



Pihlajalinna

Interim report
January–September 2022

Revenue increased considerably, investments in the service network and recruitments weakened profitability

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 165.2 (140.6) million – an increase of EUR 24.6 million, or 17.5 per cent.
- COVID-19 services¹⁾ revenue amounted to EUR 2.3 (11.8) million – a decrease of EUR -9.5 million.
- Organic growth was EUR 4.6 million, or 3.3 per cent. Without COVID-19 services the organic growth would have been EUR 14.0 million, or 10.0 per cent.
- The effect of M&A transactions²⁾ on revenue growth was EUR 20.0 million, or 14.3 per cent.
- Adjusted EBITDA³⁾ was EUR 18.9 (19.3) million – a decrease of -2.5 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 9.4 (12.3) million – a decrease of -23.5 per cent.
- Earnings per share (EPS) was EUR 0.14 (0.31).
- Private clinic customer volumes⁴⁾ grew by 47 per cent year-on-year (grew by 16 per cent without M&A transactions), with remote services representing 45 per cent of all appointments.

A brief look at January–September:

- Revenue amounted to EUR 502.1 (423.1) million – an increase of EUR 79.0 million, or 18.7 per cent.
- COVID-19 services¹⁾ revenue amounted to EUR 13.9 (28.8) million – a decrease of EUR -14.9 million.
- Organic growth was EUR 23.4 million, or 5.5 per cent. Without COVID-19 services and the effects of the District Court of Central Finland's decision in the case of Jämsän Terveys Oy, the organic growth would have been EUR 38.3 million, or 9.6 per cent.
- The effect of M&A transactions²⁾ on revenue growth was EUR 55.6 million, or 13.1 per cent.
- Adjusted EBITDA³⁾ was EUR 52.2 (50.4) million – an increase of 3.5 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 24.4 (29.5) million – a decrease of -17.1 per cent.
- Earnings per share (EPS) was EUR 0.45 (0.70).
- Private clinic customer volumes⁴⁾ grew by 40 per cent year-on-year (grew by 10 per cent without M&A transactions). Remote services represented 43 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⁾ Työterveys Virta Oy 1 April 2021, Pohjola Sairaala Oy 1 February 2022, Etelä-Savon Työterveys Oy 1 April 2022, Lääkärikeskus Ikioma Oy 1 April 2022, Punkkibussi® - business 1 April 2022

³⁾ Alternative performance measure. In addition to the IFRS figures, Pihlajalinna presents additional, alternative performance indicators which company monitors internally and which provide the company 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 separate from the IFRS figures and they should not be considered to replace the IFRS figures.

⁴⁾ Excluding municipal outsourcing arrangements and COVID-19 testing

	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	change %	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	change %	2021
INCOME STATEMENT							
Revenue, EUR million	165.2	140.6	17.5	502.1	423.1	18.7	577.8
EBITDA, EUR million	18.1	18.2	-0.7	42.9	48.1	-10.7	62.6
EBITDA, %	10.9	12.9	-15.5	8.6	11.4	-24.8	10.8
Adjusted EBITDA, EUR million ²⁾	18.9	19.3	-2.5	52.2	50.4	3.5	65.3
Adjusted EBITDA, % ²⁾	11.4	13.8	-17.0	10.4	11.9	-12.8	11.3
Adjusted EBITDA excluding IFRS 16, EUR million 12 months ²⁾	12.6	15.3	-17.6	45.3	50.5	-10.3	49.3
Operating profit (EBIT), EUR million	6.6	9.4	-30.2	9.5	22.4	-57.6	27.9
Operating profit (EBIT), %	4.0	6.7	-40.6	1.9	5.3	-64.3	4.8
Adjusted operating profit (EBIT), EUR million ²⁾	7.3	10.5	-29.9	18.5	24.3	-23.8	30.3
Adjusted operating profit (EBIT), % ²⁾	4.4	7.4	-40.3	3.7	5.7	-35.8	5.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million ²⁾	9.4	12.3	-23.5	24.4	29.5	-17.1	37.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ²⁾	5.7	8.7	-34.9	4.9	7.0	-30.2	6.5
Profit before tax (EBT), EUR million	4.5	8.5	-46.8	4.4	19.6	-77.8	24.2
SHARE-RELATED INFORMATION							
Earnings per share (EPS), EUR	0.14	0.31	-53.1	0.45	0.70	-35.3	0.89
Equity per share, EUR				5.51	5.08	8.5	5.27
OTHER KEY FIGURES							
Return on capital employed (ROCE), %				3.6	8.9	-59.2	8.8
Return on equity (ROE), %				9.7	16.0	-39.3	16.1
Equity ratio, %				19.4	25.7	-24.3	26.9
Gearing, %				308.9	176.9	74.6	158.8
Interest-bearing net debt, EUR million				388.8	211.0	84.3	194.7
Net debt/adjusted EBITDA, 12 months ²⁾				5.8	3.2	81.9	3.0
Gearing, excluding IFRS 16, % ²⁾				140.0	104.6	33.9	90.8
Interest-bearing net debt excluding IFRS 16, EUR million ²⁾				182.2	127.5	42.9	113.8
Net debt/adjusted EBITDA, excluding IFRS 16, 12 months ²⁾				4.0	2.5	59.3	2.3
Gross investments, EUR million ³⁾	12.0	9.3		216.5	37.8		44.8
Cash flow from operating activities, EUR million	6.7	8.8	-24.4	42.4	32.1	32.2	56.9
Cash flow after investments, EUR million	-5.2	6.2		-34.1	5.8	neg	24.9
Average number of personnel (FTE)				5,092	4,731	7.6	4,746
Personnel at the end of the period (NOE)				7,004	5,750	21.8	6,297
Practitioners at the end of the period				1,869	1,421	31.5	1,512

¹⁾ Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision publish in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS). The information about the effects of the Agenda Decision on the company's income statement and financial position has been published in the financial statements 2021 and the information of the comparison periods have been restated.

²⁾ 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, 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. From financial statements 2021 onwards, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

EBITDA adjustments in the quarter amounted to EUR 0.8 (1.1) million and amounted to EUR 9.3 (2.4) million for the review period. Adjustments to operating profit in the quarter amounted to EUR 0.8 (1.1) million and EUR 9.0 (2.0) million for the review period.

³⁾ 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 2022 unchanged

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

In 2022, Pihlajalinna will focus on the integration of Pohjola Hospital operations to be a seamless part of its Medical Center for All of Finland -concept. Maintaining profitability on a par with 2021 will require success in increasing supply, realization of the planned synergies of the acquisitions, and successful implementation of efficiency improvements in municipal companies.

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna's revenue increased by EUR 24.6 million, or 17.5 per cent, to EUR 165.2 million in the third quarter in spite of a substantial decline in the demand for COVID-19 services. Organic growth was EUR 4.6 million, or 3.3 per cent. Without COVID-19 services, organic growth would have been EUR 14.0 million or 10.0 per cent. The effect of M&A transactions on revenue growth was EUR 20.0 million, or 14.3 per cent. Adjusted EBITA for the third quarter was EUR 9.4 (12.3) million.

The growth of Pihlajalinna's supply of private clinic services has progressed according to plan, and we are continuing to focus on it. We have expanded opening hours and increased our emergency and on-call services, particularly in Finland's major cities. We currently provide comprehensive emergency and on-call services in Helsinki, Tampere and Oulu. We have also continued to invest heavily in remote services, the use of which increased by 34 per cent in the third quarter. Increasing our supply of services has required successful recruitment in both our in-person and remote services. The number of practitioners and available appointments have increased by 32 per cent compared to last year.

Pihlajalinna has a comprehensive service network in high value-added hospital services, which is an area where we have also increased our supply and extended our opening hours. Our strength in these services is our comprehensive and smooth care pathway, which is reflected in the growing strength of our insurance company partnerships.

Pohjola Hospital has been part of Pihlajalinna since the beginning of February. The integration of the acquired operating locations and services has been completed. The pursuit of synergies and the harmonisation of operating practices and culture will continue. We have integrated our services and systems to support a single customer path throughout Pihlajalinna. This provides us with a stronger foundation for the growth of our business and creates good conditions for increasing capacity utilisation rates.

We have also made progress with the integration of Etelä-Savon Työterveys Oy and Lääkärikeskus Ikioma Oy, which were acquired at the beginning of April. The acquisition of Etelä-Savon Työterveys gives us the opportunity to provide occupational healthcare services for the wellbeing services county of South Savo, which will start its operations at the beginning of 2023. The scope of the services covers approximately 8,000 persons. This year, we have considerably grown our network of operating locations in line with our strategy. The coverage of the network is approaching the level we have sought to achieve. Investing in the

network has required substantial investments, increased lease liabilities and the Company's debt. With over 160 operating locations, we have a strong presence in regional centres across Finland.

The costs of public services under complete outsourcing agreements remained at a fairly high level. We have continued to implement efficiency improvement programmes and enhance productivity in our complete outsourcing agreements.

In September, we announced we are strengthening our Management Team's structure to correspond to the company's development and growth in line with its strategy. Timo Harju, M.Sc. (Economics and Business Administration), was appointed as Pihlajalinna's COO, Private Clinic and Hospital Services and Kati Raassina, M.Sc. (Economics and Business Administration), was appointed as Pihlajalinna's Chief People Officer effective from 1 November 2022. Some Management Team responsibilities have been reallocated.

Unlike in the corresponding period last year, the acceleration of the COVID-19 pandemic during the autumn has not reflected favourably in business operations. However, sickness-related absences among personnel caused operational challenges and costs of approximately EUR 1.0 million in the third quarter. We have prepared for the upcoming influenza season by increasing our supply of services at both clinics and vaccination locations. One example of this is the Punkkibussi business, which provides low-threshold influenza vaccination services on a mobile basis across Finland. To manage the sickness-related absences among our personnel, we have further specified our operating plan for the upcoming influenza season.

We have prepared for our upcoming cooperation with the wellbeing services counties that will start their operations at the beginning of 2023. We believe that various easy-to-integrate remote service models provided by the private sector, in particular, will continue to play a role in the service procurement of the wellbeing services counties in the future. The targets for access to care have been elevated, which serves as a strong driver for service procurement by the wellbeing services counties. We believe in the strength of the multi-producer model in the provision of equal and high-quality social and healthcare services for citizens. As a strong service provider, we have an excellent capability to continue with the existing contracts as a partner with the wellbeing services counties and to respond to the increasing demand created by the care gap in public healthcare.

Pihlajalinna continues to invest strongly in increasing the supply, especially in high value-added special medical care services such as surgical operations, balances the service network, invests heavily in remote services and revises the pricing of services to reflect the market situation. In addition, the Company continues the pursuit of synergies of business arrangements and to make operations more efficient in all of the Company's activities. Pihlajalinna will enter the new year in a strong position.

The operating environment

COVID-19 and queues for treatment

In late summer 2022, the National Institute for Health and Welfare announced that the COVID-19 pandemic is moving on to an endemic phase. In other words, the virus is highly likely to occur from one year to the next in the form of recurring epidemics characterised by seasonal variation. This also means that the healthcare system needs to adapt to the situation so that the provision of other essential care will not suffer.

The prevalence of the COVID-19 virus has increased in Finland and in many other EU countries this autumn. According to the Ministry of Social Affairs and Health, the burden of the disease has increased, and the increase in hospital care mainly concerns inpatient wards in primary care. The Ministry projects that the number of infections will continue to rise towards winter. By the beginning of October 2022, a total of 1.3 million cases of COVID-19 have been reported in Finland. However, it has been estimated that the actual number of cases could even be twice as high as the official figure.

According to the Finnish Institute for Health and Welfare's statistical report, over 152,000 patients were waiting for access to non-urgent specialised care at hospitals operated by the hospital districts at the end of August 2022. Of these, 13.7 per cent had been waiting for access to care for more than six months. The queues for treatment are still growing, as the number of patients who had been waiting for access to care for more than six months in August 2022 was approximately 11,300, which represents an increase of 6.9 per cent year-on-year. In August 2022, the situation was the worst in the North Savo and North Karelia hospital districts.

Healthcare and social welfare reform, wellbeing services counties and legislation

The responsibility for the organisation of healthcare, social welfare and rescue services will be transferred from municipalities to 21 wellbeing services counties, the City of Helsinki and partially to the joint county authority for the Hospital District of Helsinki at the beginning of 2023. The new financing system for the wellbeing services counties will enter into effect at the same time. The related legislative reforms will see the existing outsourcing agreements transferred from cities and municipalities to the new wellbeing services counties.

The healthcare and social welfare reform has a significant impact on the responsibilities of municipalities and related financing, taxation rights, the system of central government transfers to local government, assets, liabilities, agreements and personnel. There are various change costs involved with the reform. The harmonisation of wages will give rise to significant costs, with the estimates ranging from EUR 124 million to over EUR 1 billion.

The reform aims to increase equality with regard to the availability of services and reduce health and wellbeing gaps between people, which includes reducing the time it takes to access care. The strong trend of population ageing makes this a particularly challenging goal. The number of people over the age of 75 will grow by 250,000 in Finland during this decade. This will have a direct impact on service demand and costs: the costs of social and healthcare services for the 75–84 age group are approximately three times higher than the population average. For people over the age of 85, these costs are nearly seven times higher than the population average.

The ageing of the population and working through the queues for treatment increase the need for service production in specialised care. The private sector and health insurance also promote the achievement of the goals of the healthcare and social welfare reform in this area. The increase in service needs caused by

the COVID-19 pandemic and the growing use of digital health services are further examples of trends that have underscored the significance of the private sector as a partner to the public sector.

The wellbeing services counties expect private service providers to particularly offer agile and scalable service models as well as digital solutions that can be easily connected to the platforms used by the wellbeing services counties.

The Government has proposed cuts to the Kela compensation for private healthcare. If implemented, these cuts would enter into force on 1 January 2023.

Collective labour agreements and workforce availability

The collective agreement for the healthcare service sector (TPTES) entered into effect in May this year. The agreement is valid for two years. According to the agreement, individual monthly wages and pay scales were raised by 2 per cent at the beginning of October 2022, with a further general increase of 1.9 per cent to take effect on 1 June 2023.

The collective agreement for the private social services sector (SOSTES) is valid for a period of 1+1 years, and that agreement also entered into effect in May. Wages were increased by 2 per cent at the beginning of September 2022. Pay scales were also subject to lower boundary increases of 0.8 per cent targeted at the minimum wages of the wage groups.

After a historically prolonged industrial dispute, municipal and wellbeing services county employers and the nurse unions Tehy and Super approved a proposal for a new collective agreement on 3 October 2022. The agreement, together with the municipal sector agreement approved earlier in the summer, will increase the earnings of the personnel by at least 13 per cent on average during the agreement period 2022–2024. The SOTE collective agreement covers some 180,000 employees whose annual labour costs amount to approximately EUR 8.6 billion.

In 2020, the Parliament decided on increasing the staffing requirement for round-the-clock nursing units for the elderly to 0.7 employees per customer. The increase in the staffing requirement was intended to take effect gradually by April 2023 but, due to labour availability challenges, the Government postponed the entry into effect of the staffing requirement to December 2023. It has been estimated that the number of nurses in the sector needs to be increased by over 3,400 in order to satisfy the higher staffing requirement.

The shortage of social and healthcare professionals is one of the biggest challenges facing Finnish society, and labour availability in social and healthcare services has deteriorated substantially over the past few years. The personnel situation and the reasons behind the personnel shortages in the sector vary between different occupational groups, and there are also regional differences involved. The Ministry of Finance forecasts that the social and healthcare sector needs 70,000 more employees by 2035, compared to the current situation.

Economic forecasts and inflation

Russia's offensive war in Ukraine is continuing. The war has wide-ranging impacts on the Finnish economy. Exports are declining, global supply chains are being disrupted and the prices of energy, raw materials and food are rising sharply. It has been estimated that the European energy crisis will have a long-term impact on the economy in the euro area. The general uncertainty weakens consumer purchasing power and reduces investment and consumption. The risk of cyber-attacks has also increased due to the war.

According to the Ministry of Finance's economic survey published in September, Finland's GDP is projected to grow by 1.7 per cent in 2022. Economic growth in the remaining months of the year is projected to slow

down more sharply than previously forecast. The prices of commodities and energy have continued to increase faster than previously projected. According to the forecast, GDP growth in Finland will decline to 0.5 per cent in 2023. Domestic demand is expected to recover towards the end of 2023.

According to Statistics Finland, consumer confidence – which mirrors inflation – fell to an all-time low in September. The balance figure of the consumer confidence indicator stood at -18.3 in September 2022, compared to -14.9 in August. The CCI balance figure at the corresponding time last year was +6.

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 approximately 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, joint municipal authorities, congregations, hospital districts and the public administration when purchasing either social and healthcare outsourcing services or residential, occupational healthcare and staffing services. The number of people within the scope of the Group's occupational healthcare services is over 70,000 in the public sector customers group.

July–September 2022

EUR million	7–9/2022	7–9/2021	change	change %
Corporate customers	52.8	31.2	21.5	69.0 %
of which insurance company customers	23.3	7.7	15.5	200.6 %
Private customers	23.9	18.8	5.1	27.2 %
Public sector	106.3	108.1	-1.8	-1.7 %
of which complete outsourcing agreements	75.3	74.0	1.4	1.9 %
of which staffing	6.4	6.4	0.0	0.2 %
of which occupational healthcare and other services	24.5	27.8	-3.2	-11.7 %
Intra-Group sales	-17.7	-17.5	-0.2	1.1 %
Total consolidated revenue	165.2	140.6	24.6	17.5 %

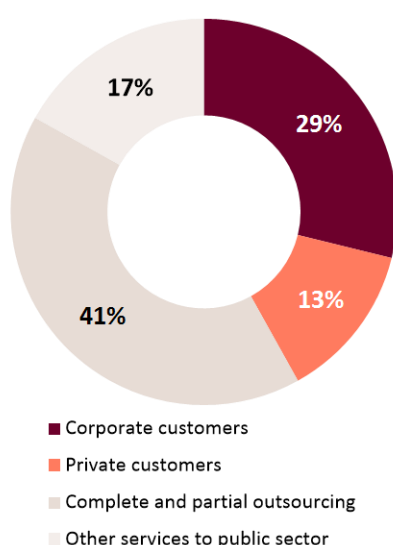
Revenue from **corporate customers** amounted to EUR 52.8 (31.2) million, an increase of EUR 21.5 million, or 69.0 per cent. Sales to insurance company customers increased by EUR 15.5 million, or 200.6 per cent. M&A transactions contributed EUR 14.7 million to the increase in revenue. Organic growth was EUR 6.8 million, or 21.8 per cent. In the corporate customer group, revenue from COVID-19 services amounted to EUR 1.4 (1.9) million, a decrease of EUR -0.6 million. The customer volumes of Pihlajalinna's private clinics increased by 64 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 24 per cent year-on-year.

Revenue from **private customers** amounted to EUR 23.9 (18.8) million, an increase of EUR 5.1 million, or 27.2 per cent. M&A transactions contributed EUR 4.3 million to the increase in revenue from private customers. Organic growth was EUR 0.8 million, or 4.1 per cent. In the private customer category, revenue from COVID-19 services amounted to EUR 0.2 (0.4) million, representing a decrease of EUR -0.2 million. The customer volumes of Pihlajalinna's private clinics increased by 33 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 7 per cent year-on-year. The streamlining of insurance companies' financial obligations and direct payment practices reduces the reported sales for the private customer segment.

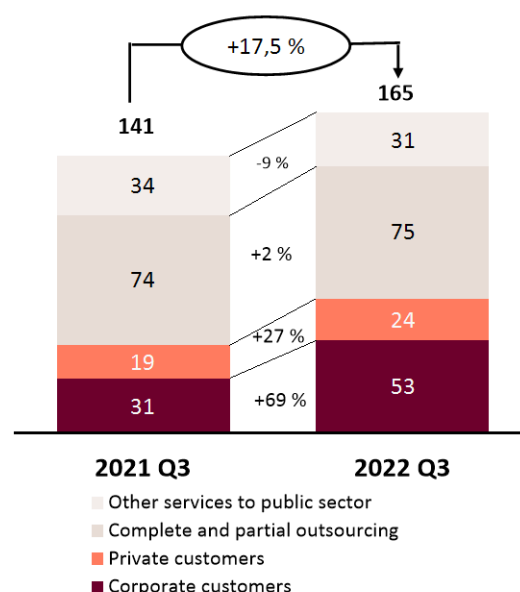
Revenue from the **public sector** amounted to EUR 106.3 (108.1) million, a decrease of EUR -1.8 million, or -1.7 per cent. Revenue from COVID-19 services came to EUR 0.8 (9.5) million, representing a decrease of EUR -8.6 million. Revenue from complete and partial outsourcing agreements increased by EUR 1.5 million

due to the index adjustments stipulated by the agreements. M&A transactions increased revenue from the public sector by EUR 1.0 million. Due to the decline in COVID-19 services, organic growth was EUR -2.8 million, or -2.6 per cent. The customer volumes of Pihlajalinna's private clinics increased by 21 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 8 per cent year-on-year.

**REVENUE BY CUSTOMER GROUP Q3
2022, %**



**REVENUE BY CUSTOMER GROUP Q3
2022, EUR MILLION**



January–September 2022

EUR million	1–9/2022	1–9/2021	change	change %	2021
Corporate customers	160.1	98.6	61.5	62.4 %	137.7
of which insurance company customers	69.3	25.4	43.9	172.9 %	35.1
Private customers	74.9	61.9	13.0	21.0 %	85.2
Public sector	321.6	316.9	4.7	1.5 %	427.8
of which complete and partial outsourcing agreements	226.6	224.0	2.7	1.2 %	300.8
of which staffing	18.7	19.7	-0.9	-4.7 %	26.1
of which occupational healthcare and other services	76.2	73.2	3.0	4.1 %	100.9
Intra-Group sales	-54.6	-54.3	-0.3	0.5 %	-73.0
Total consolidated revenue	502.1	423.1	79.0	18.7 %	577.8

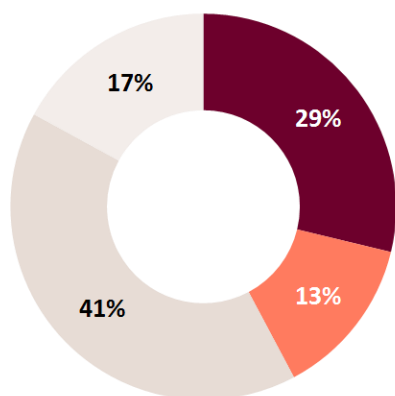
Revenue from **corporate customers** amounted to EUR 160.1 (98.6) million, an increase of EUR 61.5 million, or 62.4 per cent. Sales to insurance company customers increased by EUR 43.9 million, or 172.9 per cent. M&A transactions contributed EUR 39.0 million to the increase in revenue. Organic growth was EUR 22.6 million, or 22.9 per cent. In the corporate customer group revenue from COVID-19 services amounted to EUR 6.2 (6.9) million, a decrease of EUR -0.7 million. The customer volumes of Pihlajalinna's private clinics

increased by 50 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 16 per cent year-on-year.

Revenue from **private customers** amounted to EUR 74.9 (61.9) million, an increase of EUR 13.0 million, or 21.0 per cent. M&A transactions contributed EUR 10.9 million to the increase in revenue from private customers. Organic growth was EUR 2.1 million, or 3.5 per cent. In the private customer group, revenue from the COVID-19 services amounted to EUR 1.5 (1.4) million, an increase of EUR 0.1 million. The customer volumes of Pihlajalinna's private clinics increased by 26 per cent. Without the effect of M&A transactions, customer volumes would have increased by 13 per cent year-on-year. The streamlining of insurance companies' financial obligations and direct payment practices reduces the reported sales for the private customer segment.

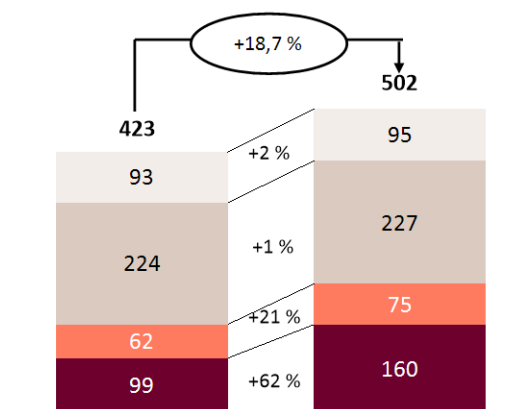
Revenue from the **public sector** amounted to EUR 321.6 (316.9) million, an increase of EUR 4.7 million, or 1.5 per cent. Revenue from COVID-19 services came to EUR 6.2 (20.4) million, representing a decrease of EUR -14.2 million. M&A transactions increased revenue from the public sector by EUR 5.7 million. Price adjustments stipulated by complete and partial outsourcing agreements increased revenue by EUR 3.0 million. The customer volumes of Pihlajalinna's private clinics increased by 30 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have decreased by 9 per cent year-on-year.

REVENUE BY CUSTOMER GROUP
YTD Q3 2022, %



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

REVENUE BY CUSTOMER GROUP
YTD Q3, EUR MILLION



2021 YTD 2022 YTD
■ Other services to public sector
■ Complete and partial outsourcing
■ Private customers
■ Corporate customers

Consolidated revenue and result

July–September 2022

Pihlajalinna's revenue totalled EUR 165.2 (140.6) million, an increase of EUR 24.6 million, or 17.5 per cent. Revenue from COVID-19 services came to EUR 2.3 (11.8) million, representing a decrease of EUR -9.5 million. Organic growth was EUR 4.6 million, or 3.3 per cent. Without COVID-19 services, organic growth would have been EUR 14.0 million, or 10.0 per cent. M&A transactions accounted for EUR 20.0 million, or 14.3 per cent, of the growth in revenue.

Some 45 (41) per cent of all customer appointments, excluding complete outsourcing arrangements, vaccinations and COVID-19 testing, took place via remote services during the quarter. The number of remote appointments increased by 34 per cent year-on-year. The total number of appointments increased by 22 per cent.

EBITDA was EUR 18.1 (18.2) million, a decrease of EUR -0.1 million, or -0.7 per cent. Adjusted EBITDA was EUR 18.9 (19.3) million, a decrease of EUR -0.5 million, or -2.5 per cent. EBITDA adjustments amounted to EUR 0.8 (1.1) million.

Profitability was reduced by the decline in COVID-19 services. The growth of supply has increased costs in private clinic operations and occupational healthcare services. The costs of complete and partial outsourcing agreements remained at a high level, but profitability improved clearly during the past quarter thanks to efficiency improvement programmes, price adjustments stipulated by out-sourcing agreements and COVID-19 cost reimbursements. The profitability of surgical operations and remote services improved year-on-year due to higher volumes.

Employee benefit expenses were exceptionally high during the quarter. The sickness-related absence rate of Pihlajalinna's personnel increased by 1.4 percentage points, particularly due to various respiratory infections. Substitutes and recruitment services have been used to compensate for shortages in personnel.

Depreciation, amortisation and impairment amounted to EUR 11.5 (8.8) million. Adjustments to depreciation, amortisation and impairment amounted to EUR 0.0 (-0.1) million. Depreciation of intangible assets amounted to EUR 1.9 (1.7) million, of which depreciation related to purchase price allocations amounted to EUR 0.7 (0.8) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.6 (2.3) million, and depreciation and impairment of right-of-use assets totalled EUR 7.0 (4.8) million. The acquisition of Pohjola Hospital increased Pihlajalinna's depreciation of right-of-use assets, i.e. leased business premises, by EUR 1.8 million.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 9.4 (12.3) million. The adjusted EBITA margin was 5.7 (8.7) per cent. Adjustments to EBIT amounted to EUR 0.8 (1.1) million.

Pihlajalinna's EBIT was EUR 6.6 (9.4) million, a decrease of EUR -2.8 million. Adjusted EBIT amounted to EUR 7.3 (10.5) million, a decrease of EUR -3.1 million.

The Group's net financial expenses amounted to EUR -2.0 (-0.9) million. The acquisition of Pohjola Hospital increased Pihlajalinna's interest expenses associated with lease liabilities by EUR 0.5 million. The increased debt due to M&A transactions and the waiver expense paid at the end of September – EUR 0.3 million due to a temporary increase to financial covenants – also increased financial expenses. Profit before taxes amounted to EUR 4.5 (8.5) million. Taxes in the income statement amounted to EUR -0.5 (-1.7) million.

Profit came to EUR 4.0 (6.8) million. Earnings per share (EPS) was EUR 0.14 (0.31).

January–September 2022

Pihlajalinna's revenue totalled EUR 502.1 (423.1) million, an increase of EUR 79.0 million, or 18.7 per cent. Revenue from COVID-19 services came to EUR 13.9 (28.7) million, representing a decrease of EUR -14.9 million. Organic growth was EUR 23.4 million, or 5.5 per cent. The rate of organic growth would have been EUR 38.3 million, or 9.6 per cent without COVID-19 services and the write-down of EUR -2.4 million recognised due to the outcome of the District Court hearing concerning Jämsän Terveys Oy and the City of Jämsä. M&A transactions accounted for EUR 55.6 million, or 13.1 per cent, of the growth in revenue.

Organic growth during the review period was based on the strong growth of supply throughout the network of operating locations. The organic growth of appointments, surgical operations, remote services and occupational healthcare services has compensated for the significant decline of COVID-19 services.

Some 43 (39) per cent of all customer appointments, excluding complete outsourcing agreements, vaccinations and COVID-19 testing, took place via remote services during the review period. The number of remote appointments increased by 40 per cent year-on-year. The total number of appointments increased by 29 per cent.

EBITDA was EUR 42.9 (48.1) million, a decrease of EUR -5.2 million, or -10.7 per cent. Adjusted EBITDA was EUR 52.2 (50.4) million, an increase of EUR 1.7 million, or 3.5 per cent. EBITDA adjustments totalled EUR 9.3 (2.4) million. The write-down recognised due to the outcome of the District Court hearing concerning the dispute between Jämsän Terveys Oy and the City of Jämsä had an effect of EUR 4.7 million on EBITDA. This item was treated as an adjustment item. Other adjustment items included EUR 1.8 million in integration expenses related to M&A transactions, EUR 1.1 million in IFRS 3 expenses, EUR 0.7 million in retrospective cost adjustments with no cash flow effect, and EUR 1.0 million in other expense items.

Employee benefit expenses were exceptionally high during the review period. The sickness-related absence rate of Pihlajalinna's personnel increased by 2.2 percentage points year-on-year, particularly due to various respiratory infections. Substitutes and recruitment services have been used to compensate for shortages in personnel.

Profitability has been weakened by the decline of COVID-19 services. Furthermore, the growth of supply has increased costs in occupational healthcare services, private clinic operations and surgical operations. The profitability of surgical operations and remote services improved compared to the comparison period due to higher volumes. The costs of complete and partial outsourcing arrangements remained at a high level, but profitability improved due to efficiency improvement programmes, price adjustments stipulated by out-sourcing agreements, COVID-19 cost reimbursements and refunds of the South Ostrobothnia Hospital District's service fees.

Depreciation, amortisation and impairment amounted to EUR 33.5 (25.7) million. Adjustments to depreciation, amortisation and impairment amounted to EUR -0.2 (-0.4) million. Depreciation of intangible assets amounted to EUR 5.6 (5.0) million, of which depreciation related to purchase price allocations amounted to EUR 2.0 (2.2) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 7.8 (6.8) million, and depreciation and impairment of right-of-use assets totalled EUR 20.1 (14.0) million. The acquisition of Pohjola Hospital increased Pihlajalinna's depreciation of right-of-use assets, i.e. leased business premises, by EUR 4.8 million.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 24.4 (29.5) million. The adjusted EBITA margin was 4.9 (7.0) per cent. Adjustments to EBIT amounted to EUR 9.0 (2.0) million.

Pihlajalinna's EBIT was EUR 9.5 (22.4) million, a decrease of EUR -12.9 million. Adjusted EBIT amounted to EUR 18.5 (24.3) million, a decrease of EUR -5.8 million.

The Group's net financial expenses amounted to EUR -5.1 (-2.7) million. The acquisition of Pohjola Hospital increased Pihlajalinna's interest expenses associated with lease liabilities by EUR 1.3 million. The financing rearrangements in March and the waiver expense paid at the end of September due to a temporary increase to financial covenants caused non-recurring financial expenses totalling EUR 0.5 million. M&A transactions have also increased Pihlajalinna's indebtedness, and consequently, interest expenses. Profit before taxes amounted to EUR 4.4 (19.6) million. Taxes in the income statement amounted to EUR 4.4 (-3.9) 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 6.3 million, was recognised through the income statement during the review period, as the plan concerning the use of tax losses has now been completed. Pihlajalinna Lääkärikeskukset Oy will be merged with Pihlajalinna Omasairaala Oy (formerly Pohjola Hospital Ltd) on 1 January 2023.

Profit came to EUR 8.7 (15.7) million. Earnings per share (EPS) was EUR 0.45 (0.70).

Consolidated statement of financial position and cash flow

Pihlajalinna Group's total statement of financial position amounted to EUR 648.5 (465.3) million. The growth is mainly attributable to business acquisitions. Consolidated cash and cash equivalents amounted to EUR 11.8 (6.8) million.

Net cash flow from operating activities in the quarter amounted to EUR 6.7 (8.8) million. Taxes paid amounted to EUR -0.5 (-0.1) million. The change in net working capital was EUR -10.9 (-9.4) million.

Net cash flow from operating activities during the review period amounted to EUR 42.4 (32.1) million. Taxes paid amounted to EUR -5.9 (-3.2) million. The change in net working capital was EUR 5.2 (-13.0) million. Working capital totalling EUR 10.0 (6.4) million was released from trade and other payables. Working capital amounting to EUR -3.8 (-18.2) million was tied up in trade and other receivables and EUR -0.6 (-0.4) million was tied up from inventories. Changes in provisions tied up EUR -0.6 (-0.8) million in working capital.

Net cash flow from investing activities totalled EUR -11.8 (-2.6) million during the quarter. The business acquisitions had an impact of EUR -4.9 (0.0) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -5.6 (-2.7) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.1 (0.1) million.

Net cash flow from investing activities totalled EUR -76.5 (-26.2) million for the review period. The M&A transactions had an impact of EUR -53.1 (-16.1) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -21.3 (-9.1) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.3 (0.3) million. Pihlajalinna redeemed the clinical equipment lease liabilities of Pohjola Hospital EUR 5.8 million on the acquisition date 1 February 2022. Other growth in investments comprises of investing in expanding and renewing the service network in line with our strategy.

The Group's cash flow after investments (free cash flow) was EUR -5.2 (6.2) million for the quarter and EUR -34.1 (5.8) million for the review period.

Net cash flow from financing activities totalled EUR 4.7 (-4.3) million for the quarter. The change in financial liabilities, including changes in credit limits, amounted to EUR 14.7 (4.6) million. Payments for financial lease liabilities amounted to EUR -7.5 (-4.9) million, and interest paid and other financial expenses amounted to EUR -2.6 (-0.9) million.

Net cash flow from financing activities totalled EUR 41.6 (-12.4) million for the review period. The change in financial liabilities, including changes in credit limits, amounted to EUR 78.1 (13.8) million. Payments for lease liabilities amounted to EUR -21.3 (-14.8) million, and interest paid and other financial expenses amounted to EUR -5.8 (-2.9) million. Pihlajalinna rearranged its long-term debt financing in March 2022. A total of EUR -0.8 (-0.4) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed in April dividends of EUR -6.8 (-4.5) million for the financial year 2021. The Group has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR -1.5 (-0.6) million.

The Group's gearing was 308.9 (176.9) per cent. Interest-bearing net debt amounted to EUR 388.8 (211.0) million, an increase of EUR 177.8 million. The M&A transactions increased the amount of Pihlajalinna's lease liabilities by EUR 128.4 million.

Return on capital employed was 3.6 (8.9) per cent and return on equity was 9.7 (16.0) per cent.

Financing arrangements

Pihlajalinna rearranged its long-term debt financing with a sustainability-linked financing arrangement on 22 March 2022. The EUR 200 million unsecured financing arrangement, for three years with a two-year-option, was concluded with Danske Bank, OP Corporate Bank and Swedbank. The financing 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 taken into account in the calculation of the covenants. 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.

Due to the acquisition of Pohjola Hospital Ltd, Pihlajalinna and the creditor banks agreed on increasing the gearing covenant to 140 per cent and the leverage covenant to 4.00 for 2022.

Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement at the end of September 2022. The temporary covenants for the third quarter of 2022 were as follows: leverage must not exceed 5.00 and gearing must not exceed 160 per cent. At the end of the review period, leverage in accordance with the financing arrangement stood at 4.62 and gearing was 140 per cent.

In addition, according to the acquired waiver, gearing must not exceed 140 per cent for the first three quarters of 2023. The financing arrangement's original gearing covenant of 115 per cent will enter into effect in the review of the fourth quarter of 2023. Starting from the beginning of 2023, the leverage according to the financing arrangement will be 3.75.

Under the waiver agreement, the highest margin level of the financing arrangement will increase by 0.5 percentage points from the beginning of 2023 until the third quarter of that year. The increase to the high-

est margin level and the other waiver terms will be discontinued by the end of 2023. If the company proposes to remain below the original covenant levels for the next 12 months, the waiver described above may be discontinued earlier.

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 a total of EUR 41 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 signed an interest rate swap agreement with a nominal value of EUR 65 million to hedge its floating rate financing arrangement. 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 is valid until 25 March 2027 and its fair value was EUR 4.7 million at the end of the review period.

Acquisitions and capital expenditure

Acquired entity	Month of acquisition	Industry	Domicile
Pohjola Hospital Oy	2/2022	Private clinic operations	Helsinki
Etelä-Savon Työterveys Oy	4/2022	Occupational healthcare services	Mikkeli
Lääkärikeskus Ikioma Oy	4/2022	Private clinic operations, Dental care	Mikkeli
Punkkibussi®-business	4/2022	Private clinic operations	Several
Mediellen Oy	9/2022	Private clinic operations	Sotkamo

Gross investments, including acquisitions, amounted to EUR 216.5 (37.3) million. Gross investments in M&A transactions amounted to EUR 174.6 (20.0) million. 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 19.2 (9.7) million. Pihlajalinna redeemed Pohjola Hospital's clinical equipment leasing liabilities for EUR 5.8 million on the acquisition date 1 February 2022. Gross investments in connection with the opening of new units amounted to EUR 3.7 (0.0) million. Gross investments in right-of-use assets amounted to EUR 19.1 (8.1) million, including investments in the opening of new units.

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 3.5 (2.3) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects.

On 1 February 2022, Pihlajalinna acquired the entire share capital of Pohjola Hospital from Pohjola Insurance Ltd. The debt-free purchase price, paid in cash, was EUR 35.2 million.

Pihlajalinna acquired, on 1 April 2022, the entire share capital of Etelä-Savon Työterveys Oy and the majority interest of Lääkärikeskus Ikioma Oy. In addition, on 1 April 2022, Pihlajalinna acquired the Punkkibussi® business from Saaristolääkärit Oy.

On 1 September 2022, Pihlajalinna acquired a majority interest in MediEllen Oy.

The deed of sale concerning the acquisition of the entire share capital of Seppälääkärit Oy and Seppämagneetti Oy, both of which operate in Jyväskylä, were signed on 8 July 2022. The purchase price was paid on 30 September 2022 and the transaction was completed on 1 October 2022.

Complete and partial outsourcing agreements

Company	Pihlajalinna's holding 31 Dec 2021	Pihlajalinna's holding 30 Sep 2022	First year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	90%	90%	internal service provision	internal service provision
Jämsän Terveys Oy	51%	51%	2015	10
Kuusiolinnat 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

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

Complete and partial outsourcing agreements	7–9/2022 3 months	7–9/2021 3 months	1–9/2022 9 months	1–9/2021 9 months	2021	2020
INCOME STATEMENT						
Revenue, EUR million	70.2	68.4	209.6	205.8	277.0	264.2
EBITDA, EUR million	5.9	3.1	6.1	6.4	6.6	11.0
EBITDA, %	8.5	4.6	2.9	3.1	2.4	4.2
Adjusted EBITDA, EUR million ¹⁾	6.0	3.1	11.6	6.5	6.7	11.0
Adjusted EBITDA, % ¹⁾	8.5	4.6	5.5	3.2	2.4	4.2
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million ¹⁾	5.3	2.5	9.6	4.5	4.1	8.5
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ¹⁾	7.5	3.6	4.6	2.2	1.5	3.2

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 7,004 (5,750), an increase of 1,254 persons or 22 per cent. The Group's personnel averaged 5,092 (4,731) persons as full-time equivalents, an increase of 361 persons or 8 per cent. The Group employee benefit expenses totalled EUR 216.2 (185.9) million, an increase of EUR 30.3 million or 16 per cent.

The growth of nearly 400 persons in the number of personnel was attributable to the M&A transactions. The increase in personnel in Pihlajalinna's network of operating locations was approximately 200 persons. The number of personnel in the residential services and in the complete outsourcing increased by approximately 300 persons.

Employee benefit expenses were exceptionally high during the review period. The sickness-related absence rate of Pihlajalinna's personnel increased by 2.2 percentage points, particularly due to various respiratory infections. Substitutes and recruitment services have been used to compensate for shortages in personnel. Additionally, the growth in supply and strengthening the administration has increased employee benefit expenses.

The provision of health advisory services for the ports of Helsinki ended on 3 April 2022. The co-operation negotiations concerning the provision covered 40 persons. In February the efficiency improvement program and co-operation negotiations started in Jämsän Terveys covering the entire personnel and in Jokilaakson Terveys covering around 50 persons. The co-operation negotiations in Jämsä did not lead to personnel reductions. The co-operation negotiations to improve efficiency of operations in Kolmostien Terveys

started in March 2022 and were concluded in May. The co-operation negotiations did not lead to personnel reductions.

Management Team

CEO Joni Aaltonen serves as the Chairman of the Management Team. The Management Team also includes CFO Tarja Rantala, CLO Marko Savolainen, CIO Antti-Jussi Aro, CMO Sari Riihijärvi, CCO Sari Nevanlinna and COO, Public Services Eetu Salunen.

Timo Harju (M.Sc. (Economics and Business Administration)), has been appointed as Pihlajalinna's COO, Private Clinic and Hospital Services and member of the Group Management Team. He took up his position and became a member of the Management Team on 1 November 2022.

Kati Raassina (M.Sc. (Economics and Business Administration)), who has been working as Pihlajalinna's interim Chief People Officer, has been appointed as Pihlajalinna's Chief People Officer and a member of the Group Management Team. She took up her position and became a member of the Management Team on 1 November 2022.

Board of Directors

The Annual General Meeting on 13 April 2022 resolved that the number of the members of the Board of Directors shall be fixed at seven members instead of the previous six. Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén were re-elected to serve as members of the Board of Directors until the next Annual General Meeting. Heli Iisakka was elected as a new Board Member.

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

Kati Sulin resigned from the Board of Directors as of 12 June 2022.

Shares and shareholders

The total number of shares was 22,620,135 of which 22,549,644 were outstanding and 70,491 were held by the company which corresponds to approximately 0.31 per cent of all shares and votes. At the end of the review period, the company had 15,657 (14,602) shareholders. A list of the largest shareholders is available on the company's investor website at investors.pihlajalinna.fi.

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

Share-related information, outstanding shares	7–9/2022	7–9/2021	1–9/2022	1–9/2021	2021
No. of shares outstanding at end of period	22,549,644	22,594,235	22,549,644	22,594,235	22,594,235
Average no. of shares outstanding during period	22,549,644	22,594,235	22,563,852	22,587,748	22,589,383
Highest price, EUR	11.50	12.98	13.18	12.98	12.98
Lowest price, EUR	9.17	11.30	9.17	9.26	9.26
Average price, EUR ¹⁾	10.40	12.04	11.62	11.00	11.18
Closing price, EUR	9.27	11.80	9.27	11.80	12.64
Share turnover, 1,000 shares	379	1,511	2,997	5,868	6,929
Share turnover, %	1.7	6.7	13.3	26.0	30.7
Market capitalisation at end of period, EUR million	209.0	266.61	209.04	266.6	285.6

¹⁾ average rate weighted by trading level

Risks and uncertainties in business operations

Pihlajalinna's operations are affected by strategic and business risks as well as financial and damage risks. In its risk management, Pihlajalinna strives to operate as systematically as possible as part of normal business processes. The Group invests in quality systems and occupational safety and health risk management. Pihlajalinna strives to limit the possible harmful effects of risks. The assessment of risks related to corporate responsibility plays an important role in risk management.

Pihlajalinna's risk management and risks related to company's business have been described in more detail in the Board of Directors' report 2021 and in the consolidated financial statements' note 25 *Financial risk management*.

Pihlajalinna operates only in Finland, but indirect effects can still be expected from Russia's offensive war against Ukraine through slower economic growth, disruption of supply chains, high inflation and rising market interest rates. In addition, Pihlajalinna prepares for possible disruptions in energy distribution. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions.

In all its operations, Pihlajalinna also takes into account data protection and information security, as well as requirements related to them. Data security threats and compromises of data protection can lead to, among other things, significant damage to reputation and claims for damages. Pihlajalinna is prepared for the elevated risk of cyber-attacks due to the war in Ukraine.

The COVID-19 epidemic has a twofold impact on Pihlajalinna's business: on one hand, the demand for COVID-19 services has led to the growth of Pihlajalinna's business but, on the other hand, COVID-19 restrictions have at times led to weaker demand for services. The sickness-related absence rate of Pihlajalinna has increased, particularly due to various respiratory infections weakening profitability and complicating the supply of services.

Pihlajalinna has recognized as a risk factor projects related to the growth of the company, such as M&A transactions, digital development and information system projects. The controlled successful implementation of these projects is a prerequisite for growth in line with the company's strategy.

The company has recognized uncertainty factors related to the availability of personnel in the social and healthcare sector. In addition, the costs of wage harmonization in the social and healthcare sector related to the formation of wellbeing services counties are still partially unknown.

The development of the Finnish economy, general cost inflation, wage inflation and the rise in market interest rates affect cost levels and thus also Pihlajalinna's business, profitability and possibly the availability of additional financing.

Complete and partial outsourcings

Pihlajalinna has recognized that the significant risks and uncertainties affecting the Group's operations are connected to the complete outsourcing agreements on social and healthcare services and material amendments to legislation.

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

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 involve variable elements of compensation. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the cost liability of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The fixed-term service agreements for the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognized 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.

Management has assessed the ruling of the District Court of Central Finland in terms of Pihlajalinna's other outsourcing service agreements. In the ruling, there were grounds for variable compensation components, however the District Court did not consider the evidence provided by Jämsän Terveys Oy to be sufficient in terms of cost effects.

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

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

On 4 April 2022, the District Court of Central Finland issued a ruling on the dispute between Pihlajalinna's subsidiary Jämsän Terveys Oy and the City of Jämsä. The ruling is not final.

As a result of the write-downs in accordance to the District Court's ruling, Pihlajalinna Group faced approximately EUR 2.8 million negative impact on the result attributable to the owners of the parent company in the review period. The ruling decreased revenue by EUR 2.4 million, and EBITDA was decreased by EUR 4.6 million. The City of Jämsä owns 49 per cent of the company and Pihlajalinna 51 per cent. Earnings per share was weakened by EUR 0.12 per share. The ruling does not have an immediate material impact on cash flow. The effects of the District Court's ruling are treated as adjustment items. Jämsän Terveys Oy has appealed to the Court of Appeals against the District Court's ruling. The operating conditions of Jämsän Terveys' service production is secured due to the efficiency improvement program and temporary parent company financing.

Jämsän Terveys Oy has recognised as revenue and recorded in its receivables amounts totalling EUR 1.1 million, mainly for the current year's COVID-19 cost reimbursements, which the client has not paid in violation of the service agreement. In addition, a difference of opinion has arisen between the company and the client during the review period regarding the effect of personnel transfer on the annual price of the service agreement. The parties are actively negotiating to resolve open issues.

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänvuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 4.2 (3.3) 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.

Kolmostien Terveys Oy has recognised as revenue and recorded in its receivables contractually and legally justified variable compensation. 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 the variable compensation are related to current years COVID-19 cost reimbursements. The client approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement. On 26 September 2022, the Parkano city council decided on an additional allocation to the Basic Security Board's 2022 budget, after which the company has a total of EUR 1.7 (0.6) million of contractually and legally justified variable compensation receivables.

Pending legal processes:

On 4 April 2022, the District Court of Central Finland issued a ruling on the dispute between Pihlajalinna's subsidiary Jämsän Terveys Oy and the City of Jämsä, as mentioned above under *Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay*. Jämsän Terveys Oy has appealed to the Court of Appeals against the District Court's ruling.

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

Impairment testing of goodwill:

At the end of the review period, goodwill on Pihlajalinna statement of financial position amounted to EUR 249.5 (188.6) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. If permanent negative changes were to occur in the development of Pihlajalinna's profit and growth, this could lead to an impairment of goodwill.

Repurchase and transfer of own shares

Pihlajalinna has repurchased, between 24 March and 20 April 2022, its own shares totaling 120,000 shares with an average price of EUR 12.2896 per share.

Pihlajalinna conveyed, in March, a total of 8,867 own shares to the key employees in accordance with the earlier incentive program (LTIP 2019). Pihlajalinna conveyed, in April, a total of 59,900 own shares as consideration in a transaction to redeem non-controlling interests of its subsidiary. Pihlajalinna conveyed, in May, a total of 6,642 own shares as part of the remuneration of the Board of Directors.

The number of own shares was 70,491 at the end of the review period, corresponding to approximately 0,31 per cent of the total number of shares and votes.

Own shares can be used for payments for the incentive program currently in effect.

Events after the review period

Pihlajalinna has made an agreement to acquire Seppälääkärit Oy and Seppämagneetti Oy operating in Jyväskylä. The deeds of sale were signed 8 July 2022. The purchase price was paid on 30 September 2022 and the transaction was completed on 1 October 2022.

Pihlajalinna strengthens the Management Team's structure to correspond the company's development and growth in line with its strategy. At the same time two new Management Team members will be nominated and some Management Team responsibilities will be reallocated.

Timo Harju (M.Sc. (Economics and Business Administration), born 1976) has been appointed as Pihlajalinna's COO, Private Clinic and Hospital Services. He was working as the Head of Claims Centers for Finland at insurance company If. Harju has been working in various director positions at insurance company If since 2001.

Kati Raassina (M.Sc. (Economics and Business Administration), born 1979) has been appointed as Pihlajalinna's Chief People Officer. She has been working as Pihlajalinna's interim Chief People Officer since March 2022. Raassina has wide experience from HR and company culture development positions from various companies such as company culture office Leidenschaft, Reddal, Sanoma Plc and Accenture.

Pihlajalinna's financial reporting in 2023

Financial Statements Release 2022: Friday, 17 February 2023

Financial Statements and Board of Directors' report: no later than in week 11

Interim Report January–March: Friday, 28 April 2023

Half Year Financial Report January–June: Friday, 11 August 2023

Interim Report January–September: Friday, 3 November 2023

Pihlajalinna Plc's Annual General Meeting is scheduled for Tuesday, 4 April 2023.

Helsinki, 3 November 2022

The Board of Directors of Pihlajalinna Plc

Consolidated income statement

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Revenue	165.2	140.6	502.1	423.1	577.8
Other operating income	0.4	0.7	4.0	2.1	3.7
Materials and services	-61.8	-49.3	-192.5	-153.2	-209.5
Employee benefit expenses	-68.4	-60.5	-216.2	-185.9	-255.2
Other operating expenses	-17.4	-13.3	-54.5	-37.9	-54.2
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
EBITDA	18.1	18.2	42.9	48.1	62.6
Depreciation, amortisation and impairment	-11.5	-8.8	-33.5	-25.7	-34.7
Operating profit (EBIT)	6.6	9.4	9.5	22.4	27.9
Financial income	0.1	0.1	0.3	0.2	0.2
Financial expenses	-2.1	-0.9	-5.4	-2.9	-4.0
Profit before taxes	4.5	8.5	4.4	19.6	24.2
Income tax	-0.5	-1.7	4.4	-3.9	-5.1
Profit for the period	4.0	6.8	8.7	15.7	19.1
Attributable to:					
To the owners of the parent company	3.3	7.0	10.2	15.8	20.1
To non-controlling interests	0.8	-0.1	-1.5	-0.1	-1.0
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)					
Basic	0.14	0.31	0.45	0.70	0.89
Diluted	0.14	0.31	0.45	0.70	0.89

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

Consolidated statement of comprehensive income

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Profit for the period	4.0	6.8	8.7	15.7	19.1
Other comprehensive income that will be reclassified subsequently to profit or loss					
Cash flow hedge	2.5		4.7		
Income tax on other comprehensive income	-0.5		-0.9		
Other comprehensive income for the reporting period	2.0		3.8		
Total comprehensive income for the reporting period	6.0	6.8	12.5	15.7	19.1
Attributable to:					
To the owners of the parent company	5.3	7.0	14.0	15.8	20.1
To non-controlling interests	0.8	-0.1	-1.5	-0.1	-1.0

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

Consolidated statement of financial position

EUR million	30 Sep 2022	30 Sep 2021 ¹⁾	2021
ASSETS			
Non-current assets			
Property, plant and equipment	55.6	43.9	45.0
Goodwill	249.5	188.6	188.9
Other intangible assets	21.7	14.9	14.9
Right-of-use assets	197.6	98.8	95.6
Interests in associates	2.1	0.0	0.3
Other investments	1.2	1.5	1.2
Other receivables	8.8	5.4	5.2
Deferred tax assets	15.5	6.6	5.5
Total non-current assets	552.1	359.6	356.5
Current assets			
Inventories	4.5	3.8	3.7
Trade and other receivables	78.2	93.3	92.1
Current tax assets	1.9	1.8	0.4
Cash and cash equivalents	11.8	6.8	4.3
Total current assets	96.4	105.7	100.5
Total assets	648.5	465.3	457.1
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.1	0.1
Fair value reserve	3.8		
Reserve for invested unrestricted equity	116.5	116.5	116.5
Retained earnings	-6.3	-17.6	-17.6
Profit for the period	10.2	15.8	20.1
	124.3	114.8	119.1
Non-controlling interests	1.5	4.4	3.5
Total equity	125.9	119.2	122.6
Non-current liabilities			
Deferred tax liabilities	8.1	5.8	5.9
Provisions	0.3	0.1	0.1
Lease liabilities	202.3	91.0	87.9
Financial liabilities	169.8	106.7	91.4
Other non-current liabilities	0.9	1.0	1.0
Total non-current liabilities	381.5	204.7	186.3
Current liabilities			
Trade and other payables	111.4	117.3	125.1
Current tax liabilities	0.8	4.0	3.3
Provisions		0.1	0.1
Lease liabilities	27.5	18.7	18.4
Financial liabilities	1.4	1.3	1.3
Total current liabilities	141.1	141.4	148.1
Total liabilities	522.6	346.1	334.5
Total equity and liabilities	648.5	465.3	457.1

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

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company					
EUR million	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Non-controlling interests	Equity Total
Total equity, 1 Jan 2021	0.1	116.5		-7.6	5.2	114.2
Total comprehensive income for the period ¹⁾				15.8	-0.1	15.7
Dividends paid				-4.5	-0.3	-4.8
Acquisition of own shares				-0.6		-0.6
Total transactions with owners				-5.1	-0.3	-5.4
Changes in NCI without a change in control				-1.9	-0.4	-2.3
Total changes in subsidiary shareholdings				-4.9	-0.4	-5.3
Total equity, 30 Sep 2021	0.1	116.5		-1.8	4.4	119.2

	Equity attributable to owners of the parent company					
EUR million	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Non-controlling interests	Equity Total
Total equity, 1 Jan 2022	0.1	116.5		2.5	3.5	122.6
Total comprehensive income for the period			3.8	10.2	-1.5	12.5
Dividends paid				-6.8	-0.8	-7.5
Acquisition of own shares				-1.5		-1.5
Investments in group subsidiaries, reported					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	-0.3
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

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

Consolidated statement of cash flows

EUR million	7–9/2022 3 months	7–9/2021 3 months	1–9/2022 9 months	1–9/2021 9 months	2021
Cash flow from operating activities					
Profit for the period	4.0	6.8	8.7	15.7	19.1
Adjustments to cash flow from operating activities:					
Taxes	0.5	1.7	-4.4	3.9	5.1
Depreciation, amortisation and impairment	11.5	8.8	33.5	25.7	34.7
Financial income and expenses	2.0	0.9	5.1	2.7	3.7
Other	-0.1	0.0	-0.1	0.0	0.0
Net cash generated from operating activities before change in working capital	18.0	18.2	42.9	48.1	62.6
Change in working capital	-10.9	-9.4	5.2	-13.0	-3.3
Interest received	0.1	0.1	0.3	0.2	0.2
Taxes paid	-0.5	-0.1	-5.9	-3.2	-2.6
Net cash flow from operating activities	6.7	8.8	42.4	32.1	56.9
Cash flow from investing activities					
Investments in tangible and intangible assets	-5.6	-2.7	-21.3	-9.1	-14.8
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.1	0.3	0.3	0.5
Changes in other receivables and investments	-1.4	0.0	-1.8	-1.3	-1.3
Granted loans	-0.1	0.0	-0.7	0.0	0.0
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	0.0	-53.1	-16.1	-16.4
Net cash flow from investing activities	-11.8	-2.6	-76.5	-26.2	-32.1
Cash flow from financing activities					
Changes in non-controlling interests	0.0	-3.0	-0.4	-3.0	-3.0
Acquisition of own shares	0.0	0.0	-1.5	-0.6	-0.6
Proceeds from and repayment of borrowings	14.7	4.6	78.1	13.8	-1.6
Repayment of lease liabilities	-7.5	-4.9	-21.3	-14.8	-19.8
Interest and other operational financial expenses	-2.6	-0.9	-5.8	-2.9	-4.0
Dividends paid and other profit distribution	0.0	0.0	-7.5	-4.9	-4.9
Net cash flow from financing activities	4.7	-4.3	41.6	-12.4	-33.9
Changes in cash and cash equivalents	-0.5	1.9	7.6	-6.5	-9.0
Cash at beginning of period	12.3	4.8	4.3	13.3	13.3
Cash at end of period	11.8	6.8	11.8	6.8	4.3

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). Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS). The information about the effects of the Agenda Decision on the company's income statement and financial position has been published in the financial statements 2021 and the figures of the comparison periods have been restated.

Pihlajalinna has entered into an interest rate swap agreement to hedge the interest rate risk of the new floating rate loan arrangement. Cash flow hedge accounting is applied to the interest rate swap, in which case the effective portion of the change in fair value is recognized in other comprehensive income. In other respects, this interim report applies the accounting policies presented in the consolidated financial statements for 2021. The amended standards published by IASB for adoption in 2022 do not have a material impact on Pihlajalinna's financial statements.

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 to be 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 key accounting estimates and decisions based on management judgement concerning revenue from customer contracts and impairment testing of goodwill are presented in the paragraph *Risks and uncertainties in business operations* in this interim report.

Revenue by region

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

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

EUR million	1–9/2022 9 months	1–9/2021 9 months	muutos-%	2021
Southern Finland	132.6	107.1	23.8 %	148.3
Mid-Finland	275.1	243.3	11.2 %	330.8
Ostrobothnia	99.3	96.2	3.2 %	128.3
Northern Finland	31.2	21.5	44.8 %	29.9
Other operations	18.5	9.2	100.8 %	13.4
Intra-Group sales	-54.6	-54.3	0.5 %	-73.0
Consolidated revenue	502.1	423.1	18.7 %	577.8

Sales revenue by customer group

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

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

EUR million	1–9/2022 9 months	1–9/2021 9 months	change %	2021
Corporate customers	160.1	98.6	62.4 %	137.7
of which insurance company customers	69.3	25.4	172.9 %	35.1
Private customers	74.9	61.9	21.0 %	85.2
Public sector	321.6	316.9	1.5 %	427.8
of which complete outsourcing	226.6	224.0	1.2 %	300.8
of which staffing	18.7	19.7	-4.7 %	26.1
of which occupational healthcare and other services	76.2	73.2	4.1 %	100.9
Intra-Group sales	-54.6	-54.3	0.5 %	-73.0
Consolidated revenue	502.1	423.1	18.7 %	577.8

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, in order to participate to the program, a key person must invest into Pihlajalinna shares.

Performance and quality-based share program shall comprise of four separate performance periods of one year each (calendar years 2022, 2023, 2024 and 2025). Potential share rewards shall be paid out after the performance periods in years 2023, 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 42 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 12.8 million. In case the program materializes in full, the above amount of shares equals approximately to 4.8 per cent of the total amount of the shares of the company.

Contingent liabilities and commitments

EUR million	30 Sep 2022	30 Sep 2021	2021
Collateral given on own behalf			
Sureties	4.2	4.4	4.4
Lease deposits	0.6	0.6	0.5
Properties' VAT refund liability	0.0	0.1	0.1
Lease commitments for off-balance sheet leases	0.9	0.7	0.8

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 3.5 (2.3) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects.

Changes in intangible assets

EUR million	30 Sep 2022	30 Sep 2021	2021
Acquisition cost at beginning of period	247.9	226.4	226.4
Additions	4.9	2.3	4.0
Business combinations	68.2	17.2	17.5
Transfers between items	0.0	0.0	0.1
Acquisition cost at end of period	321.0	245.9	247.9
Accumulated depreciation at beginning of period	-44.2	-37.4	-37.4
Depreciation and amortisation for period	-5.6	-5.0	-6.7
Transfers between items	0.0	0.0	-0.1
Accumulated depreciation at end of period	-49.8	-42.4	-44.2
Carrying amount at end of period	271.2	203.5	203.8

Changes in property, plant and equipment

EUR million	30 Sep 2022	30 Sep 2021	2021
Acquisition cost at beginning of period	104.2	94.2	94.2
Additions	17.9	6.9	10.9
Business combinations	0.8	0.0	0.0
Transfers between items	0.0	0.1	-0.2
Disposals	-0.4	-0.4	-0.8
Acquisition cost at end of period	122.5	100.9	104.2
Accumulated depreciation at beginning of period	-59.2	-50.2	-50.2
Depreciation and amortisation for period	-7.8	-6.8	-9.2
Transfers between items	0.0	-0.1	-0.1
Accumulated depreciation on disposals	0.1	0.2	0.3
Accumulated depreciation at end of period	-66.9	-57.0	-59.2
Carrying amount at end of period	55.6	43.9	45.0

Changes in right-of-use assets

EUR million	30 Sep 2022	30 Sep 2021	2021
Acquisition cost at beginning of period	192.3	182.9	182.9
Additions	19.1	8.1	9.8
Business combinations	105.7	2.8	2.8
Transfers between items	0.0	0.0	-0.7
Disposals	-4.1	-2.2	-2.5
Acquisition cost at end of period	313.0	191.6	192.3
Accumulated depreciation at beginning of period	-96.7	-80.1	-80.1
Depreciation and amortisation for period	-20.1	-14.0	-18.8
Transfers between items	0.0	0.0	0.7
Accumulated depreciation on disposals	1.4	1.3	1.4
Accumulated depreciation at end of period	-115.4	-92.8	-96.7
Carrying amount at end of period	197.6	98.8	95.6

Right-of-use assets and lease liabilities

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.

EUR million	Right-of-use asset items 30 Sep 2021	Lease liabilities 30 Sep 2021
Carrying amount at beginning of period	102.8	114.2
Changes	10.0	10.3
Depreciation and amortisation	-14.0	
Repayments of lease liabilities		-14.8
Carrying amount at end of period	98.8	109.7

On 30 September 2021, EUR 83.5 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 26.2 million were financial lease liabilities in accordance with previous accounting standards.

Financial Expenses

milj. euroa	7–9/2022 3 months	7–9/2021 3 months	1–9/2022 9 months	1–9/2021 9 months	2021 12
Financial Expenses					
Interest expenses from financial liabilities carried at amortised cost	-0.8	-0.5	-2.0	-1.3	-1.7
Interest expenses on lease liabilities	-0.9	-0.4	-2.5	-1.3	-1.7
Other financial expenses	-0.4	-0.1	-0.9	-0.3	-0.5
Total	-2.1	-0.9	-5.4	-2.9	-4.0

Financial assets and liabilities by measurement category

30 Sep 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 participa-	level 3	1.2			1.2	1.2
Lease deposits	level 2			0.6	0.6	0.6
Other receivables	level 2			0.4	0.4	0.4
Current financial assets						
Trade receivables				54.0	54.0	54.0
Interest derivatives	level 2		4.7		4.7	4.7
Cash and cash equivalents				11.8	11.8	11.8
Total		1.2	4.7	66.8	72.7	72.7

Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institu-	level 2			169.2	169.2	169.2
Lease liabilities	level 2			202.3	202.3	202.3
Other liabilities	level 2			0.6	0.6	0.6
Contingent considerations	level 3	0.1			0.1	0.1
Current financial liabilities						
Loans from financial institu-	level 2			1.1	1.1	1.1
Cheque account with credit						
Contingent considerations	level 3	0.3			0.3	0.3
Lease liabilities	level 2			27.5	27.5	27.5
Trade and other payables				32.1	32.1	32.1
Total		0.4		432.8	433.1	433.1

30 Sep 2021	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 participa-	level 3	1.5			1.5	1.5
Lease deposits	level 2			0.6	0.6	0.6
Other receivables	level 2					
Current financial assets						
Trade receivables				79.8	79.8	79.8
Cash and cash equivalents				6.8	6.8	6.8
Total		1.5		87.1	88.6	88.6

Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institu-	level 2			106.1	106.1	106.1
Lease liabilities	level 2			91.0	91.0	91.0
Other liabilities	level 2			0.6	0.6	0.6
Current financial liabilities						
Loans from financial institu-	level 2			1.3	1.3	1.3
Cheque account with credit						
Lease liabilities	level 2			18.7	18.7	18.7
Trade and other payables				46.6	46.6	46.6
Total				264.4	264.4	264.4

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.

Level 3: The fair value is not based on verifiable market information, and information on other circumstances affecting the value of the financial asset or liability is not available or verifiable. The Group's other shares and participations consist solely of shares in unlisted companies.

Liquidity risk

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

The Group aims to ensure the availability and flexibility of financing with adequate credit limits, a balanced maturity profile and sufficiently long maturities for borrowings, as well as by obtaining financing through several financial instruments.

Pihlajalinna rearranged its long-term debt financing with a sustainability-linked facility on 22 March 2022. An unsecured three-years with a two-year-option EUR 200 million financing arrangement was implemented with Danske Bank, OP Corporate Bank and Swedbank. Financing consists of a EUR 130 million long-term loan and a EUR 70 million revolving credit facility for the Group's general financing needs and acquisitions. The financing arrangement also includes an opportunity to 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 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 a total of EUR 41 million in unused committed credit limits. In addition, EUR 100 million of an additional credit limit, which is subject to separate credit decisions, is unused at the end of the review period.

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.

Financial liabilities repayment schedule

EUR million	Carrying amount at 30 Sep 2022	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	170.3	-7.0	-6.8	-172.1	0.0	
Lease liabilities	229.8	-30.8	-28.4	-25.1	-21.6	-136.9
Other interest-bearing liabilities	0.6	0.0	-0.1	-0.1	-0.1	-0.7
Contingent considerations	0.4	-0.3	-0.1			
Trade payables	32.1	-32.1				
Total	433.1	-70.3	-35.4	-197.2	-21.7	-137.6

EUR million	Carrying amount at 31 Dec 2021	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	92.1	-3.0	-91.0	-0.3		
Lease liabilities	106.2	-19.9	-16.2	-14.0	-11.9	-51.2
Other interest-bearing liabilities	0.6	0.0	-0.1	-0.1	-0.1	-0.7
Trade payables	52.6	-52.6				
Total	251.5	-75.5	-107.2	-14.4	-12.0	-52.0

Acquired business operations, Pohjola Hospital Ltd

Pihlajalinna acquired the entire share capital of Pohjola Hospital Ltd from Pohjola Insurance Ltd. The acquisition was completed on 1 February 2022. The purchase price allocation on the Pohjola Hospital acquisition is currently being finalized and will be completed within one year from the acquisition date, which will be by 31 January 2023. Pihlajalinna is releasing the preliminary purchase price allocation, as a result of which adjustments have been made to the opening balance sheet of the Pohjola Hospital. Fair value adjustments were mainly made to right-of-use assets, other provisions and deferred taxes. Pihlajalinna has updated preliminary adjustments as follows: right-of-use assets EUR -9.8 million, deferred tax assets EUR 0.6 million, other provisions EUR -0.8 million, financial lease liabilities EUR -6.0 million and goodwill EUR 2.0 million.

EUR million	2022
Consideration transferred	
Cash	35.2
Total acquisition cost	35.2

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

EUR million	2022
Property, plant and equipment	0.4
Intangible assets	6.0
Right-of-use assets	103.0
Deferred tax assets	3.8
Trade and other receivables	13.2
Cash and cash equivalents	1.8
Total assets	128.3
Deferred tax liabilities	1.1
Restructuring provision	0.7
Lease liabilities	125.8
Other liabilities	8.5
Total liabilities	136.0
Acquired net assets	-7.8

Preliminary goodwill generated in the acquisition:

EUR million	2022
Consideration transferred	35.2
Net identifiable assets of acquirees	7.8
Preliminary goodwill	43.0
Transaction price paid in cash:	35.2
Cash and cash equivalents of acquirees	-1.8
Preliminary effect on cash flow	33.4

Customer relationships, trademarks and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 5.0 million. The fair values have been determined through the use of income approach which requires forecasting of expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 43.0 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

Expenses related to the acquisition presented above, amounting to EUR 0.6 million, have been recognised in other operating expenses (IFRS 3 costs).

Acquired business operations, others

Pihlajalinna completed the acquisitions of Etelä-Savon Työterveys Oy, Lääkärikeskus Ikioma Oy and Punkkibussi® unit on 1 April 2022. Pihlajalinna completed the acquisition of Mediellen Oy on 1 September 2022. The purchase price allocations on the acquisitions are currently being finalized and will be completed within one year from the acquisition date. Preliminary information on the acquisitions is presented combined below because the acquisitions are not individually material:

EUR million	2022
Consideration transferred	
Cash	16.5
Contingent consideration	0.4
Total acquisition cost	16.9

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

EUR million	2022
Property, plant and equipment	0.4
Intangible assets	1.6
Right-of-use assets	2.7
Inventories	0.2
Trade and other receivables	1.4
Cash and cash equivalents	1.2
Total assets	7.5
Deferred tax liabilities	0.3
Provisions	0.1
Financial liabilities	0.1
Lease liabilities	2.7
Other liabilities	5.1
Total liabilities	8.2
Acquired net assets	-0.7

Preliminary goodwill generated in the acquisition:

EUR million	2022
Consideration transferred	16.9
Net identifiable assets of acquirees	0.7
Preliminary goodwill	17.6
Transaction price paid in cash:	16.5
Cash and cash equivalents of acquirees	-1.2
Preliminary effect on cash flow	15.3

Customer relationships, trademark and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 1.5 million. The fair values have been determined through the use of income approach which requires forecasting of expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 17.6 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

Expenses related to the acquisition presented above, amounting to EUR 0.3 million, have been recognised in other operating expenses (IFRS 3 costs).

Trade and other receivables

Due to the COVID-19 epidemic and the ongoing war in Ukraine, 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 behaviour of customers. The amount of receivables more than 90 days past due is significantly decreased due to the District Courts ruling in the dispute between Jämsän Terveys Oy and the City of Jämsä. Open trade receivables and other receivables from the City of Jämsä were offset against open trade payables and other liabilities to the City of Jämsä. The change in Jämsän Terveys Oy's trade receivables and other receivables during the review period was EUR -38.7 million. The change in Jämsän Terveys Oy's trade payables and other liabilities during the review period was EUR -37.4 million

The Group recognised impairment losses of EUR 0.8 (0.7) million on trade receivables.

EUR million	30 Sep 2022	31 Dec 2021
Trade receivables	54.0	79.7
Prepayments and accrued income	23.2	11.4
Current subleases	1.0	0.6
Other receivables	0.0	0.5
Total	78.2	92.1

Age distribution of trade receivables

EUR million	30 Sep 2022	of which written down	Net 30 Sep 2022	31 Dec 2021	of which written down	Net 31 Dec 2021
Not yet due	33.0	0.0	33.0	25.9	0.0	25.9
Past due						
Less than 30 days	4.5	0.0	4.5	4.2	0.0	4.1
30–60 days	1.8	-0.1	1.7	2.3	-0.1	2.3
61–90 days	0.8	-0.2	0.7	2.0	-0.1	1.8
More than 90 days	14.7	-0.5	14.2	46.1	-0.5	45.6
Total	54.8	-0.8	54.0	80.4	-0.7	79.7

Quarterly information

EUR million	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21 ¹⁾	Q2/21 ¹⁾	Q1/21 ¹⁾	Q4/20 ¹⁾
INCOME STATEMENT								
Revenue	165.2	173.7	163.1	154.7	140.6	142.5	139.9	137.2
EBITDA	18.1	15.6	9.3	14.5	18.2	15.0	14.9	15.1
EBITDA, %	10.9	9.0	5.7	9.4	12.9	10.5	10.6	11.0
Adjusted* EBITDA	18.9	16.9	16.5	14.9	19.3	15.9	15.2	15.8
Adjusted* EBITDA, %	11.4	9.7	10.1	9.6	13.8	11.1	10.9	11.5
Depreciation and amortisation	-11.5	-11.5	-10.5	-9.0	-8.8	-8.5	-8.5	-8.3
Operating profit (EBIT)	6.6	4.1	-1.2	5.6	9.4	6.5	6.4	6.8
Operating profit, %	4.0	2.4	-0.7	3.6	6.7	4.6	4.6	4.9
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) ²⁾	9.4	7.3	7.8	7.8	12.3	8.9	8.3	9.0
Adjusted EBITA, % ²⁾	5.7	4.2	4.8	5.1	8.7	6.3	5.9	6.5
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial expenses	-2.1	-1.7	-1.6	-1.1	-0.9	-1.0	-1.0	-1.1
Profit before taxes (EBT)	4.5	2.5	-2.7	4.6	8.5	5.6	5.5	5.7
Income tax	-0.5	-0.3	5.2	-1.2	-1.7	-1.1	-1.1	-2.8
Profit for the period	4.0	2.1	2.6	3.3	6.8	4.5	4.4	2.9
Share of the result for the period attributable to owners of the parent company	3.3	1.7	5.3	4.3	7.0	4.3	4.5	3.4
Share of the result for the period attributable to non-controlling interests	0.8	0.4	-2.7	-0.9	-0.1	0.2	-0.1	-0.5
EPS	0.14	0.08	0.23	0.19	0.31	0.19	0.20	0.15
Average number of personnel (FTE)	5,092	5,061	4,819	4,746	4,731	4,665	4,444	4,308
Change in personnel during the quarter	31	243	73	15	66	221	136	5

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

²⁾ The definition of adjustment items has changed: in addition to the former definition, adjustment items include costs of business acquisitions and costs recognised in relation to the IFRS Interpretations Committee's new Agenda Decision regarding cloud services, and reversals of depreciation

Calculation of key financial figures and alternative performance measures

Key figures		
Earnings per share (EPS)	$\frac{\text{Profit for the financial period attributable to owners of the parent company}}{\text{Average number of shares during the financial year}}$	
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, 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. In addition, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

Reconciliations with alternative key figures and ratios

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

Reading notes:

/	divide by the following number(s)
-	deduct the following number(s)
+	add the following number(s)

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Return on equity (ROE), %					
Profit for period (rolling 12 months)/			12.1	18.7	19.1
Equity (average) x 100			124.2	116.7	118.4
Return on equity (ROE), %			9.7	16.0	16.1

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

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			8.9	25.4	24.2
Financial expenses (rolling 12 months)			6.5	4.0	4.0
/			15.4	29.3	28.2
Total statement of financial position at beginning of period -			457.1	441.3	441.3
non-interest-bearing liabilities at beginning of period			135.5	119.0	119.0
			321.6	322.3	322.3
Total statement of financial position at end of period -			648.5	465.3	457.1
Non-interest-bearing liabilities at end of period			122.0	128.4	135.5
			526.5	337.0	321.6
Average x 100			424.0	329.6	321.9
Return on capital employed (ROCE), %			3.6	8.9	8.8

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	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Equity ratio, %					
Equity/			125.9	119.2	122.6
Total statement of financial position -			648.5	465.3	457.1
Advances received x 100			1.0	1.2	0.9
Equity ratio, %			19.4	25.7	26.9

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

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Gearing, %					
Interest-bearing financial liabilities –			400.6	217.7	199.0
Cash and cash equivalents/			11.8	6.8	4.3
Equity x 100			125.9	119.2	122.6
Gearing, %			308.9	176.9	158.8

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	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Net debt/adjusted EBITDA, rolling 12 months					
Interest-bearing financial liabilities -			400.6	217.7	199.0
Cash and cash equivalents			11.8	6.8	4.3
Net debt/			388.8	211.0	194.7
Adjusted EBITDA (rolling 12 months)			67.1	66.2	65.3
Net debt/adjusted EBITDA, rolling 12 months			5.8	3.2	3.0

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	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Interest-bearing net debt, excluding IFRS 16, %					
Interest-bearing financial liabilities excluding IFRS 16 -			194.0	134.2	118.1
Cash and cash equivalents/			11.8	6.8	4.3
Equity x 100			130.1	121.9	125.4
Interest-bearing net debt, excluding IFRS 16, %			140.0	104.6	90.8

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16					
Interest-bearing financial liabilities excluding IFRS 16 -			194.0	134.2	118.1
Cash and cash equivalents			11.8	6.8	4.3
Net debt/			182.2	127.5	113.8
Adjusted EBITDA excluding IFRS 16 (rolling 12 months)			45.3	50.5	49.3
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16			4.0	2.5	2.3

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
EBITDA and Adjusted EBITDA					
Profit for period	4.0	6.8	8.7	15.7	19.1
Income tax	-0.5	-1.7	4.4	-3.9	-5.1
Financial expenses	-2.1	-0.9	-5.4	-2.9	-4.0
Financial income	0.1	0.1	0.3	0.2	0.2
Depreciation, amortisation and impairment	-11.5	-8.8	-33.5	-25.7	-34.7
EBITDA	18.1	18.2	42.9	48.1	62.6
IFRS 3 costs	0.1	0.5	1.1	1.2	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.0	0.0	0.2	0.5	0.6
Other EBITDA adjustments	0.6	0.6	8.0	0.7	0.7
Total EBITDA adjustments ¹⁾	0.8	1.1	9.3	2.4	2.7
Adjusted EBITDA	18.9	19.3	52.2	50.4	65.3

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

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
EBITDA, %					
EBITDA/	18.1	18.2	42.9	48.1	62.6
Revenue x 100	165.2	140.6	502.1	423.1	577.8
EBITDA, %	10.9	12.9	8.6	11.4	10.8

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Adjusted EBITDA, %					
Adjusted EBITDA/	18.9	19.3	52.2	50.4	65.3
Revenue x 100	165.2	140.6	502.1	423.1	577.8
Adjusted EBITDA, %	11.4	13.8	10.4	11.9	11.3

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	4.0	6.8	8.7	15.7	19.1
Income tax	-0.5	-1.7	4.4	-3.9	-5.1
Financial expenses	-2.1	-0.9	-5.4	-2.9	-4.0
Financial income	0.1	0.1	0.3	0.2	0.2
Operating profit (EBIT)	6.6	9.4	9.5	22.4	27.9
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation) -	-0.1	-0.1	-0.3	-0.2	-0.3
Other adjustments to amortisation and impairment	0.1		0.1	-0.2	0.0
Total EBITDA adjustments ¹⁾	0.8	1.1	9.3	2.4	2.7
Total operating profit (EBIT) adjustments	0.8	1.1	9.0	2.0	2.4
Adjusted operating profit (EBIT)	7.3	10.5	18.5	24.3	30.3
PPA amortisation	0.7	0.8	2.0	2.2	3.0
Amortisation and impairment of other intangible assets	1.4	1.0	3.9	2.9	4.0
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3	0.2	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.4	12.3	24.4	29.5	37.3

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 basis.

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Operating profit (EBIT), %					
Operating profit/	6.6	9.4	9.5	22.4	27.9
Revenue x 100	165.2	140.6	502.1	423.1	577.8
Operating profit (EBIT), %	4.0	6.7	1.9	5.3	4.8

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Adjusted operating profit (EBIT), %					
Adjusted operating profit/	7.3	10.5	18.5	24.3	30.3
Revenue x 100	165.2	140.6	502.1	423.1	577.8
Adjusted operating profit (EBIT), %	4.4	7.4	3.7	5.7	5.3

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %					
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) /	9.4	12.3	24.4	29.5	37.3
Revenue x 100	165.2	140.6	502.1	423.1	577.8
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	5.7	8.7	4.9	7.0	6.5

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Cash flow after investments					
Net cash flow from operating activities	6.7	8.8	42.4	32.1	56.9
Net cash flow from investing activities	-11.8	-2.6	-76.5	-26.2	-32.1
Cash flow after investments	-5.2	6.2	-34.1	5.8	24.9

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	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Profit before taxes					
Profit for period	4.0	6.8	8.7	15.7	19.1
Income tax	-0.5	-1.7	4.4	-3.9	-5.1
Profit before taxes	4.5	8.5	4.4	19.6	24.2

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Gross investments					
Property, plant and equipment at end of period	55.6	43.9	55.6	43.9	45.0
Right-of-use assets at end of period	197.6	98.8	197.6	98.8	95.6
Other intangible assets at end of period	21.7	14.9	21.7	14.9	14.9
Goodwill at end of period	249.5	188.6	249.5	188.6	188.9
Depreciation, amortisation and impairment for period are added	11.5	8.8	33.5	25.7	34.7
-					
Property, plant and equipment at beginning of period	54.6	44.2	45.0	44.0	44.0
Right-of-use assets at beginning of the period	198.2	97.4	95.6	102.8	102.8
Other intangible assets at beginning of period	22.3	15.7	14.9	15.3	15.3
Goodwill at beginning of period	249.1	188.6	188.9	173.6	173.6
Proceeds from the sale of property, plant and equipment during period	-0.2	-0.2	-2.9	-1.2	-1.5
Gross investments	12.0	9.3	216.5	37.3	44.8

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Organic revenue growth, %					
Revenue for period -	165.2	140.6	502.1	423.1	577.8
Revenue from M&A transactions during period	20.0	3.6	55.6	7.4	11.0
Revenue for previous period	140.6	123.9	423.1	371.5	508.7
Organic revenue growth /	4.6	13.2	23.4	44.2	58.1
Revenue for previous period x 100	140.6	123.9	423.1	371.5	508.7
Organic revenue growth, %	3.3	10.6	5.5	11.9	11.4
Revenue growth due to M&A transactions, %	14.3	2.9	13.1	2.0	2.2
Revenue growth	24.6	16.8	79.0	51.6	69.1
Revenue growth, %	17.5	13.5	18.7	13.9	13.6

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

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

Description of adjustment items applied to adjusted EBITDA and adjusted operating

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
EBITDA	18.1	18.2	42.9	48.1	62.6
Adjustments to EBITDA					
Dismissal-related expenses	0.2	0.1	0.5	0.4	0.4
Costs arising from integration of acquired businesses	0.4		1.8		
District Court's ruling, Jämsän Terveys			4.7		
Onerous contracts				-0.2	-0.2
IFRS 3 costs	0.1	0.5	1.1	1.2	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.0	0.0	0.2	0.5	0.6
Other items with cash flow effect		0.5	0.4	0.5	0.5
Other items with no cash flow effect			0.7		
Adjustments to EBITDA in total	0.8	1.1	9.3	2.4	2.7
Adjusted EBITDA	18.9	19.3	52.2	50.4	65.3
Depreciation, amortisation and impairment	-11.5	-8.8	-33.5	-25.7	-34.7
Adjustments to depreciation, amortisation and impairment					
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.3	-0.2	-0.3
Closure of operating locations	0.1		0.1	-0.2	0.0
Adjustments to depreciation, amortisation and impairment in total	0.0	-0.1	-0.2	-0.4	-0.3
Adjustments to operating profit in total	0.8	1.1	9.0	2.0	2.4
Adjusted operating profit (EBIT)	7.3	10.5	18.5	24.3	30.3
PPA amortisation	0.7	0.8	2.0	2.2	3.0
Other amortisation and impairment of intangible assets	1.3	0.9	3.6	2.7	3.7
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3	0.2	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.4	12.3	24.4	29.5	37.3
Operating profit (EBIT)	6.6	9.4	9.5	22.4	27.9

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

EUR million	7–9/2022 3 months	7–9/2021 ¹⁾ 3 months	1–9/2022 9 months	1–9/2021 ¹⁾ 9 months	2021
Revenue			2.4		
Materials and services			2.0		
Employee benefit expenses	0.3	0.1	1.2	0.4	0.4
Other operating expenses	0.5	1.1	3.6	2.0	2.3
EBITDA adjustment items total	0.8	1.1	9.3	2.4	2.7
Depreciation, amortisation and impairment	0.0	-0.1	-0.2	-0.4	-0.3
Operating profit adjustment items total	0.8	1.1	9.0	2.0	2.4

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