy

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 4.7 (4.0) 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 and interest on late payments.

Kolmostien Terveys Oy

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 1.5 (1.7) 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. Other receivables from variable compensation are mainly related to COVID-19 cost compensation for the year 2022 and services provided for disabled war veterans and other war veterans. The client has already previously approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement.

Kuusiolinna Terveys Oy

The total amount of contractually and legally justified variable compensation that Kuusiolinna Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 0.1 (0.0) million.

The total amount of contractually and legally justified variable compensation that the lead contracting partner for complete outsourcing Pihlajalinna Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 0.6 (0.2) million.

The Group's receivables include the above-mentioned items from the previous contract parties totalling EUR 8.2 (6.8) million. In financial statement for the year 2022 the Group's receivables include the above-mentioned items totalling EUR 7.4 million.

Pending legal processes

On 4 April 2022, the District Court of Central Finland handed down its ruling on the dispute concerning the service agreement between Jämsän Terveys Oy and the City of Jämsä, as mentioned above in the section *Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay*. Jämsän Terveys has filed an appeal regarding the District Court's ruling to the Court of Appeal. The main hearing concerning the appeal will be held at the Vaasa Court of Appeal in September 2023, and the Court of Appeal is expected to hand down its ruling before the end of the year.

Pihlajalinna is involved in certain pending legal proceedings concerning employment relationships, but they are not expected to have a significant financial impact on the Group.

Repurchase and transfer of own shares

Pihlajalinna conveyed, in May, a total of 11,861 own shares as part of the remuneration of the Board of Directors.

The number of own shares was 58,630 at the end of the review period, corresponding to approximately 0,26 per cent of the total number of shares and votes.

Events after the review period

On October 30, 2023, the regional council of the South Ostrobothnia wellbeing services county decided to terminate the outsourcing agreement with Kuusiolinna Terveys, which was originally valid until 2030, with the termination set for the end of 2025. Pihlajalinna believes that the decision requires a comprehensive legal assessment. The regional council's decision is not yet legally binding.

Pihlajalinna's financial reporting in 2024

Financial Statements Release 2023: Wednesday, 14 February 2024

Financial Statements and Board of Directors' report: no later than in week 12

Interim Report January–March: Friday, 3 May 2024

Half Year Financial Report January–June: Friday, 9 August 2024

Interim Report January–September: Thursday, 7 November 2024

Pihlajalinna Plc's Annual General Meeting is scheduled for Wednesday, 10 April 2024.

Helsinki, 2 November 2023

The Board of Directors of Pihlajalinna Plc

Consolidated income statement

EUR million	Note	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Revenue	1	165.6	165.2	537.0	502.1	690.5
Other operating income		1.0	0.4	7.9	4.0	4.9
Materials and services	2	-56.6	-61.8	-189.9	-192.5	-267.2
Employee benefit expenses	3	-72.6	-68.4	-238.3	-216.2	-296.6
Other operating expenses	4	-17.3	-17.4	-55.8	-54.5	-77.2
Share of profit in associated companies and joint ventures		0.0	0.0	0.0	0.0	0.0
EBITDA		20.1	18.1	60.8	42.9	54.4
Depreciation, amortisation and impairment	5	-13.0	-11.5	-38.3	-33.5	-45.5
Operating profit (EBIT)		7.1	6.6	22.5	9.5	8.9
Financial income	6	0.2	0.1	0.5	0.3	0.7
Financial expenses	6	-2.8	-2.1	-8.7	-5.4	-8.1
Profit before taxes		4.4	4.5	14.3	4.4	1.5
Income tax	7	-1.1	-0.5	-3.3	4.4	6.1
Profit for the period		3.3	4.0	11.0	8.7	7.7
Attributable to:						
To the owners of the parent company		3.5	3.3	11.0	10.2	9.5
To non-controlling interests		-0.2	0.8	0.1	-1.5	-1.9
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)						
Basic		0.13	0.14	0.44	0.45	0.42
Diluted		0.13	0.14	0.44	0.45	0.42

Consolidated statement of comprehensive income

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Profit for the period	3.3	4.0	11.0	8.7	7.7
Other comprehensive income that will be reclassified subsequently to profit or loss					
Cash flow hedge					
Recorded in equity	0.1	2.5	0.2	4.7	5.1
Transferred to income statement	-0.2		-0.5		
Income tax on other comprehensive income	0.0	-0.5	0.1	-0.9	-1.0
Other comprehensive income for the reporting period	-0.1	2.0	-0.3	3.8	4.1
Total comprehensive income for the reporting period	3.2	6.0	10.7	12.5	11.7
Attributable to:					
To the owners of the parent company	3.4	5.3	10.7	14.0	13.6
To non-controlling interests	-0.2	0.8	0.1	-1.5	-1.9

Consolidated statement of financial position

EUR million	Note	30 Sep 2023	30 Sep 2022	2022
ASSETS				
Non-current assets				
Property, plant and equipment	10	67.6	55.6	58.7
Goodwill	9	251.8	249.5	251.0
Intangible assets	9	21.7	21.7	22.8
Right-of-use assets	11	210.5	197.6	197.7
Interests in associates		2.1	2.1	2.4
Other investments		0.8	1.2	0.9
Other receivables		7.3	8.8	9.2
Deferred tax assets		16.7	15.5	17.3
Total non-current assets		578.5	552.1	560.0
Current assets				
Inventories		4.5	4.5	4.3
Trade and other receivables	16	75.1	78.2	76.8
Current tax assets		0.6	1.9	2.1
Cash and cash equivalents		17.3	11.8	13.1
Current assets held for sale				5.3
Total current assets		97.5	96.4	101.6
Total assets		676.0	648.5	661.6

EUR million	Note	30 Sep 2023	30 Sep 2022	2022
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		0.1	0.1	0.1
Fair value reserve		3.8	3.8	4.1
Reserve for invested unrestricted equity		116.5	116.5	116.5
Hybrid bond	14	20.0		
Retained earnings		2.9	-6.3	-6.2
Profit for the period		11.0	10.2	9.5
		154.3	124.3	124.0
Non-controlling interests		-1.4	1.5	-1.1
Total equity		152.8	125.9	122.9
Non-current liabilities				
Deferred tax liabilities		8.6	8.1	8.5
Provisions		0.0	0.4	0.1
Lease liabilities	12	206.6	202.3	201.2
Financial liabilities	15	149.9	169.8	168.0
Other non-current liabilities		0.7	0.9	0.8
Total non-current liabilities		365.9	381.6	378.7
Current liabilities				
Trade and other payables		122.4	111.4	127.5
Current tax liabilities		1.0	0.8	0.0
Lease liabilities	12	30.9	27.5	28.3
Financial liabilities	15	3.0	1.4	3.1
Current liabilities held for sale				1.1
Total current liabilities		157.3	141.1	160.1
Total liabilities		523.2	522.7	539.8
Total equity and liabilities		676.0	648.5	661.6

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company						Equity Total
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Hybrid bond	Retained earnings	Non-controlling interests	
Total equity, 1 Jan 2022	0.1	116.5			2.5	3.5	122.6
Profit for the period					10.2	-1.5	8.7
Comprehensive income for the period			3.8				3.8
Dividends paid					-6.8	-0.8	-7.5
Acquisition of own shares					-1.5		-1.5
Share-based benefits					0.0		0.0
Total transactions with owners					-8.3	-0.7	-9.0
Changes in NCI without a change in control					-0.6	0.2	-0.4
Other changes					0.1		0.1
Total changes in subsidiary shareholdings					-0.5	0.2	-0.3
Total equity, 30 Sep 2022	0.1	116.5	3.8		3.9	1.5	125.9

EUR million	Equity attributable to owners of the parent company						Equity Total
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Hybrid bond	Retained earnings	Non-controlling interests	
Total equity, 1 Jan 2023	0.1	116.5	4.1		3.3	-1.1	122.9
Profit for the period					11.0	0.1	11.0
Comprehensive income for the period			-0.3				-0.3
Share-based benefits					0.1		0.1
Total transactions with owners					0.1		0.1
Changes in NCI without a change in control					-0.2	-0.3	-0.5
Other changes					0.2	-0.1	0.0
Total changes in subsidiary shareholdings					-0.1	-0.4	-0.5
Proceeds from hybrid bond				20.0			20.0
Hybrid bond expenses					-0.4		-0.4
Total equity, 30 Sep 2023	0.1	116.5	3.8	20.0	13.9	-1.4	152.8

Consolidated statement of cash flows

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Cash flow from operating activities					
Profit for the period	3.3	4.0	11.0	8.7	7.7
Adjustments to cash flow from operating activities:					
Taxes	1.1	0.5	3.3	-4.4	-6.1
Depreciation, amortisation and impairment	13.0	11.5	38.3	33.5	45.5
Financial income and expenses	2.6	2.0	8.2	5.1	7.4
Other	0.0	-0.1	-2.7	-0.1	-0.1
Net cash generated from operating activities before change in working capital	20.1	18.0	58.1	42.9	54.3
Change in working capital	-13.3	-10.9	-5.6	5.2	16.8
Interest received	0.2	0.1	0.4	0.3	0.7
Taxes paid	-0.4	-0.5	0.0	-5.9	-6.9
Net cash flow from operating activities	6.6	6.7	52.9	42.4	64.9
Cash flow from investing activities					
Investments in tangible and intangible assets	-4.0	-5.6	-19.1	-21.3	-29.0
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.0	0.1	0.1	0.3	0.4
Changes in other receivables and investments	0.0	0.7	0.0	0.3	-1.8
Sale of subsidiaries with time-of-sale liquid assets deducted			7.7		
Granted loans		-0.1	-2.1	-0.7	-0.7
Dividends received	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition		-4.9	-1.5	-53.1	-52.3
Net cash flow from investing activities	-3.9	-11.8	-14.8	-76.5	-83.4
Cash flow from financing activities					
Changes in non-controlling interests	-0.2		-0.2	-0.4	-0.4
Acquisition of own shares				-1.5	-1.5
Proceeds from and repayment of borrowings	-0.5	14.7	-23.4	78.1	75.2
Repayment of lease liabilities	-7.9	-7.5	-23.8	-21.3	-29.0
Interest and other operational financial expenses	-2.8	-2.6	-4.9	-5.8	-8.3
Dividends paid and other profit distribution			-1.2	-7.5	-8.6
Proceeds from hybrid bond			20.0		
Hybrid bond expenses			-0.4		
Net cash flow from financing activities	-11.5	4.7	-33.8	41.6	27.4
Changes in cash and cash equivalents	-8.8	-0.5	4.2	7.6	8.9
Cash at beginning of period	26.1	12.3	13.1	4.3	4.3
Cash at end of period	17.3	11.8	17.3	11.8	13.1

Notes to the interim report

Accounting policies

This interim report has been prepared in compliance with the IFRS standards currently in effect and the provisions of IAS 34 (Interim Financial Reporting).

The interim report applies the accounting policies presented in the consolidated financial statements for 2022. The amended standards published by IASB for adoption in 2023 do not have a material impact on Pihlajalinna's financial reporting.

The information published in this interim report has not been audited. All figures have been rounded, due to which the actual total of individual figures may differ from the total presented. Key figures and figures reflecting changes have been calculated using the exact figures.

The alternative performance measures presented in this interim report should not be considered as replacements for the key figures defined in IFRS standards, and they may not be comparable with similarly named items used by other companies.

The preparation of the interim report in accordance with IFRS requires the management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and contingent assets and liabilities on the statement of financial position, and recognition of the amount of income and expenses. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates provided in this interim report. The significant judgments made by management and the key accounting estimates and decisions based on management judgement were mainly the same as those that applied to the consolidated financial statements for the year 2022 and there have been no significant changes in these. Also, in the section *Risks and uncertainties in business operations* in this interim report has been presented the key accounting estimates and decisions based on management judgement.

1. Revenue

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, Southwest 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.
- Other operations include remote services, moving services and other administrative functions.

	1-9/2023	1-9/2022	change %
EUR million	9 months	9 months	
Southern Finland	132.0	117.3	12.6 %
Mid-Finland	277.8	269.7	3.0 %
Ostrobothnia	99.7	99.3	0.4 %
Northern Finland	36.0	31.2	15.7 %
Other operations	47.8	39.3	21.9 %
Intra-Group sales	-56.4	-54.6	3.3 %
Consolidated revenue	537.0	502.1	7.0 %

Revenue by customer group

Pihlajalinna's 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 number of people within the scope of the Group's occupational healthcare services is over 200,000 in the corporate customers group.
- 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, congregations, wellbeing services counties and the public administration when purchasing either social and healthcare outsourcing services or residential, occupational healthcare and staffing services. The number of people within the scope of the Group's occupational healthcare services is approximately 80,000 in the public sector customers group.

July–September 2023

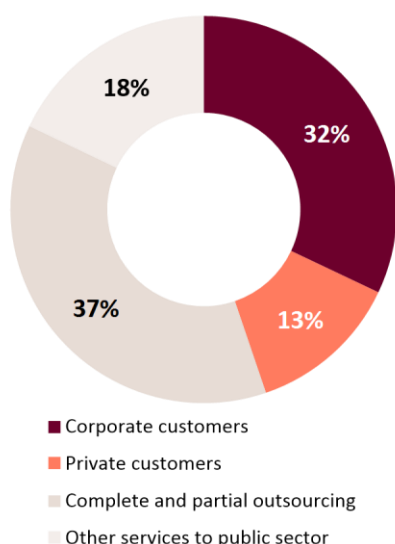
EUR million	7–9/2023	7–9/2022	change	change %	2022
Corporate customers	58.6	52.8	5.8	11.1 %	225.3
of which insurance company customers	29.6	23.3	6.3	27.3 %	98.4
Private customers	23.3	23.9	-0.6	-2.7 %	103.2
Public sector	101.1	106.3	-5.2	-4.9 %	435.5
of which complete outsourcing agreements	68.3	75.3	-7.0	-9.4 %	303.9
of which staffing	7.1	6.4	0.7	10.6 %	24.8
of which occupational healthcare and other services	25.7	24.5	1.2	4.8 %	106.8
Intra-Group sales	-17.5	-17.7	0.2	-1.3 %	-73.5
Total consolidated revenue	165.6	165.2	0.3	0.2 %	690.5

Revenue from **corporate customers** amounted to EUR 58.6 (52.8) million, an increase of EUR 5.8 million, or 11.1 per cent. Sales to insurance company customers increased by EUR 6.3 million, or 27.3 per cent. Organic growth was EUR 5.5 million, or 11 per cent. In the corporate customer group, revenue from COVID-19 services decreased by EUR -1.3 million. The customer volumes of Pihlajalinna's private clinics increased by 8 per cent year-on-year.

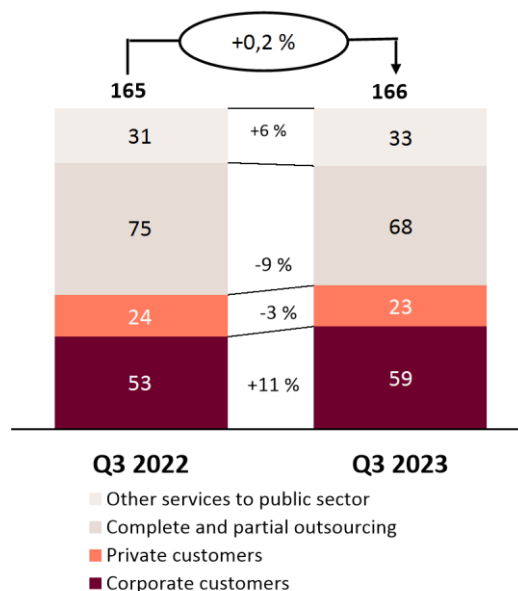
Revenue from **private customers** amounted to EUR 23.3 (23.9) million, a decrease of EUR -0.6 million, or -2.7 per cent. The divestment of dental care services at the end of March decreased revenue from private customers by EUR -3.0 million. M&A transactions increased revenue from the private customers by EUR 0.5 million. Organic growth was EUR 1.9 million, or 8 per cent. The customer volumes of Pihlajalinna's private clinics decreased by 2 per cent year-on-year. The streamlining of insurance companies' payment authorizations and direct payment practices reduces reported sales to private customer segment.

Revenue from the **public sector** amounted to EUR 101.1 (106.3) million, a decrease of EUR -5.2 million, or -4.9 per cent. Revenue from COVID-19 services decreased by EUR -0.7 million. The ending of the cost liability for demanding specialised care in the wellbeing services county of Pirkanmaa and Central Finland decreased revenue by EUR -10.3 million. The decrease is compensated by the annual price increases to complete outsourcing agreements. M&A transactions increased revenue from the public sector by EUR 1.2 million. The customer volumes of Pihlajalinna's private clinics increased by 3 per cent year-on-year.

REVENUE BY CUSTOMER GROUP Q3
2023, %



REVENUE BY CUSTOMER GROUP,
EUR MILLION



January–September 2023

EUR million	1–9/2023	1–9/2022	change	change %	2022
Corporate customers	195.2	160.1	35.1	21.9 %	225.3
of which insurance company customers	97.5	69.5	28.0	40.3 %	98.4
Private customers	78.2	74.9	3.3	4.4 %	103.2
Public sector	320.0	321.6	-1.6	-0.5 %	435.5
of which complete and partial outsourcing agreements	214.9	226.6	-11.7	-5.2 %	303.9
of which staffing	21.6	18.7	2.9	15.5 %	24.8
of which occupational healthcare and other services	83.5	76.2	7.3	9.6 %	106.8
Intra-Group sales	-56.4	-54.6	-1.8	3.3 %	-73.5
Total consolidated revenue	537.0	502.1	35.1	7.0 %	690.5

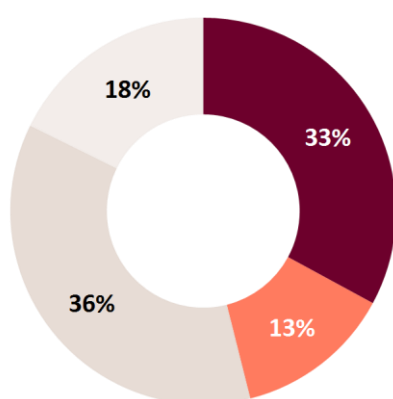
Revenue from **corporate customers** amounted to EUR 195.2 (160.1) million, an increase of EUR 35.1 million, or 21.9 per cent. Sales to insurance company customers increased by EUR 28.0 million, or 40.3 per cent. M&A transactions increased revenue by EUR 7.1 million. Organic growth was EUR 28.0 million, or 17 per cent. In the corporate customer group, revenue from COVID-19 services decreased by EUR -6.0 million. The customer volumes of Pihlajalinna's private clinics increased by 20 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 16 per cent.

Revenue from **private customers** amounted to EUR 78.2 (74.9) million, an increase of EUR 3.3 million, or 4.4 per cent. The divestment of dental care services at the end of March decreased revenue from private customers by EUR -6.6 million. M&A transactions increased revenue from the private customers by EUR 4.6 million. Organic growth was EUR 5.3 million, or 7.1 per cent. In the private customer category, revenue from COVID-19 services decreased by EUR -1.4 million. The customer volumes of Pihlajalinna's private clinics increased by 10 per cent. Without the effect of M&A transactions, customer volumes would have

increased by 3 per cent year-on-year. The streamlining of insurance companies' payment authorisations and direct payment practices reduces reported sales to private customer segment.

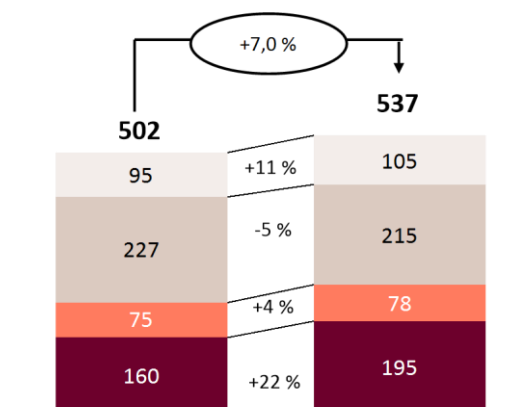
Revenue from the **public sector** amounted to EUR 320.0 (321.6) million, a decrease of EUR -1.6 million, or -0.5 per cent. M&A transactions increased revenue from the public sector by EUR 4.5 million. Revenue from COVID-19 services decreased by EUR -5.9 million. The removal of the cost liability for demanding specialised care in the wellbeing services county of Pirkanmaa and Central Finland decreased revenue by EUR -21.8 million. The decrease is compensated by annual price increases in complete and partial outsourcing arrangements, as well as the growth of revenue of reception center operations, occupational healthcare services and staffing services. The customer volumes of Pihlajalinna's private clinics increased by 17 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 9 per cent.

REVENUE BY CUSTOMER GROUP
YTD Q3 2023, %



■ Corporate customers
■ Private customers
■ Complete and partial outsourcing
■ Other services to public sector

REVENUE BY CUSTOMER GROUP,
EUR MILLION



YTD Q3 2022 YTD Q3 2023

■ Other services to public sector
■ Complete and partial outsourcing
■ Private customers
■ Corporate customers

Sale of dental care services

Pihlajalinna announced in late 2022 that it will sell its dental care services to Hammas Hohde Oy. The divestment was completed on 31 March, 2023. The Group has recorded 3.6 million sales profit from the divestment in other operating income during the review period.

2. Materials and services

EUR million	7-9/2023	7-9/2022	change, %	1-9/2023	1-9/2022	change, %	2022
Materials	-6.8	-7.5	-9.0	-22.9	-22.6	0.9	-31.0
Change in inventories	-0.1	0.1	-153.5	0.2	0.5	-51.9	0.6
External services, practitioners	-28.8	-24.7	16.7	-96.1	-78.5	22.4	-112.5
External services, other	-20.9	-29.8	-8.4	-71.2	-91.8	-1.3	-124.4
Total	-56.6	-61.8	-1.6	-189.9	-192.5	5.3	-267.2

3. Employee benefit expenses

EUR million	7–9/2023	7–9/2022	change, %	1–9/2023	1–9/2022	change, %	2022
Wages and salaries	-59.9	-56.5	6.1	-196.8	-178.5	10.2	-245.3
Share-based incentive schemes							
- implemented as shares	0.0	0.0	23.9	-0.1	-0.1	-15.2	-0.1
Pension costs - defined contribution plans	-10.3	-9.6	7.1	-33.7	-30.6	10.3	-42.0
Other social security expenses	-2.4	-2.3	3.9	-7.7	-7.0	10.3	-9.2
Total	-72.6	-68.4	41.0	-238.3	-216.2	10.2	-296.6

4. Other operating expenses

EUR million	7–9/2023	7–9/2022	change, %	1–9/2023	1–9/2022	change, %	2022
Facility expenses	-3.1	-3.6	-14	-10.0	-10.3	-3	-14.3
Information management expenses	-6.4	-6.4	0	-19.9	-19.4	2	-26.2
Sales and marketing expenses	-1.4	-1.2	14	-4.6	-4.0	14	-6.4
Other expenses	-6.4	-6.2	13.4	-21.3	-20.7	29.2	-30.2
Total	-17.3	-17.4	-1	-55.8	-54.5	2	-77.2

5. Depreciation, amortisation

EUR million	7–9/2023	7–9/2022	change, %	1–9/2023	1–9/2022	change, %	2022
Intangible assets	-2.1	-1.9	8.0	-6.1	-5.6	8.4	-7.7
Property, plant and equipment	-3.1	-2.6	16.3	-8.7	-7.8	12.3	-10.6
Right-of-use assets	-7.9	-7.0	13.0	-23.5	-20.1	17.1	-27.2
Total depreciation, amortisation and impairment	-13.0	-11.5	12.9	-38.3	-33.5	14.5	-45.5

6. Financial expenses

EUR million	7–9/2023	7–9/2022	change %	1–9/2023	1–9/2022	change %	2022
Interest expenses from financial liabilities carried at amortised cost	-1.7	-0.8	127.5	-5.5	-2.0	175.0	-3.4
Interest expenses on lease liabilities	-1.0	-0.9	4.7	-2.7	-2.5	7.1	-3.4
Other financial expenses	-0.1	-0.4	-66.0	-0.5	-0.9	-45.8	-1.2
Total	-2.8	-2.1	34.8	-8.7	-5.4	60.5	-8.1

7. Income taxes

EUR million	7–9/2023	7–9/2022	change, %	1–9/2023	1–9/2022	change, %	2022
Current taxes	-1.4	-0.4	289.9	-4.9	-1.9	152.4	-1.9
Deferred taxes	0.3	-0.1	-341	1.6	6.3	-75.0	8.1
Total	-1.1	-0.5	121	-3.3	4.4	-176.3	6.1

8. Share-based incentive schemes

At its meeting on 23 March 2022, the Board of Directors approved the terms of a share-based incentive program (LTIP 2022) for the key persons of the company. In its entirety the incentive scheme is to form a six-year program and the share rewards based on the program are not allowed to be disposed of prior to year 2025. In addition, to participate the program, a key person must invest in Pihlajalinna shares.

Performance and quality-based share program shall comprise of three separate performance periods of one year each (calendar years 2023, 2024 and 2025). Potential share rewards shall be paid out after the

performance periods in years 2024, 2025 and 2026 provided that the performance and quality-based targets as set by the board are reached. The maximum number of shares (gross amount prior to deduction of applicable withholding tax) for each one-year performance period is defined in the allocation per participant. Shares paid off as share rewards shall be subject to a two-year transfer restriction. The criteria for the performance and quality based additional share program are adjusted EBITA as well as key operative and quality indicators of Pihlajalinna Group.

A total of 48 key persons are entitled to participate to the share-based incentive program. In case all the persons entitled to participate do participate to the program by meeting the condition of investment in full and in case the performance targets set to the program are achieved in total, the total amount of the share rewards payable under the program is a maximum of approximately 1,100,000 shares (gross amount prior to the deduction of applicable withholding tax) and the total value of the share reward program is approximately EUR 10 million. In case the program materializes in full, the above number of shares equals approximately to 4.6 per cent of the total amount of the shares of the company.

According to an assessment conducted at the end of the review period, no material share rewards will be realised under the programme for 2023, as the minimum targets set for the programme are not being achieved.

9. Changes in intangible assets

EUR million	30 Sep 2023	2022
Acquisition cost at beginning of period	325.7	247.9
Additions	5.9	7.5
Business combinations	0.0	73.3
Transfers between items	-0.1	0.0
Reclassifications	0.0	-3.0
Disposals	-0.2	0.0
Acquisition cost at end of period	331.4	325.7
Accumulated depreciation at beginning of period	-51.9	-44.2
Depreciation and amortisation for period	-6.1	-7.7
Accumulated depreciation at end of period	-57.9	-51.9
Carrying amount at end of period	273.5	273.8

10. Changes in property, plant and equipment

EUR million	30 Sep 2023	2022
Acquisition cost at beginning of period	123.6	104.2
Additions	17.8	24.8
Business combinations	0.0	1.4
Transfers between items	0.1	0.1
Reclassifications	0.0	-6.5
Disposals	-0.2	-0.5
Acquisition cost at end of period	141.3	123.6
Accumulated depreciation at beginning of period	-64.8	-59.2
Depreciation and amortisation for period	-8.7	-10.6
Transfers between items	-0.1	0.0
Reclassifications	0.0	4.9
Accumulated depreciation on disposals	0.0	0.2
Accumulated depreciation at end of period	-73.7	-64.8
Carrying amount at end of period	67.6	58.7

11. Changes in right-of-use assets

EUR million	30 Sep 2023	2022
Acquisition cost at beginning of period	319.9	192.3
Additions	38.9	26.5
Business combinations	0.0	105.5
Transfers between items	18.4	0.1
Disposals	-6.6	-4.4
Acquisition cost at end of period	370.6	319.9
Accumulated depreciation at beginning of period	-122.2	-96.7
Depreciation and amortisation for period	-23.5	-27.2
Transfers between items	-18.4	0.0
Accumulated depreciation on disposals	4.0	1.7
Accumulated depreciation at end of period	-160.1	-122.2
Carrying amount at end of period	210.5	197.7

12. Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 30 Sep 2023	Lease liabilities 30 Sep 2023
Carrying amount at beginning of period	197.7	229.6
Changes	36.3	31.7
Depreciation and amortisation	-23.5	
Repayments of lease liabilities		-23.8
Carrying amount at end of period	210.5	237.5

On 30 September 2023, EUR 216.9 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 20.6 million were financial lease liabilities in accordance with previous accounting standards.

EUR million	Right-of-use asset items 30 Sep 2022	Lease liabilities 30 Sep 2022
Carrying amount at beginning of period	95.6	106.2
Changes	122.1	144.9
Depreciation and amortisation	-20.1	
Repayments of lease liabilities		-21.3
Carrying amount at end of period	197.6	229.8

On 30 September 2022, EUR 206.7 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 23.1 million were financial lease liabilities in accordance with previous accounting standards.

13. Financial assets and liabilities by measurement category

30 Sep 2023	Fair value hierarchy	Fair value through profit or loss	Fair value - a hedging instrument	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets						
Non-current financial assets						
Other shares and participations	level 3	0.8			0.8	0.8
Lease deposits	level 2			0.6	0.6	0.6
Other receivables	level 2			0.9	0.9	0.9
Loan receivables	level 3	2.1			2.1	2.1
Current financial assets						
Trade receivables				59.4	59.4	59.4
Other receivables	level 2			0.5	0.5	0.5
Interest derivatives	level 2		1.4		1.4	1.4
Cash and cash equivalents				17.3	17.3	17.3
Total		2.9	1.4	78.7	82.9	82.9
Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institutions	level 2			149.2	149.2	149.2
Lease liabilities	level 2			206.6	206.6	206.6
Other liabilities	level 2			0.5	0.5	0.5
Contingent considerations	level 3	0.2			0.2	0.2
Current financial liabilities						
Loans from financial institutions	level 2			2.3	2.3	2.3
Cheque account with credit						
Contingent considerations	level 3	0.7			0.7	0.7
Lease liabilities	level 2			30.9	30.9	30.9
Trade and other payables				31.8	31.8	31.8
Total		0.9		421.3	422.2	422.2
31 Dec 2022	Fair value hierarchy	Fair value through profit or loss	Fair value - a hedging instrument	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets						
Non-current financial assets						
Other shares and participations	level 3	1.2			1.2	1.2
Lease deposits	level 2			0.6	0.6	0.6
Other receivables	level 2			0.1	0.1	0.1
Current financial assets						
Trade receivables				54.6	54.6	54.6
Other receivables	level 2			1.2	1.2	1.2
Interest derivatives	level 2		5.1		5.1	5.1
Cash and cash equivalents				13.1	13.1	13.1
Total		1.2	5.1	69.5	75.8	75.8

Carrying amounts of financial liabilities

Non-current financial liabilities				
Loans from financial institutions	level 2		167.3	167.3
Lease liabilities	level 2		201.2	201.2
Other liabilities	level 2		0.6	0.6
Contingent considerations	level 3	0.2		0.2
Current financial liabilities				
Loans from financial institutions	level 2		1.4	1.4
Cheque account with credit				
Contingent considerations	level 3	1.7		1.7
Lease liabilities	level 2		28.3	28.3
Trade and other payables			41.7	41.7
Total		1.9	440.5	442.4

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, 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. Derivative financial instruments are initially recognized at fair value on the trade date and are subsequently remeasured at their fair value on the balance sheet date.

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

14. Liquidity risk

The Group monitors the amount of financing required by business operations by analysing cash flow forecasts to ensure that the Group has enough 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. The covenants included in the Group's financing arrangements are subject to continuous forecasting.

Pihlajalinna's financing arrangement comprises a long-term loan of EUR 130 million and a revolving credit facility of EUR 70 million for general financing needs and acquisitions. It also includes an opportunity to later increase the total amount by EUR 100 million (to EUR 300 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. IFRS 16 lease liabilities are not considered in the calculation of the covenants (Frozen GAAP). The loan margin of the financing is additionally linked to Pihlajalinna's annual sustainability objectives related to patient satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment within the target time.

In late 2022, Pihlajalinna and the creditor banks agreed on a temporary increase to the covenants of the financing arrangement and increasing the highest margin by one percentage point from the beginning of 2023 until the third quarter of the year. The creditor banks waived off the increase to the highest margin and the other waiver terms in late April when the company demonstrated it would remain under the original covenants for the next 12 months.

The original gearing covenant of the financing arrangement is 115 per cent and the leverage covenant is 3.75. At the end of the review period, gearing in accordance with the financing arrangement was 97 per cent and leverage stood at 3.32.

Pihlajalinna issued EUR 20 million hybrid bond on 27 March 2023. The hybrid bond bears a fixed interest rate of 12.00 percent per annum until 27 March 2026 ("Reset Date"), and from the Reset Date, a floating interest rate as defined in the terms and conditions of the capital securities.

The hybrid bond is instrument that is subordinated to the company's other debt obligations. The hybrid bond does not have a specified maturity date. Pihlajalinna is entitled to redeem the hybrid bond on the Reset Date and thereafter on each interest payment date. The hybrid bond will be treated as equity in Pihlajalinna's IFRS consolidated financial statements. The hybrid bond does not confer to the holders the rights of a shareholder and do not dilute the holdings of the current shareholders. The net proceeds from the hybrid bond were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility and for general financing purposes.

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 review period, Pihlajalinna had EUR 65 million in unused committed credit limits. Furthermore, an additional credit limit of EUR 100 million, which is subject to a separate credit decision, is unused.

The company has an interest rate swap agreement with a nominal value of EUR 65 million, which is used to convert the interest on a floating rate financing arrangement to a fixed rate. Cash flow hedge accounting is applied to the interest rate swap agreement, which means that the effective portion of the change in fair value is recognised in other comprehensive income. The interest rate swap entered effect in March 2023 and remain in effect until 25 March 2027.

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. In the table below, the loan instalments drawn from the group's revolving credit facility are presented as long-term, because the loans are long-term, even though the maturity of the loan instalments drawn is 1, 3 or 6 months.

15. Financial liabilities repayment schedule

EUR million	Carrying amount at 31	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
	Sep 2023					
Loans from financial institutions	151.5	-6.5	-154.3	-1.6	-1.2	-0.7
Lease liabilities	237.5	-34.7	-32.1	-27.4	-23.9	-134.1
Other interest-bearing liabilities	0.5	-0.1	-0.1	-0.1	-0.1	-0.6
Contingent considerations	0.9	-0.7	0.0	-0.2		
Trade payables	31.8	-31.8				
Total	422.2	-73.7	-186.4	-29.2	-25.1	-135.4

EUR million	Carrying amount at 31	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
	Dec 2022					
Loans from financial institutions	168.6	-7.5	-5.8	-167.5	0.0	
Lease liabilities	229.6	-31.7	-29.8	-26.1	-21.9	-132.9
Other interest-bearing liabilities	0.6	-0.1	-0.1	-0.1	-0.1	-0.6
Contingent considerations	1.9	-1.7	-6.3	-6.3	-206.1	
Trade payables	41.7	-41.7				
Total	442.4	-82.7	-35.6	-193.6	-22.2	-133.6

16. Trade and other receivables

Due to the general economic situation, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in the payment behavior of customers.

The Group recognised impairment losses of EUR 0.7 (0.8) million on trade receivables. The Group recognised impairment losses of EUR 0.0 (0.0) million related to contract assets.

Contract assets 5.3 (6.7) million are included to the prepayments and accrued income in the table below.

EUR million	30 Sep 2023	31 Dec 2022
Trade receivables	59.4	54.6
Prepayments and accrued income	14.7	20.1
Current subleases	0.5	0.9
Other receivables	0.5	1.2
Total	75.1	76.8

Age distribution of trade receivables

EUR million	30 Sep 2023	of which written down	Net 30 Sep 2023	31 Dec 2022	of which written down	Net 31 Dec 2022
Not yet due	36.9	0.0	36.9	33.3	0.0	33.3
Past due						
Less than 30 days	5.2	0.0	5.1	8.5	0.0	8.5
30–60 days	0.6	-0.1	0.6	1.5	-0.1	1.4
61–90 days	0.8	-0.1	0.7	0.9	-0.2	0.8
More than 90 days	16.6	-0.4	16.1	11.1	-0.5	10.6
Total	60.0	-0.7	59.4	55.3	-0.8	54.6

17. Contingent liabilities and commitments

EUR million	30 Sep 2023	30 Sep 2022	2022
Collateral given on own behalf			
Mortgage on company assets			0.2
Sureties	4.2	4.2	4.2
Lease deposits	0.6	0.2	0.6
Lease commitments for off-balance sheet leases	1.3	0.9	1.3

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.9 (3.5) million. The investment commitments are related to business premises investments, additional and replacement investments in clinical equipment and information system projects.

Hybrid bond interests

Pihlajalinna issued EUR 20 million hybrid bond on 27 March 2023. At the end of the review period, the unpaid interest was EUR 1.3 million.

Quarterly information

EUR million	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
INCOME STATEMENT								
Revenue	165.6	183.6	187.8	188.4	165.2	173.7	163.1	154.7
EBITDA	20.1	17.7	23.0	11.5	18.1	15.6	9.3	14.5
EBITDA, %	12.1	9.7	12.3	6.1	10.9	9.0	5.7	9.4
Adjusted* EBITDA	20.5	18.0	21.4	12.0	18.9	16.9	16.5	14.9
Adjusted* EBITDA, %	12.4	9.8	11.4	6.4	11.4	9.7	10.1	9.6
Depreciation and amortisation	-13.0	-12.8	-12.5	-12.0	-11.5	-11.5	-10.5	-9.0
Operating profit (EBIT)	7.1	4.9	10.5	-0.6	6.6	4.1	-1.2	5.6
Operating profit, %	4.3	2.7	5.6	-0.3	4.0	2.4	-0.7	3.6
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.6	7.3	11.0	2.2	9.4	7.3	7.8	7.8
Adjusted EBITA, %	5.8	4.0	5.9	1.2	5.7	4.2	4.8	5.1
Financial income	0.2	0.2	0.1	0.4	0.1	0.1	0.1	0.1
Financial expenses	-2.8	-2.7	-3.1	-2.7	-2.1	-1.7	-1.6	-1.1
Profit before taxes (EBT)	4.4	2.4	7.5	-2.8	4.5	2.5	-2.7	4.6
Income tax	-1.1	-0.6	-1.6	1.7	-0.5	-0.3	5.2	-1.2
Profit for the period	3.3	1.8	5.9	-1.1	4.0	2.1	2.6	3.3
Share of the result for the period attributable to owners of the parent company	3.5	2.0	5.5	-0.7	3.3	1.7	5.3	4.3
Share of the result for the period attributable to non-controlling interests	-0.2	-0.2	0.4	-0.4	0.8	0.4	-2.7	-0.9
EPS	0.13	0.07	0.24	-0.03	0.14	0.08	0.23	0.19
Average number of personnel (FTE)	4,976	4,978	4,882	4,851	4,793	4,990	4,474	4,746
Change in personnel during the quarter	-1	95	31	58	-197	516	-272	15

Calculation of key financial figures and alternative performance measures

Key figures

Earnings per share (EPS)	$\frac{\text{Profit for the financial period attributable to owners of the parent company - Hybrid bond interest expenses net of tax}}{\text{Average number of shares during the financial year}}$
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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, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}}$	x 100
Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Closing price for the financial year}}$	x 100
P/E ratio	$\frac{\text{Closing price for the financial year}}{\text{Earnings per share (EPS)}}$	
Share turnover, %	$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares}}$	x 100
Return on equity (ROE), %	$\frac{\text{Profit for the period (rolling 12 months)}}{\text{Equity (average)}}$	x 100
Return on capital employed, % (ROCE)	$\frac{\text{Profit before taxes (rolling 12 months) + financial expenses (rolling 12 months)}}{\text{Total statement of financial position – non-interest-bearing liabilities (average)}}$	x 100
Equity ratio, %	$\frac{\text{Equity}}{\text{Total statement of financial position - prepayments received}}$	x 100
Gearing, %	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Equity}}$	x 100
EBITDA	Operating profit + depreciation, amortisation and impairment	
EBITDA, %	$\frac{\text{Operating profit + depreciation, amortisation and impairment}}{\text{Revenue}}$	x 100
Adjusted EBITDA ¹⁾	Operating profit + depreciation, amortisation and impairment + adjustment items	

Adjusted EBITDA, % ¹⁾	Operating profit + depreciation, amortisation and impairment + adjustment items	x 100
	Revenue	
Adjusted EBITDA ¹⁾ , excluding IFRS 16	Operating profit + depreciation, amortisation and impairment + adjustment items - IFRS 16 adjustment	
Net debt/Adjusted EBITDA ¹⁾ , rolling 12 months	Interest-bearing net debt - cash and cash equivalents	
	Adjusted EBITDA (rolling 12 months)	
Net debt/Adjusted EBITDA, excluding IFRS 16, rolling 12 months	Interest-bearing net debt excluding IFRS 16 - cash and cash equivalents	
	Adjusted EBITDA, excluding IFRS 16 (rolling 12 months)	
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities	
Adjusted operating profit (EBIT) ¹⁾	Operating profit + adjustment items	
Adjusted operating profit (EBIT), % ¹⁾	Adjusted operating profit (EBIT)	x 100
	Revenue	
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) ¹⁾	Operating profit + adjustment items + amortisation and impairment of intangible assets	
Adjusted EBITA, % ¹⁾	Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	x 100
	Revenue	
Profit before taxes (EBT)	Profit for the financial year + income tax	
Gross investments	Increase in tangible and intangible assets and in right-of-use assets	
Organic revenue growth, %	Revenue for the period - revenue from M&A transactions for the period - revenue for the previous period	x 100
	Revenue for the previous period	

¹⁾ 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 presents costs concerning cloud computing arrangements, and reversals of amortisation, as adjustment items.

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 following number(s)
- deduct the following number(s)
- + add the following number(s)

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Return on equity (ROE), %					
Profit for period (rolling 12 months)/			9.9	12.1	7.7
Equity (average) x 100			137.9	124.2	122.7
Return on equity (ROE), %			7.2	9.7	6.2

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			11.5	8.9	1.5
Financial expenses (rolling 12 months)			11.3	6.5	8.1
/			22.9	15.4	9.6
Total statement of financial position at beginning of period -			661.6	457.1	457.1
non-interest-bearing liabilities at beginning of period			138.9	135.5	135.5
			522.8	321.6	321.6
Total statement of financial position at end of period -			676.0	648.5	661.6
Non-interest-bearing liabilities at end of period			133.7	122.0	138.9
			542.4	526.5	522.8
Average x 100			532.6	424.0	422.2
Return on capital employed (ROCE), %			4.3	3.6	2.3

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Equity ratio, %					
Equity/			152.8	125.9	122.9
Total statement of financial position -			676.0	648.5	661.6
Advances received x 100			0.0	1.0	0.0
Equity ratio, %			22.6	19.4	18.6

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Gearing, %					
Interest-bearing financial liabilities –			389.5	400.6	398.8
Cash and cash equivalents/			17.3	11.8	13.1
Equity x 100			152.8	125.9	122.9
Gearing, %			243.6	308.9	313.8

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Net debt/adjusted EBITDA, rolling 12 months					
Interest-bearing financial liabilities -			389.5	400.6	398.8
Cash and cash equivalents			17.3	11.8	13.1

Net debt/	372.2	388.8	385.7
Adjusted EBITDA (rolling 12 months)	71.9	67.1	64.2
Net debt/adjusted EBITDA, rolling 12 months	5.2	5.8	6.0

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.

EUR million	7–9/2023	7–9/2022	1–9/2023 9 months	1–9/2022 9 months	2022
Interest-bearing net debt, excluding IFRS 16, %					
Interest-bearing financial liabilities excluding IFRS 16 –			172.6	194.0	191.7
Cash and cash equivalents/			17.3	11.8	13.1
Equity x 100			159.4	130.1	127.6
Interest-bearing net debt, excluding IFRS 16, %			97.4	140.0	139.95

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	2022
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16					
Interest-bearing financial liabilities excluding IFRS 16 –			172.6	194.0	191.7
Cash and cash equivalents			17.3	11.8	13.1
Net debt/			155.3	182.2	178.6
Adjusted EBITDA excluding IFRS 16 (rolling 12 months)			44.0	45.3	40.2
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16			3.5	4.0	4.4

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
EBITDA and Adjusted EBITDA					
Profit for period	3.3	4.0	11.0	8.7	7.7
Income tax	-1.1	-0.5	-3.3	4.4	6.1
Financial expenses	-2.8	-2.1	-8.7	-5.4	-8.1
Financial income	0.2	0.1	0.5	0.3	0.7
Depreciation, amortisation and impairment	-13.0	-11.5	-38.3	-33.5	-45.5
EBITDA	20.1	18.1	60.8	42.9	54.4
IFRS 3 costs	0.0	0.1	0.7	1.1	1.3
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.2	0.0	0.8	0.2	0.3
Other EBITDA adjustments	0.2	0.6	-2.4	8.0	8.2
Total EBITDA adjustments	0.4	0.8	-1.0	9.3	9.8
Adjusted EBITDA	20.5	18.9	59.9	52.2	64.2

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
EBITDA, %					
EBITDA/	20.1	18.1	60.8	42.9	54.4
Revenue x 100	165.6	165.2	537.0	502.1	690.5
EBITDA, %	12.1	10.9	11.3	8.6	7.9

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Adjusted EBITDA, %					
Adjusted EBITDA/ Revenue x 100	20.5	18.9	59.9	52.2	64.2
Adjusted EBITDA, %	12.4	11.4	11.2	10.4	9.3

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	3.3	4.0	11.0	8.7	7.7
Income tax	-1.1	-0.5	-3.3	4.4	6.1
Financial expenses	-2.8	-2.1	-8.7	-5.4	-8.1
Financial income	0.2	0.1	0.5	0.3	0.7
Operating profit (EBIT)	7.1	6.6	22.5	9.5	8.9
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation) -	-0.1	-0.1	-0.4	-0.3	-0.4
Other adjustments to amortisation and impairment		0.1	0.2	0.1	0.3
Total EBITDA adjustments	0.4	0.8	-1.0	9.3	9.8
Total operating profit (EBIT) adjustments	0.3	0.8	-1.1	9.0	9.7
Adjusted operating profit (EBIT)	7.4	7.3	21.4	18.5	18.6
PPA amortisation	0.5	0.7	1.6	2.0	2.7
Amortisation and impairment of other intangible assets	1.7	1.4	4.9	3.9	5.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.4	0.3	0.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.6	9.4	27.9	24.4	26.7

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 on a monthly.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Operating profit (EBIT), %					
Operating profit/ Revenue x 100	7.1	6.6	22.5	9.5	8.9
Operating profit (EBIT), %	4.3	4.0	4.2	1.9	1.3

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Adjusted operating profit (EBIT), %					
Adjusted operating profit/ Revenue x 100	7.4	7.3	21.4	18.5	18.6
Adjusted operating profit (EBIT), %	4.4	4.4	4.0	3.7	2.7

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %					
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) / Revenue x 100	9.6	9.4	27.9	24.4	26.7
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	5.8	5.7	5.2	4.9	3.9

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Cash flow after investments					
Net cash flow from operating activities	6.6	6.7	52.9	42.4	64.9
Net cash flow from investing activities	-3.9	-11.8	-14.8	-76.5	-83.4
Cash flow after investments	2.7	-5.2	38.0	-34.1	-18.6

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.

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Profit before taxes					
Profit for period	3.3	4.0	11.0	8.7	7.7
Income tax	-1.1	-0.5	-3.3	4.4	6.1
Profit before taxes	4.4	4.5	14.3	4.4	1.5

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Gross investments					
Property, plant and equipment at end of period	67.6	55.6	67.6	55.6	58.7
Right-of-use assets at end of period	210.5	197.6	210.5	197.6	197.7
Other intangible assets at end of period	21.7	21.7	21.7	21.7	22.8
Goodwill at end of period	251.8	249.5	251.8	249.5	251.0
Depreciation, amortisation and impairment for period are added	13.0	11.5	38.3	33.5	45.5
Property, plant and equipment at beginning of period	68.8	54.6	58.7	45.0	45.0
Right-of-use assets at beginning of the period	195.6	198.2	197.7	95.6	95.6
Other intangible assets at beginning of period	22.3	22.3	22.8	14.9	14.9
Goodwill at beginning of period	252.7	249.1	251.0	188.9	188.9
Proceeds from the sale of property, plant and equipment during period	-0.2	-0.2	-2.2	-2.9	-3.0
Gross investments	25.4	12.0	61.8	216.5	234.5

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Organic revenue growth, %					
Revenue for period -	165.6	165.2	537.0	502.1	690.5
Revenue from M&A transactions during period	2.1	20.0	16.2	55.6	77.8
The impact of divestments on revenue during the period	-3.6		-8.3		
Revenue for previous period	165.2	140.6	502.1	423.1	577.8
Organic revenue growth /	1.8	4.6	27.0	23.4	34.9
Revenue for previous period x 100	165.2	140.6	502.1	423.1	577.8
Organic revenue growth, %	1.1	3.3	5.4	5.5	6.0
Revenue growth due to M&A transactions, %	1.3	14.3	3.2	13.1	13.5
Decrease in revenue due to divestments, %	-2.2		-1.6		
Revenue growth	0.3	24.6	34.9	79.0	112.7
Revenue growth, %	0.2	17.5	7.0	18.7	19.5

Organic growth of revenue refers to the growth of existing business that has not been achieved through mergers or acquisitions. Organic growth can be achieved by expanding service offerings, acquiring new customers, increasing visitation rates from existing customers, implementing price increases, and embracing digitalization. Public tenders won for healthcare outsourcing and self-established business locations are counted as organic growth. Organic growth is calculated also excluding the impact of divestments

Description of adjustment items applied to adjusted EBITDA and adjusted operating profit

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
EBITDA	20.1	18.1	60.8	42.9	54.4
Adjustments to EBITDA					
Dismissal-related expenses	0.2	0.2	1.2	0.2	0.5
Costs arising from integration of acquired businesses	0.0	0.4	0.2	1.8	1.9
District Court's ruling, Jämsän Terveys		0.0		4.7	4.7
Gains on the sale of businesses	0.0		-3.6		
IFRS 3 costs	0.0	0.1	0.7	1.1	1.3
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.2	0.0	0.8	0.2	0.3
Other items with cash flow effect				0.4	0.4
Other items with no cash flow effect			-0.2	0.7	0.7
Adjustments to EBITDA in total	0.4	0.8	-1.0	9.3	9.8
Adjusted EBITDA	20.5	18.9	59.9	52.2	64.2
Depreciation, amortisation and impairment	-13.0	-11.5	-38.3	-33.5	-45.5
Adjustments to depreciation, amortisation and impairment					
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.4	-0.3	-0.4
Closure of operating locations		0.1	0.2	0.1	0.3
Adjustments to depreciation, amortisation and impairment in total	-0.1	0.0	-0.2	-0.2	-0.1
Adjustments to operating profit in total	0.3	0.8	-1.1	9.0	9.7
Adjusted operating profit (EBIT)	7.4	7.3	21.4	18.5	18.6
PPA amortisation	0.5	0.7	1.6	2.0	2.7
Other amortisation and impairment of intangible assets	1.5	1.3	4.5	3.6	5.0
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.4	0.3	0.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.6	9.4	27.9	24.4	26.7
Operating profit (EBIT)	7.1	6.6	22.5	9.5	8.9

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

EUR million	7–9/2023 3 months	7–9/2022 3 months	1–9/2023 9 months	1–9/2022 9 months	2022
Revenue				2.4	2.4
Other operating income	0.0		-3.8		
Materials and services			0.1	2.0	2.7
Employee benefit expenses	0.2	0.3	1.1	1.2	1.3
Other operating expenses	0.2	0.5	1.6	3.6	3.5
EBITDA adjustment items total	0.4	0.8	-1.0	9.3	9.8
Depreciation, amortisation and impairment	-0.1	0.0	-0.2	-0.2	-0.1
Operating profit (EBIT) adjustment items total	0.3	0.8	-1.1	9.0	9.7