



Pihlajalinna

Financial Statements Release

1 January–31 December 2023



Strong profitability and cash flow in the fourth quarter, write-downs reduced profit

This financial statements release is unaudited. The comparison figures in brackets refer to the corresponding period in the previous year.

A brief look at October–December:

- Revenue amounted to EUR 183.0 (188.4) million – a decrease of EUR -5.4 million, or -2.9 per cent. The divestment of dental care services and reduction in COVID-19 services¹⁾ and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -17.4 million, or -9.3 per cent.
- Without COVID-19 services and the decrease in the cost liability of demanding specialised care, organic growth³⁾ was EUR 11.6 million, or 6.2 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 9.9 (2.2) million.
- Net cash flow from operating activities amounted to EUR 26.1 (22.5) million.
- Negotiations related to open receivables with former outsourcing partners did not lead to the desired outcome during the financial year, and the company is considering legal actions for debt recovery. Consequently, these items no longer met the definition of receivables on the financial statements date, and Pihlajalinna classified the items as contingent off-balance sheet assets. The write-down of the receivables amounted to EUR 8.2 million.
- Pihlajalinna has reviewed its non-current investments, the valuation of its interests in associates and loan receivables. Based on that review, a write-down of EUR 2.4 million was recognised during the quarter.
- Earnings per share (EPS) was EUR -0.25 (-0.03). The write-downs in the quarter decreased the company's earnings per share EUR 0.37.

A brief look at January–December:

- Revenue amounted to EUR 720.0 (690.5) million – an increase of EUR 29.5 million, or 4.3 per cent. The divestment of dental care services and reduction in COVID-19 services¹⁾ and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -59.9 million, or -8.7 per cent.
- Without COVID-19 services and the decrease in the cost liability of demanding specialised care, organic growth³⁾ was EUR 72.9 million, or 10.6 per cent.
- The effect of M&A transactions²⁾ on revenue growth was EUR 16.2 million, or 2.3 per cent.
- Adjusted EBITA³⁾ before the amortisation and impairment of intangible assets was EUR 37.8 (26.7) million – an increase of 41.5 per cent.
- Net cash flow from operating activities amounted to EUR 79.0 (64.9) million.
- Pihlajalinna issued a EUR 20 million hybrid bond on 27 March 2023. The issue ensures that the Group has leeway in executing its strategy and improving its financial position.
- Earnings per share (EPS) was EUR 0.19 (0.42). The write-downs in the financial statements decreased the company's earnings per share EUR 0.37.
- According to the Pihlajalinna's specified dividend policy, Pihlajalinna aims to distribute dividend or capital repayment minimum of one-third of the earnings per share, taking into account the company's financial position and strategy.
- The Board of Directors proposes that a dividend of EUR 0.07 per share be paid for the financial year that ended on 31 December 2023.

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

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

³⁾ Alternative performance measure. In addition to the IFRS figures, Pihlajalinna presents additional, alternative performance indicators which the company monitors internally and which provide the company's management, investors, stock market analysts and other stakeholders with important additional information concerning the company's financial performance, financial position and cash flows. These performance indicators should not be reviewed separately from the IFRS figures and they should not be considered to replace the IFRS figures.

	10–12/2023 3 months	10–12/2022 3 months	change %	1–12/2023 12 months	1–12/2022 12 months	change %
INCOME STATEMENT						
Revenue, EUR million	183.0	188.4	-2.9	720.0	690.5	4.3
EBITDA, EUR million	11.6	11.5	1.6	72.5	54.4	33.2
EBITDA, %	6.4	6.1		10.1	7.9	
Adjusted EBITDA, EUR million ¹⁾	20.7	12.0	72.2	80.6	64.2	25.5
Adjusted EBITDA, % ¹⁾	11.3	6.4		11.2	9.3	
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million ¹⁾	9.9	2.2	339.8	37.8	26.7	41.5
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ¹⁾	5.4	1.2		5.2	3.9	
Operating profit (EBIT), EUR million	-1.9	-0.6	241.9	20.6	8.9	131.2
Operating profit (EBIT), %	-1.1	-0.3		2.9	1.3	
Adjusted operating profit (EBIT), EUR million ¹⁾	7.7	0.1		29.1	18.6	56.3
Adjusted operating profit (EBIT), % ¹⁾	4.2	0.0		4.0	2.7	
Profit before tax (EBT), EUR million	-6.1	-2.8	118.1	8.2	1.5	428.3
SHARE-RELATED INFORMATION						
Earnings per share (EPS), EUR	-0.25	-0.03	703.9	0.19	0.42	-55.5
Equity per share, EUR				6.56	5.50	19.3
Dividend per share, EUR (Board of Directors Proposal)				0.07	-	-
OTHER KEY FIGURES						
Return on capital employed (ROCE), %				4.0	2.3	75.9
Return on equity (ROE), %				3.4	6.2	-44.9
Equity ratio, %				22.0	18.6	18.5
Gearing, %				243.9	313.8	-22.3
Interest-bearing net debt, EUR million				352.7	385.7	-8.5
Net debt/adjusted EBITDA, 12 months ¹⁾				4.4	6.0	-27.1
Gearing, excluding IFRS 16, %				93.6	139.95	-33.2
Interest-bearing net debt excluding IFRS 16, EUR million				142.0	178.6	-20.5
Net debt/adjusted EBITDA, excluding IFRS 16, 12 months ¹⁾				2.7	4.4	-38.5
Gross investments, EUR million ²⁾	4.7	18.0		66.5	234.5	-71.7
Cash flow from operating activities, EUR million	26.1	22.5	16.4	79.0	64.9	21.8
Cash flow after investments, EUR million	22.5	15.5		60.5	-18.6	426.2
Average number of personnel (FTE)				4,923	4,851	1.5
Personnel at the end of the period (NOE)				6,880	7,016	-1.9
Practitioners at the end of the period				2,208	1,812	21.9
NPS, private clinics				79.1	77.1	2.59
NPS, municipal outsourcing activities				74.7	72.3	3.32

¹⁾ Significant transactions that are not part of the normal course of business, are related to business acquisition or divestment costs (IFRS 3), are infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between financial years. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing businesses and business locations, gains and losses on the sale of businesses, cost arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships as well as fines and corresponding compensation payments. Pihlajalinna presents costs concerning cloud computing arrangements, and reversals of amortisation, as adjustment items.

EBITDA adjustments in the quarter amounted to EUR 9.1 (0.6) million and EUR 8.1 (9.8) million in the financial year. Adjustments to operating profit in the quarter amounted to EUR 9.6 (0.6) million and EUR 8.5 (9.7) million in the financial year.

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

Pihlajalinna's outlook for 2024

In 2024, Pihlajalinna will focus on organic growth and improving its profitability and financial position.

- The Group expects the consolidated revenue to increase from the previous year's level (EUR 720.0 million in 2023).
- The Group expects the adjusted operating profit before the amortization and impairment of intangible assets (EBITA) to improve from the previous year's level (EUR 37.8 million in 2023).
- The Group continues measures to strengthen its financial position. Efficiency measures are expected to improve Pihlajalinna's profitability.

Slowed economic growth, weakened consumer confidence and changes in market interest rates may affect Pihlajalinna's service demand and financial result more than expected. Price increases are expected to compensate the effects of cost inflation.

Tuomas Hyyryläinen, CEO:

Pihlajalinna's year 2023 was in many ways eventful and occasionally challenging. However, we succeeded operationally well - the company's revenue and comparable profitability reached record levels. Additionally, sickness-related absences reduced and the satisfaction of both personnel and customers increased. This was made possible by focusing determinedly throughout the year on strengthening the company's profitability and financial position, focusing on our customers and quality as well as developing the company's leadership and the well-being of the personnel.

Pihlajalinna's full-year revenue in 2023 increased to EUR 720.0 (690.5) million, despite a EUR 59.9 million decrease in revenue due to the removal of the cost liability for demanding specialised care in the wellbeing services counties of Pirkanmaa and Central Finland, the decrease in COVID-19 services and the divestment of dental care services. Organic growth was over 10 per cent and the customer volumes of private clinics grew by 8 per cent year-on-year. Revenue increased particularly by the insurance company customer group, driven by our hospital operations, and occupational healthcare services, where we take care of more than 280,000 customers. The growth in supply was driven by the successful recruitment of professionals which are extremely important to us. At the end of 2023, the number of practitioners at Pihlajalinna was 2,208 (1,812), representing an increase of 22 per cent.

Pihlajalinna's adjusted EBITA developed consistently during the year. The measures we initiated to strengthen profitability yielded results despite of the challenges caused by cost inflation. Adjusted EBITA increased 41.5 per cent reaching the highest level in history of Pihlajalinna EUR 37.8 (26.7) million. The improved profitability was attributable to the successful increasing of supply and achieved economies of scale, price adjustments that compensated inflation and several efficiency improvement measures.

The wellbeing services counties began their operations at the beginning of 2023 and resulted in many changes in the Pihlajalinna's operating environment. The transfer of the cost liability for the demanding specialised care to the wellbeing services counties of Pirkanmaa and Central Finland reduced annual revenue by 33.1 million euros but improved the predictability of the Group's business. In South Ostrobothnia, negotiations on the matter have continued. As a result of the establishment of the wellbeing services counties, we aimed in 2023 to finalise the negotiations related to open receivables with previous contract counterparties. The negotiations did not lead to the desired outcome, and consequently we made a EUR 8.2 million write-down to receivables from our previous contract counterparties. This negatively affected our earnings per share.

The work initiated towards improving the well-being amongst our personnel are reflected in reduced sickness-related absences and enhanced satisfaction of our personnel. Additionally, satisfaction of our customers has increased in all our customer groups. We are on the right path, but there is still plenty of potential to develop everyday work of our professionals. This further strengthens the provision of high-quality and impactful services.

The healthcare services market is growing, especially with the increasing demand for private health insurance and the growth in the need for public healthcare services. Cost inflation regarding the development of wages in the sector is expected to continue and the spring wage negotiations are expected to be challenging. There's a busy and promising year ahead of us. We expect our revenue and adjusted EBITA to increase compared to 2023.

I want to take this opportunity to thank everyone at Pihlajalinna for the past year – you made our success possible. I also wish to thank all our customers for their trust in our services. I believe that consistency, purposefulness, and collaborative efforts will lead us in the right direction and make us even more impactful for all of Pihlajalinna's stakeholders.

Efficiency improvement program 2023

During the year, Pihlajalinna has made price increases to its services, conducted change negotiations, scaled down its network of operating locations, simplified the operating model in private healthcare services and clarified the business portfolio by divesting dental care services. The change negotiations and the downscaling of the network of operating locations will produce annual cost savings of approximately EUR 5 million. At the end of the year, the company again identified and initiated several new efficiency measures, particularly in the outsourcing business. The impacts of these measures will be gradually reflected in the company's improving financial performance. Pihlajalinna has also paid special attention to promoting the work ability of its personnel. The measures have had a positive effect on sickness-related absences. At the end of the year, the sickness-related absence rate was 5.7 (6.7) per cent.

The cost liability for demanding specialised care under complete outsourcing agreements were transferred to the wellbeing services counties of Pirkanmaa and Central Finland in accordance with the current legislation. In the wellbeing services county of Pirkanmaa, the company's cost liability ended on 1 January 2023 and in the wellbeing services county of Central Finland, the company's cost liability ended on 1 July 2023. The transfer of the cost liability reduced revenue by approximately EUR 33.1 million but improved the predictability of Group's business.

To strengthen its financial position, the company issued a hybrid bond of EUR 20 million in March 2023. The net proceeds from the transaction were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility. Due to improved profitability, the divestment of dental care services and the issue of hybrid capital securities, the company's financial position improved significantly and the waiver terms of the creditor banks ceased to be in effect in April 2023, which reduced the cost of the company's debt financing.

The operating environment

The demand for healthcare services in Finland

The size of the Finnish healthcare service market is estimated to be about EUR 15 billion, of which approximately 75 per cent is funded and produced by the public sector. During 2023, the use of healthcare services was considerably higher than in the previous year (Nordea Kulutusmittari 12/2023). The demand for private medical expense insurance is also continuing to grow. Over 1.3 million people are already covered by private medical expenses insurance in Finland. Of these, approximately 466,000 are children, 556,000 adults and 285,000 insured through companies.

Queues for treatment and the care guarantee

Queues for non-urgent specialised care continue to grow in the public sector. According to the National Institute for Health and Welfare, nearly 178,000 patients were waiting for access to non-urgent specialised care at the end of August 2023. Of these, 17 per cent had been waiting for access to care for over six months.

The legislation concerning the care guarantee in primary care was amended on 1 September 2023. Following the amendment, patients must receive access to care within 14 days of the assessment of the need for care, compared to three months under the previous legislation. This led to a levelling off in the trend of growing queues for treatment, which had continued for the two preceding years. Waiting times decreased in October 2023. In outpatient care in October, 82 per cent of appointments took place within a week and 89 per cent within two weeks. From November 2024 onwards, patients must receive access to care within seven days.

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

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

The new government programme aims to control the increase of the costs of social and healthcare services, tighten the management of the wellbeing services counties, and increase the share of private companies in the provision of legally required social and healthcare services. In the government programme, a total of EUR 335 million has been allocated to reducing queues for treatment. The more active use of service vouchers and other outsourced services to shorten the queues for treatment is evident in the wellbeing services counties, for example in North Savo and Western Uusimaa. In the HUS area particularly queues for treatment in artificial joint and back surgery and neurosurgery are reduced. In September 2023, the Ministry of Social Affairs and Health announced that the Kela reimbursements for private medical appointments will increase from EUR 8 to an average of EUR 30 for in-person consultations and EUR 25 for remote consultations. The change took effect at the beginning of 2024.

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

The labour shortages in the social and healthcare sector make access to treatment slower, and the recruitment of competent personnel is challenging. The 2023 labour forecast for the municipal sector estimates

that the shortage of social and healthcare service professionals in the public sector alone was nearly 38,000 persons in 2022. The Ministry of Finance estimates that as many as 200,000 new workers will be needed in social and healthcare services over the period 2020–2035.

The implementation of the 0.7 staffing ratio for 24-hour elderly care is postponed from 2023 to 2028 due to the new government programme. The government programme also notes that the staffing ratio should be met by utilising all employee groups approved by law and leveraging the opportunities presented by technology.

The two-year collective agreement for the private healthcare service sector (TPTES) will expire in the spring of 2024. In accordance with the current terms and conditions, the monthly wages and pay scales were increased by a total of 2.95 per cent in 2023. The collective bargaining negotiations are expected to be difficult in spring 2024, and industrial action is also likely. The collective agreement for the private social services sector (SOSTES) will remain in force until the end of 2025, and wages will increase by a total of 13.07 per cent during the agreement period.

Economic forecasts and inflation

The Finnish economy is in a recession, and the increase in prices, tighter monetary policy and weak export demand are weighing down economic growth. Inflation slowed down during 2023, partly due to the decrease in energy prices, which supports household purchasing power. High interest rates dampen the growth of both private consumption and investments in the coming years, and the economic growth forecast of Ministry of Finance for 2024 is only 0.7 per cent. In 2025, economic growth is projected to accelerate to 2.0 per cent.

Sustainability

In 2023, Pihlajalinna continued to systematically develop its sustainability programme and prepare for CSRD-compliant sustainability reporting in the future. Pihlajalinna's information on 2023 is still reported under the GRI framework.

In the last quarter of 2023, Pihlajalinna completed its first double materiality analysis (DMA) to identify the company's impacts on the environment and society, and the resulting financial business risks and opportunities. The assessment took into account the special characteristics of Pihlajalinna's business model and value chain. This enables the company to progress towards CSRD-compliant reporting on the year 2024 in 2025.

Pihlajalinna continued its efforts to promote the work ability and job satisfaction of its personnel in 2023. One of the company's key performance indicators is eNPS, which measures the satisfaction of the personnel. The Group's overall eNPS improved to +4 (-1). During the financial year, Pihlajalinna continued the collaboration project to promote work ability management with pension insurance companies, which began in 2022. One of the main objectives of the project is to reduce sickness-related absences. The full-year sickness-related absence rate for 2023 was 5.7 (6.7*) per cent.

The company actively monitors its Net Promoter Score (NPS) to measure customer satisfaction, which is also one of Pihlajalinna's key sustainability indicators. Customer satisfaction continued to develop favourably. The NPS for appointments was 79.1 (77.1). The NPS for complete and partial outsourcing arrangements was 74.7 (72.3).

Pihlajalinna provides high-quality and impactful healthcare services. The prevention of illness is in everyone's interest and helps reduce costs in the long term. Pihlajalinna invests in services that can help reduce prolonged sickness-related absences, permanent disability, and costs to the employer and society. Focusing

on prevention is a key objective, especially in occupational healthcare. This is monitored on a vocational group-specific basis. In 2023, preventive work accounted for 65.8 (61.1) per cent of invoicing for occupational healthcare physicians and 81.4 (79.7) per cent of invoicing for occupational healthcare nurses.

The objective of surgical operations is to implement a quick and high-quality chain of care, enabling quick recovery and rehabilitation for patients who require surgery. Access to treatment within the target time is an important indicator of the effectiveness of surgical operations and chain of care for accident insurance customers. The target time for access to surgical procedures for customers who are unable to work is five weekdays. In 2023, 81.8** per cent of customers accessed treatment within the target time.

* The calculation of the sickness-related absence rate has been adjusted to correspond to the generally used model defined by the Confederation of Finnish Industries.

** The reporting on 2023 only covers March–December due to a change in the reporting system.

Consolidated revenue and result

	10–12/2023 3 months	10–12/2022 3 months	change	1–12/2023 12 months	1–12/2022 12 months	change
Revenue, EUR million	183.0	188.4	-5.4	720.0	690.5	29.5
Revenue from COVID-19 services	0.2	2.8	-2.6	0.9	16.7	-15.9
M&A transactions effect on revenue	0.0	22.4	-22.4	16.2	77.8	-61.6
Revenue from divested services	0.0	4.5	-4.5	4.8	16.7	-12.0
Revenue from demanding specialised care	12.2	22.6	-10.4	57.0	90.1	-33.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	9.9	2.2	7.6	37.8	26.7	11.1
Profit before tax (EBT), EUR million	-6.1	-2.8	-3.3	8.2	1.5	6.6
Income tax, EUR million	-0.3	1.7	-2.0	-3.6	6.1	-9.7
Profit for the period, EUR million	-6.4	-1.1	-5.3	4.6	7.7	-3.1
Earnings per share (EPS), EUR	-0.25	-0.03	-0.2	0.19	0.42	-0.23

October–December 2023

Pihlajalinna's revenue amounted to EUR 183.0 (188.4) million, a decrease of EUR -5.4 million, or -2.9 per cent. The divestment of dental care services and reduction in COVID-19 services and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -17.4 million, or -9.3 per cent. Without COVID-19 services and the decrease in the cost liability for demanding specialised care, organic growth was EUR 11.6 million, or 6.2 per cent.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 9.9 (2.2) million. The adjusted EBITA margin was 5.4 (1.2) per cent. Adjustments to EBIT amounted to EUR 9.6 (0.6) million. The profitability of private clinics improved due to price increases and the growth of supply, although the supply in December fell to some extent short of the goals. The profitability of occupational health services improved due to price increases and the growth of the customer base. The efficiency improvement measures initiated in 2022 in public sector services improved the profitability of primary care and social services in complete outsourcing arrangements. The reduction of the cost liability for demanding specialised care and the divestment of dental care services also had a positive impact on profitability.

As a result of the establishment of the wellbeing services counties, Pihlajalinna aimed in 2023 to finalise the negotiations related to open receivables with previous contract counterparties, namely the municipalities of Jämsä, Parkano and Mänttä-Vilppula. The negotiations did not lead to the desired outcome. The company has commenced legal actions for debt recovery with regard to some of the receivables, and is considering legal actions to recover the other receivables. Consequently, the items in question no longer met the

definition of contract assets at the end of the financial year, and Pihlajalinna has booked these items as expenses in the income statement. The items are classified as contingent off-balance sheet assets in accordance with IAS 37. Contingent assets are not recognised in the financial statements. The change in classification had the following effects on EBITDA: a decrease of EUR 1.4 million for Jämsän Terveys Oy, a decrease of EUR 4.8 million for Mäntänvuoren Terveys Oy, a decrease of EUR 1.3 million for Kolmostien Terveys Oy, and a decrease of EUR 0.4 million for Pihlajalinna Terveys Oy. The items, which may have a delayed effect on the profitability of complete outsourcing agreements according to the management's estimate, reduced EBITDA by a total of EUR 7.8 million and are presented as EBITDA adjustments. The entries also had a negative effect of EUR 0.4 million on financial items. The quarter's profit before taxes the entries reduced total of EUR 8.2 million and earnings per share by EUR 0.26.

Pihlajalinna has carried out impairment testing concerning its non-current investments and its interests in associates and loan receivables. Based on this, impairments of EUR 2.4 million were recognised. During the quarter, the impairments reduced EBITDA by a total of EUR 0.5 million and EBITA by EUR 1.1 million. The entries have been treated as adjustments to EBITDA and EBITA. The entries had a negative effect of EUR 1.2 million on financial items. Earnings per share for the quarter was reduced by EUR 0.11 due to the impairments.

Pihlajalinna's EBIT was EUR -1.9 (-0.6) million, a decrease of EUR -1.4 million.

The Group's net financial expenses amounted to EUR -4.2 (-2.3) million. Pihlajalinna's interest expenses increased due to the higher market interest rates. Profit before taxes amounted to EUR -6.1 (-2.8) million. Taxes in the income statement amounted to EUR -0.3 (1.7) million. The impairments recognised during the quarter are not fully tax-deductible.

Profit came to EUR -6.4 (-1.1) million. Earnings per share (EPS) was EUR -0.25 (-0.03). Impairments recognised during the quarter reduced the company's earnings per share by a total of EUR 0.37.

January–December 2023

Pihlajalinna's revenue totalled EUR 720.0 (690.5) million, an increase of EUR 29.5 million, or 4.3 per cent. The divestment of dental care services and reduction in COVID-19 services and in the cost liability of demanding specialised care decreased consolidated revenue by EUR -59.9 million, or -8.7 per cent. Without COVID-19 services and the removal of the cost liability for demanding specialised care, organic growth was EUR 72.9 million, or 10.6 per cent. M&A transactions amounted for EUR 16.2 million, or 2.3 per cent, of the growth in revenue.

EBITDA was EUR 72.5 (54.4) million, an increase of EUR 18.1 million, or 33.2 per cent. Adjusted EBITDA was EUR 80.6 (64.2) million, an increase of EUR 16.4 million, or 25.5 per cent. EBITDA adjustments totalled EUR 8.1 (9.8) million.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 37.8 (26.7) million, an increase of EUR 11.1 million, or 41.5 per cent. The adjusted EBITA margin was 5.2 (3.9) per cent.

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

The efficiency improvement measures that started in 2022 in the public sector have improved the profitability of primary care and social services in complete outsourcing arrangements. The profitability of private clinics improved due to price increases and the growth of supply. The profitability of occupational health services improved due to price increases and the growth of the customer base. The profitability of surgical operations improved due to higher net sales. A record-high number of over 800 joint replacement surgeries were performed at the Jokilaakso freedom-of-choice hospital during the financial year. The divestment of dental care services has also had positive impact on profitability.

EBITA adjustments totalled EUR 8.5 (9.7) million.

As a result of the establishment of the wellbeing services counties, Pihlajalinna aimed in 2023 to finalise the negotiations related to open receivables with previous contract counterparties, namely the municipalities of Jämsä, Parkano and Mänttä-Vilppula. The negotiations did not lead to the desired outcome. The company has commenced legal actions for debt recovery with regard to some of the receivables, and is considering legal actions to recover the other receivables. Consequently, the items in question no longer met the definition of contract assets at the end of the financial year, and Pihlajalinna has booked these items as expenses in the income statement. The items are classified as contingent off-balance sheet assets in accordance with IAS 37. Contingent assets are not recognised in the financial statements. The change in classification had the following effects on EBITDA: a decrease of EUR 1.4 million for Jämsän Terveys Oy, a decrease of EUR 4.8 million for Mäntänvuoren Terveys Oy, a decrease of EUR 1.3 million for Kolmostien Terveys Oy, and a decrease of EUR 0.4 million for Pihlajalinna Terveys Oy. The items, which may have a delayed effect on the profitability of complete outsourcing agreements according to the management's estimate, reduced EBITDA by a total of EUR 7.8 million and are presented as EBITDA adjustments. The entries also had a negative effect of EUR 0.4 million on financial items. The financial year profit before taxes the entries reduced total of EUR 8.2 million and earnings per share by EUR 0.26.

Pihlajalinna has carried out impairment testing concerning its non-current investments and its interests in associates and loan receivables. Based on this, impairments of EUR 2.4 million were recognised. During the period under review, the impairments reduced EBITDA by a total of EUR 0.5 million and EBITA by EUR 1.1 million. The entries have been treated as adjustments to EBITDA and EBITA. The entries had a negative effect of EUR 1.2 million on financial items. Earnings per share in the financial year was reduced by EUR 0.11 due to the impairments.

In the comparison period, a write-down of EUR -4.7 million recognised due to the outcome of the District Court hearing concerning the dispute between Jämsän Terveys Oy and the City of Jämsä, and costs of EUR 1.8 million arising from the integration of acquired businesses, were treated as an adjustment items.

Pihlajalinna's EBIT was EUR 20.6 (8.9) million, an increase of EUR 11.7 million.

The Group's net financial expenses amounted to EUR -12.4 (-7.4) million. The interest expenses increased due to the higher market interest rates and a one percentage point increase in the highest margin level in accordance with the waiver agreement related to the company's financing arrangement. The waiver terms expired at the end of April due to the issue of hybrid bond, the divestment of dental care services and Pihlajalinna's improved profitability. Profit before taxes amounted to EUR 8.2 (1.5) million.

Taxes in the income statement amounted to EUR -3.6 (6.1) million. The impairments recognised during the quarter are not fully tax-deductible. In the previous financial year, the Finnish Tax Administration granted Pihlajalinna the right to deduct Pohjola Hospital Ltd's confirmed tax losses for previous fiscal years and confirmed tax losses for the fiscal years 2021–2022. The deferred tax asset in question, amounting to EUR 6.2 million, was recognised through the income statement during the financial year 2022.

Profit amounted to EUR 4.6 (7.7) million. Earnings per share (EPS) was EUR 0.19 (0.42). Impairments recognised during the financial year reduced the company's earnings per share by a total of EUR 0.37.

Consolidated statement of financial position and cash flow

	10–12/2023 3 months	10–12/2022 3 months	change	1–12/2023 12 months	1–12/2022 12 months	change
Cash flow from operating activities, EUR million	26.1	22.5	3.7	79.0	64.9	14.1
Of which change in working capital, EUR million	5.7	11.6	-5.9	0.0	16.8	-16.7
Net cash flow from investing activities, EUR million	-3.6	-6.9	3.3	-18.5	-83.4	65.0
Net cash flow from financing activities, EUR million	-15.3	-14.2	-1.1	-49.2	27.4	-76.6
Cash at end of period, EUR million				24.5	13.1	11.4
Gearing, %				243.9	313.8	-69.9
Gearing, excluding IFRS 16, %				93.6	140.0	-46.4
Interest-bearing net debt, EUR million				352.7	385.7	-33.0
Interest-bearing net debt excluding IFRS 16, EUR million				142.0	178.6	-36.6

Pihlajalinna Group's total statement of financial position was EUR 657.5 (661.6) million. Consolidated cash and cash equivalents was EUR 24.5 (13.1) million.

Net cash flow from operating activities during the financial year was EUR 79.0 (64.9) million. The change in net working capital was EUR 0.0 (16.8) million.

Net cash flow from investing activities was EUR -18.5 (-83.4) million in the financial year. The M&A transactions had an impact of EUR -1.5 (-52.3) million on net cash flow from investing activities. Investments in tangible and intangible assets was EUR -22.9 (-29.0) million. The divestment of the Group's dental care services improved net cash flow from investing activities in the financial year by EUR 5.7 million. The Group's cash flow after investments (free cash flow) was EUR 60.5 (-18.6) million in the financial year.

Net cash flow from financing activities was EUR -49.2 (27.4) million in the financial year. The change in financial liabilities, including changes in credit limits, was EUR -29.0 (75.2) million. Pihlajalinna issued EUR 20 million hybrid bond during the financial year. The net proceeds from the hybrid bond were used for the repayment of drawings under Pihlajalinna's existing revolving credit facility. Interest paid and other financial expenses was EUR -6.2 (-8.3) million. During the first quarter of 2023, the Group sold the interest swap that was effective on the financial statements date. The sale had an effect of approximately EUR 3.9 million on the net cash flow of interest paid and other financial expenses.

Hybrid bond

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

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

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

Financing arrangements

Pihlajalinna's financing arrangement comprises a long-term loan of EUR 130 million and a revolving credit facility of EUR 70 million for general financing needs and acquisitions. It also includes an opportunity to later increase the total amount by EUR 100 million (to EUR 300 million), subject to separate decisions on a supplementary loan from the funding providers.

Under the original agreement, Pihlajalinna's financing arrangement was set to have a term of three years and a maturity date in March 2025. In December 2023, Pihlajalinna and the creditor banks agreed on restructuring the financing arrangement. According to the new agreement, the financing arrangement will mature in March 2026, and the loan margin will change effective from 1 July 2024.

The financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. IFRS 16 lease liabilities are not considered in the calculation of the covenants (Frozen GAAP). The loan margin of the financing is additionally linked to Pihlajalinna's annual sustainability objectives related to patient satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment within the target time. Sustainability objectives have a minor effect on the loan margin, depending on how many of the agreed-upon sustainability targets are achieved.

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

The original gearing covenant of the financing arrangement is 115 per cent and the leverage covenant is 3.75. At the end of the financial year, gearing in accordance with the financing arrangement was 93.6 per cent and leverage stood at 3.09.

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the financial year, Pihlajalinna had EUR 70 million in unused committed credit limits. Unused credit limits consist of EUR 10 million credit limit agreement and EUR 60 million unused revolving credit facility. Furthermore, an additional credit limit of EUR 100 million, which is subject to a separate credit decision, is unused.

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

Acquisitions and capital expenditure

Gross investments, including acquisitions, amounted to EUR 66.5 (234.5) million. Gross investments in M&A transactions including right-of-use assets (e.g. lease commitments) amounted to EUR 0.7 (176.6) million. The Group has not done any business acquisitions during the financial year. Acquisition items during the financial year were related to adjustments to the contingent considerations of the acquisitions made during the financial year 2022. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of development, additional and replacement investments required for growth, amounted to EUR 26.0 (28.3) million. Gross investments in connection with the opening of new units

amounted to EUR 0.0 (3.1) million. Gross investments in right-of-use assets amounted to EUR 40.5 (26.5) million. Gross investments in right-of-use assets were increased in the financial year due to extensions to business premises agreements and rent increases.

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.7 (3.5) million. The investment commitments are related to business premises investments, additional and replacement investments in clinical equipment and information system projects.

Complete and partial outsourcing agreements

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

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

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

Complete and partial outsourcing agreements	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months	2021
INCOME STATEMENT					
Revenue, EUR million	62.6	71.8	259.4	281.4	277.0
EBITDA, EUR million	-5.0	-0.1	6.5	6.0	6.6
EBITDA, %	-7.9	-0.2	2.5	2.1	2.4
Adjusted EBITDA, EUR million	2.6	-0.1	14.0	11.5	6.7
Adjusted EBITDA, %	4.1	-0.2	5.4	4.1	2.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million	2.0	-0.8	11.5	8.8	4.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	3.1	-1.1	4.4	3.1	1.5

Estimate of unsatisfied performance obligations related to Group's social and healthcare outsourcing agreements, EUR million:

	31 Dec 2023	31 Dec 2022		31 Dec 2023	31 Dec 2022
2023		245	2032	6	7
2024	209	249	2033	6	7
2025	193	226	2034	6	7
2026	75	177	2035	6	7
2027	76	179		826	1,656
2028	77	182			
2029	78	184			
2030	47	156			
2031	47	30			

Personnel

At the end of the financial year, the number of personnel amounted to 6,880 (7,016), a decrease of -136 persons or -2 per cent. The Group's personnel averaged 4,923 (4,851) persons as full-time equivalents, an increase of 72 persons or 1 per cent. The Group employee benefit expenses totalled EUR 322.8 (296.6) million, an increase of EUR 26.2 million or 9 per cent.

In the financial year, sickness-related absences rate amongst the Group's own personnel was 5.7 (6.7) per cent.

At the end of the financial year, the number of practitioners was 2 208 (1 812), an increase of 396 or 22 per cent.

Management Team

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

Board of Directors

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

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

Shareholders' Nomination Board

The Shareholders' Nomination Board is comprised of Juha Koponen (LocalTapiola-Group), Mikko Wirén (MWW Yhtiö Oy), Tomi Yli-Kyyny (Fennia Mutual Insurance Company) and Carl Petterson (Elo Mutual Pension Insurance Company). The Chair of the Board of Directors of Pihlajalinna Plc Jukka Leinonen has been part of the Board as an expert member.

Shares and shareholders

The total number of shares was 22,620,135 of which 22,566,155 were outstanding and 53,980 were held by the company which corresponds to 0.26 per cent of all shares and votes. At the end of the financial year, the company had 15,150 (15,811) shareholders.

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

Share-related information, outstanding shares	10–12/2023	10–12/2022	1–12/2023	1–12/2022
No. of shares outstanding at end of period	22,566,155	22,549,644	22,566,155	22,549,644
Average no. of shares outstanding during period	22,563,931	22,549,741	22,557,957	22,560,271
Highest price, EUR	8.11	9.70	9.90	13.18
Lowest price, EUR	6.90	8.48	6.82	8.48
Average price, EUR ¹⁾	7.19	8.88	8.20	11.06
Closing price, EUR	7.06	8.52	7.06	8.52
Share turnover, 1,000 shares	803	773	2,801	3,770
Share turnover, %	3.6	3.4	12.4	16.7
Market capitalisation at end of period, EUR million	159.3	192.1	159.3	192.1

¹⁾ average rate weighted by trading level

Risks and uncertainties in business operations

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

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

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

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

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

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

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

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

A company belonging to the Pihlajalinna Group is currently a subject of a tax audit pertaining to a remuneration scheme used by the company.

Complete and partial outsourcings

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

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

Jämsä Terveys's agreement with the wellbeing services county of Central Finland will expire in August 2025. The cost liability for demanding specialised care specified in the agreement ended on 1 July 2023. In August 2023, it was agreed with the wellbeing services county of Central Finland that the services will gradually be transferred to the wellbeing services county in the first half of 2024. These changes will decrease Jämsä Terveys's revenue approximately by 31 million euros from 2023 levels.

The primary and specialised care services provided by Jokilaakson Terveys will continue at Jokilaakso Hospital in accordance with the subcontracting agreement until 2025. Jokilaakson Terveys has an exception permit issued by the Ministry of Social Affairs and Health for round-the-clock emergency and on-call services in primary healthcare, as required for its operations. The permit is currently valid until the end of 2024, but the wellbeing services county of Central Finland has applied in January 2024 an extension of the permit until the end of 2025.

On October 30, 2023, the regional council of the South Ostrobothnia wellbeing services county decided to terminate the outsourcing agreement with Kuusiolinna Terveys, which was originally valid until 2030, with the termination set for the end of 2025. The regional council's decision is not yet legally binding, and an appeal has been lodged with the Supreme Administrative Court.

Pending legal processes

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

The company's subsidiary Jämsän Terveys Oy has taken legal action in the district court against the City of Jämsä, a former client, mainly concerning COVID-19-related costs which the City of Jämsä has not paid in breach of the service agreement. In addition, a difference of opinion has emerged between the company and the city during the 2022 financial year on the impact of the transfer of personnel on the annual fee under the service agreement.

On 22 November 2023, the Vaasa Court of Appeal handed down its ruling on the dispute concerning the service agreement between Jämsän Terveys Oy and the City of Jämsä. The Court of Appeal decided to uphold the decision of the District Court. Pihlajalinna has submitted an application for leave to appeal to the Supreme Court and an appeal concerning part of the judgment of the Vaasa Court of Appeal.

Repurchase and transfer of own shares

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

Pihlajalinna conveyed, in November, a total of 4 650 own shares in accordance with the termination agreement to Joni Aaltonen who acted as CEO until 8 March 2023.

The number of own shares held by Pihlajalinna was 53,980 at the end of the financial year, corresponding to approximately 0,26 per cent of the total number of shares and votes.

The Board of Directors' proposal for profit distribution and the Annual General Meeting 2023

The parent company's total distributable funds amount to EUR 203,428,565.55, of which the profit for the financial year 2023 is EUR -7,709,328.56.

The Board of Directors proposes that a dividend of EUR 0.07 per share be paid for the financial year that ended on 31 December 2023. On the financial statements date, 31 January 2023, the total number of outstanding shares was 22,566,155. The corresponding total dividend according to the Board of Directors' proposal would be at most EUR 1,579,630.85.

No material changes have taken place in the company's financial position after the end of the financial year. The company's liquidity position is good and, in the view of the Board of Directors, the proposed distribution does not jeopardise the company's ability to fulfil its obligations.

According to the Pihlajalinna's specified dividend policy, Pihlajalinna aims to distribute dividend or capital repayment minimum of one-third of the earnings per share, taking into account the company's financial position and strategy.

Calculation of the parent company's distributable funds:

EUR	31 December 2023
Reserve for invested unrestricted equity	183,190,483.50
Retained earnings	28,043,605.15
Profit for the period	-7,709,328.56
Capitalised development costs	-96,194.54
Total	203,428,565.55

Pihlajalinna Plc's Annual General Meeting is planned to be held on 10 April 2024 in Tampere. The Board of Directors will decide on the notice of the General Meeting and the included proposals at a later date.

The annual report for 2023, including the Board of Directors' report and the financial statements, will be published on the company's investor website at investors.pihlajalinna.fi in week 12.

Events after the balance sheet date

Kuusiolinna Terveys Oy commences change negotiations

Kuusiolinna Terveys Oy, company part of Pihlajalinna Group, announced 31 January 2024 it would commence change negotiations. The premature termination of the service agreement, as decided by the well-being services county, significantly impacts the company's operating conditions, necessitating the initiation of change negotiations. The change negotiations are still ongoing and involve the entire staff, excluding administrative support services. According to preliminary estimates, the outcome of the negotiations may result in a reduction of approximately 190 full-time equivalent positions within the company. The negotiations are expected to last approximately six weeks in total.

Conveying shares to CEO Hyyryläinen

Pihlajalinna conveyed, in January 2024, a gross amount total of 20 000 own shares to CEO Tuomas Hyyryläinen. Compensation was provided in the form of shares and cash. The applicable withholding tax was deducted from the transferred shares, and the remaining net amount was paid in shares. The compensation was related to the CEO's agreed right to acquire shares at the beginning of the share-based incentive program, during which the company releases shares in exchange for purchases. After conveying, the number of own shares held by Pihlajalinna was 43,980 at the end of the financial year, corresponding to approximately 0,19 per cent of the total number of shares and votes.

Proposals of Pihlajalinna Plc's Shareholders' Nomination Board to the 2024 Annual General Meeting

Pihlajalinna informed on 16 January 2023 Shareholders' Nomination Board proposals to the Annual General Meeting of Pihlajalinna Plc:

- The number of members of the Board of Directors would be seven (7) instead of the current eight (8).
- The present members of the Board of Directors Kim Ignatius, Heli Iisakka, Hannu Juvonen, Tiina Kurki, Jukka Leinonen, Leena Niemistö and Mikko Wirén would be re-elected for the new term.
- Jukka Leinonen would be elected as the Chair of the Board of Directors and Leena Niemistö as the Vice Chair.

Among the present members of the board, Seija Turunen has announced that she is no longer available for the election of board members.

The Shareholders' Nomination Board proposes that no changes be made to the remuneration of the members of the Board of Directors elected at the General Meeting.

For more information, refer to the stock exchange release on Pihlajalinna's [website](#).

Pihlajalinna writes down its receivables from previous years and provides preliminary information for 2023 results

Pihlajalinna informed insider information on 24 January 2023 related to writes down of its receivables from previous years and provided preliminary information for 2023 results.

Pihlajalinna aimed to finalise the negotiations related to open receivables from previous years with the former contract parties during 2023. Negotiations did not lead to the desired outcome and consequently

Pihlajalinna made a EUR 8.2 million write-down. Pihlajalinna also reviewed its non-current investments, the valuation of its interests in associates and loan receivables and made a EUR 2.4 million write-down.

Based on preliminary unaudited information, Pihlajalinna estimates 2023 revenues to total approximately to EUR 720 million (EUR 690.5 million in 2022) and adjusted EBITA to exceed EUR 37 million (EUR 26.7 million).

For more information, refer to the stock exchange release on Pihlajalinna's [website](#).

Pihlajalinna's financial reporting in 2024

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

Interim Report January–March: Friday, 3 May 2024

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

Interim Report January–September: Thursday, 7 November 2024

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

Helsinki, 13 February 2024

The Board of Directors of Pihlajalinna Plc

Consolidated income statement

EUR million	Note	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Revenue	1	183.0	188.4	720.0	690.5
Other operating income		-0.4	0.9	7.5	4.9
Materials and services	2	-65.3	-74.8	-255.2	-267.2
Employee benefit expenses	3	-84.4	-80.4	-322.8	-296.6
Other operating expenses	4	-20.7	-22.7	-76.6	-77.2
Share of profit in associated companies and joint ventures		-0.5	0.0	-0.5	0.0
EBITDA		11.6	11.5	72.5	54.4
Depreciation, amortisation and impairment	5	-13.6	-12.0	-51.9	-45.5
Operating profit (EBIT)		-1.9	-0.6	20.6	8.9
Financial income	6	-0.1	0.4	0.4	0.7
Financial expenses	6	-4.1	-2.7	-12.7	-8.1
Profit before taxes		-6.1	-2.8	8.2	1.5
Income tax	7	-0.3	1.7	-3.6	6.1
Profit for the period		-6.4	-1.1	4.6	7.7
Attributable to:					
To the owners of the parent company		-5.2	-0.7	5.7	9.5
To non-controlling interests		-1.2	-0.4	-1.1	-1.9
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)					
Basic		-0.25	-0.03	0.19	0.42
Diluted		-0.25	-0.03	0.19	0.42

Consolidated statement of comprehensive income

EUR million	Note	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Profit for the period		-6.4	-1.1	4.6	7.7
Other comprehensive income that will be reclassified subsequently to profit or loss					
Cash flow hedge					
Recorded in equity		-1.2	0.4	-1.0	5.1
Transferred to income statement		-0.2		-0.7	
Income tax on other comprehensive income		0.3	-0.1	0.4	-1.0
Other comprehensive income for the reporting period		-1.1	0.3	-1.4	4.1
Total comprehensive income for the reporting period		-7.5	-0.8	3.2	11.7
Attributable to:					
To the owners of the parent company		-6.4	-0.4	4.3	13.6
To non-controlling interests		-1.2	-0.4	-1.1	-1.9

Consolidated statement of financial position

EUR million	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	65.8	58.7
Goodwill	9	251.8	251.0
Intangible assets	9	21.1	22.8
Right-of-use assets	11	203.9	197.7
Interests in associates		1.6	2.1
Other investments		0.2	1.2
Other receivables		6.1	9.2
Deferred tax assets		14.6	17.3
Total non-current assets		565.0	560.0
Current assets			
Inventories		4.5	4.3
Trade and other receivables	16	61.5	76.8
Current tax assets		2.0	2.1
Cash and cash equivalents		24.5	13.1
Current assets held for sale			5.3
Total current assets		92.5	101.6
Total assets		657.5	661.6
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		0.1	0.1
Fair value reserve		2.7	4.1
Reserve for invested unrestricted equity		116.5	116.5
Hybrid bond	14	20.0	
Retained earnings		3.0	-6.2
Profit for the period		5.7	9.5
		148.0	124.0
Non-controlling interests		-3.4	-1.1
Total equity		144.6	122.9
Deferred tax liabilities		8.5	8.5
Provisions		0.1	0.1
Lease liabilities	12	199.8	201.2
Financial liabilities	15	144.5	168.0
Other non-current liabilities		0.7	0.8
Total non-current liabilities		353.6	378.7
Trade and other payables		125.3	127.5
Current tax liabilities		0.1	0.0
Provisions		0.1	
Lease liabilities	12	30.8	28.3
Financial liabilities	15	3.0	3.1
Current liabilities held for sale			1.1
Total current liabilities		159.3	160.1
Total liabilities		512.9	538.8
Total equity and liabilities		657.5	661.6

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company						Equity Total
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Hybrid bond	Retained earnings	Non-controlling interests	
Total equity, 1 Jan 2022	0.1	116.5			2.5	3.5	122.6
Profit for the period					9.5	-1.9	7.7
Comprehensive income for the period			4.1				4.1
Total comprehensive income for the period			4.1		9.5	-1.9	11.7
Dividends paid					-6.8	-3.0	-9.8
Acquisition of own shares					-1.5		-1.5
Share-based benefits					0.0		0.0
Total transactions with owners					-8.3	-2.9	-11.2
Changes in NCI without a change in control					-0.6	0.2	-0.4
Other changes					0.2		0.2
Total changes in subsidiary shareholdings					-0.4	0.2	-0.2
Total equity, 31 Dec 2022	0.1	116.5	4.1		3.3	-1.1	122.9

EUR million	Equity attributable to owners of the parent company						Equity Total
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Hybrid bond	Retained earnings	Non-controlling interests	
Total equity, 1 Jan 2023	0.1	116.5	4.1		3.3	-1.1	122.9
Profit for the period					5.7	-1.1	4.6
Comprehensive income for the period			-1.4				-1.4
Total comprehensive income for the period			-1.4		5.7	-1.1	3.2
Dividends paid						-0.7	-0.7
Acquisition of own shares							
Share-based benefits					0.3		0.3
Total transactions with owners					0.3	-0.7	-0.4
Changes in NCI without a change in control					-0.2	-0.3	-0.5
Other changes					0.1	-0.1	-0.1
Total changes in subsidiary shareholdings					-0.1	-0.5	-0.6
Proceeds from hybrid bond				20.0			20.0
Hybrid bond expenses					-0.4		-0.4
Total equity, 31 Dec 2023	0.1	116.5	2.7	20.0	8.8	-3.4	144.6

Consolidated statement of cash flows

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Cash flow from operating activities				
Profit for the period	-6.4	-1.1	4.6	7.7
Adjustments to cash flow from operating activities:				
Taxes	0.3	-1.7	3.6	-6.1
Depreciation, amortisation and impairment	13.6	12.0	51.9	45.5
Financial income and expenses	4.2	2.3	12.4	7.4
Other	9.2	-0.1	6.4	-0.1
Net cash generated from operating activities before change in working capital	20.8	11.4	78.9	54.3
Change in working capital	5.7	11.6	0.0	16.8
Interest received	0.0	0.4	0.4	0.7
Taxes paid	-0.3	-1.0	-0.4	-6.9
Net cash flow from operating activities	26.1	22.5	79.0	64.9
Cash flow from investing activities				
Investments in tangible and intangible assets	-3.8	-7.8	-22.9	-29.0
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.2	0.1	0.3	0.4
Changes in other receivables and investments		-2.1	0.0	-1.8
Sale of subsidiaries with time-of-sale liquid assets deducted			7.7	
Granted loans			-2.1	-0.7
Dividends received	0.0	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition		0.8	-1.5	-52.3
Net cash flow from investing activities	-3.6	-6.9	-18.5	-83.4
Cash flow from financing activities				
Changes in non-controlling interests	-0.1	0.0	-0.3	-0.4
Acquisition of own shares				-1.5
Proceeds from and repayment of borrowings	-5.6	-2.9	-29.0	75.2
Repayment of lease liabilities	-8.0	-7.7	-31.8	-29.0
Interest and other operational financial expenses	-1.3	-2.5	-6.2	-8.3
Dividends paid and other profit distribution	-0.3	-1.1	-1.5	-8.6
Proceeds from hybrid bond			20.0	
Hybrid bond expenses			-0.4	
Net cash flow from financing activities	-15.3	-14.2	-49.2	27.4
Changes in cash and cash equivalents	7.2	1.3	11.4	8.9
Cash at beginning of period	17.3	11.8	13.1	4.3
Cash at end of period	24.5	13.1	24.5	13.1

Notes to the financial statements release

Accounting policies

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

The financial statements release applies the accounting policies presented in the consolidated financial statements for 2022. The amended standards published by IASB to adopt in 2023 and to be adopted in 2024 does not have a material impact on Pihlajalinna's financial reporting.

The information published in this financial statements release 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 financial statements release should not be considered as replacements for the key figures defined in IFRS standards, and they may not be comparable with similarly named items used by other companies.

The preparation of the financial statements release 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 financial statements release. The significant judgments made by management and the key accounting estimates and decisions based on management judgement were mainly the same as those that applied to the consolidated financial statements for the year 2022. In the section *Consolidated revenue and result* of this financial statements release has been presented changes to the significant judgements and these financial effects.

1. Revenue

Revenue by region

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

- Southern Finland includes Pihlajalinna's business operations in the regions of Uusimaa, Southwest Finland, Päijät-Häme, Kymenlaakso and South Karelia.
- Mid-Finland includes Pihlajalinna's business operations in the regions of Pirkanmaa, Satakunta, Kanta-Häme, Central Finland, South Savo, North Karelia and North Savo.
- Ostrobothnia includes Pihlajalinna's business operations in the regions of Southern Ostrobothnia, Ostrobothnia and Central Ostrobothnia.
- Northern Finland includes Pihlajalinna's business operations in the regions of North Ostrobothnia, Kainuu and Lapland.
- Other operations include remote services, moving services and other administrative functions.

EUR million	1-12/2023 12 months	1-12/2022 12 months	change %
Southern Finland	179.0	164.1	9.1 %
Mid-Finland	368.3	369.5	-0.3 %
Ostrobothnia	134.6	132.5	1.6 %
Northern Finland	49.0	43.4	12.7 %
Other operations	65.2	54.5	19.7 %
Intra-Group sales	-76.1	-73.5	3.5 %
Consolidated revenue	720.0	690.5	4.3 %

Revenue by customer group

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

- The Group corporate customers consist of Pihlajalinna occupational healthcare customers, insurance company customers and other corporate customers. The number of people within the scope of the Group's occupational healthcare services is over 200,000 in the corporate customers group.
- The Group private customers are private individuals who pay for services themselves and may subsequently seek compensation from their insurance company.
- The Group public sector customers consist of public sector organisations in Finland, such as municipalities, congregations, wellbeing services counties and the public administration when purchasing either social and healthcare outsourcing services or residential, occupational healthcare and staffing services. The number of people within the scope of the Group's occupational healthcare services is approximately 80,000 in the public sector customers group.

October–December 2023

EUR million	10-12/2023	10-12/2022	change	change %	2022
Corporate customers	72.8	65.1	7.7	11.8 %	225.3
of which insurance company customers	35.2	28.9	6.2	21.6 %	98.4
Private customers	23.9	28.3	-4.4	-15.7 %	103.2
Public sector	106.0	113.9	-7.9	-6.9 %	435.5
of which complete outsourcing agreements	68.4	77.3	-8.9	-11.5 %	303.9
of which staffing	7.6	6.0	1.6	26.3 %	24.8

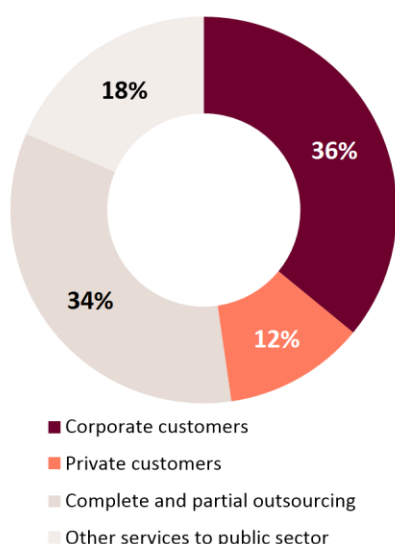
of which occupational healthcare and other services	30.0	30.5	-0.6	-1.9 %	106.8
Intra-Group sales	-19.7	-18.9	-0.8	4.0 %	-73.5
Total consolidated revenue	183.0	188.4	-5.4	-2.9 %	690.5

Revenue from **corporate customers** amounted to EUR 72.8 (65.1) million, an increase of EUR 7.7 million, or 11.8 per cent. Sales to insurance company customers increased by EUR 6.2 million, or 21.6 per cent. In the corporate customer group, revenue from COVID-19 services decreased by EUR -1.5 million. The customer volumes of Pihlajalinna's private clinics increased by 5 per cent year-on-year.

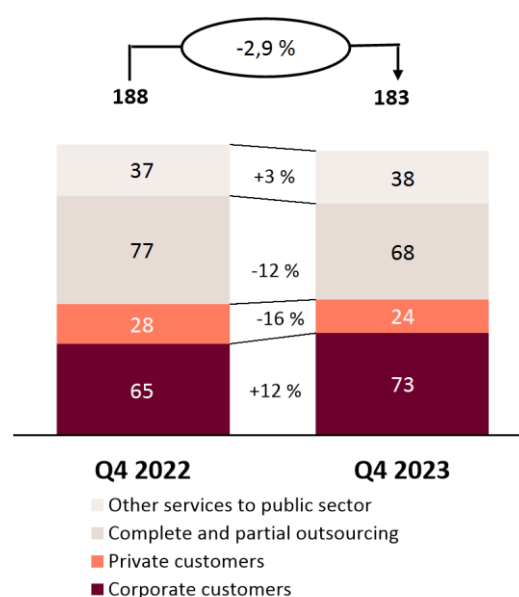
Revenue from **private customers** amounted to EUR 23.9 (28.3) million, a decrease of EUR -4.4 million, or -15.7 per cent. The divestment of dental care services at the end of March decreased revenue from private customers by EUR -3.9 million. The customer volumes of Pihlajalinna's private clinics decreased by 12 per cent year-on-year. The streamlining of insurance companies' payment authorizations and direct payment practices reduces reported sales to private customer segment.

Revenue from the **public sector** amounted to EUR 106.0 (113.9) million, a decrease of EUR -7.9 million, or -6.9 per cent. Revenue from COVID-19 services decreased by EUR -1.0 million. The ending of the cost liability for demanding specialised care in the wellbeing services county of Pirkanmaa and Central Finland decreased revenue by EUR -10.3 million. The decrease is compensated by the annual price increases to complete outsourcing agreements. The customer volumes of Pihlajalinna's private clinics increased by 4 per cent year-on-year.

REVENUE BY CUSTOMER GROUP Q4
2023, %



REVENUE BY CUSTOMER GROUP,
EUR MILLION



January–December 2023

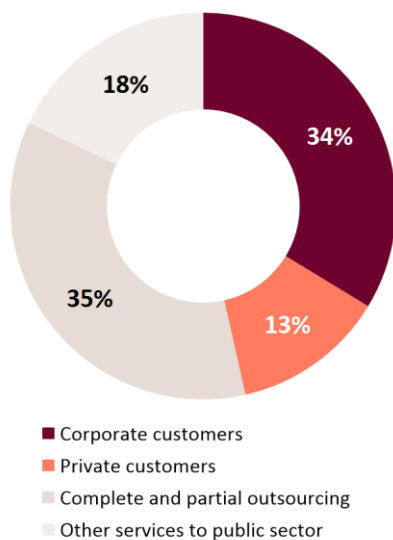
EUR million	1–12/2023	1–12/2022	change	change %
Corporate customers	268.1	225.3	42.8	19.0 %
of which insurance company customers	135.8	98.4	37.4	38.0 %
Private customers	102.1	103.2	-1.2	-1.1 %
Public sector	426.0	435.5	-9.5	-2.2 %
of which complete and partial outsourcing agreements	283.2	303.9	-20.7	-6.8 %
of which staffing	29.3	24.8	4.5	18.0 %
of which occupational healthcare and other services	113.5	106.8	6.7	6.3 %
Intra-Group sales	-76.1	-73.5	-2.6	3.5 %
Total consolidated revenue	720.0	690.5	29.5	4.3 %

Revenue from **corporate customers** amounted to EUR 268.1 (225.3) million, an increase of EUR 42.8 million, or 19.0 per cent. Sales to insurance company customers increased by EUR 37.4 million, or 38.0 per cent. M&A transactions increased revenue by EUR 7.1 million. Organic growth was EUR 35.7 million, or 16 per cent. In the corporate customer group, revenue from COVID-19 services decreased by EUR -7.5 million. The customer volumes of Pihlajalinna's private clinics increased by 13 per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 9 per cent.

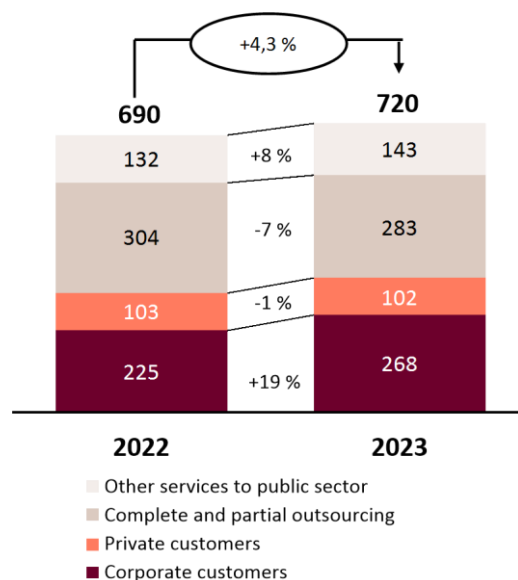
Revenue from **private customers** amounted to EUR 102.1 (103.2) million, a decrease of EUR -1.2 million, or -1.1 per cent. The divestment of dental care services at the end of March decreased revenue from private customers by EUR -10.5 million. Revenue from COVID-19 services decreased by EUR -1.5 million. M&A transactions increased revenue from the private customers by EUR 4.6 million. Organic growth was EUR 4.8 million, or 4.6 per cent. The customer volumes of Pihlajalinna's private clinics increased by one per cent. Without the effect of M&A transactions, customer volumes would have decreased by 4 per cent year-on-year. The streamlining of insurance companies' payment authorisations and direct payment practices reduces reported sales to private customer segment.

Revenue from the **public sector** amounted to EUR 426.0 (435.5) million, a decrease of EUR -9.5 million, or -2.2 per cent. M&A transactions increased revenue from the public sector by EUR 4.5 million. Revenue from COVID-19 services decreased by EUR -6.9 million. The removal of the cost liability for demanding specialised care in the wellbeing services county of Pirkanmaa and Central Finland decreased revenue by EUR -32.1 million. The decrease is compensated by annual price increases in complete and partial outsourcing arrangements, as well as the growth of revenue of reception center operations, occupational healthcare services and staffing services. The customer volumes of Pihlajalinna's private clinics decreased by one per cent year-on-year. Without the effect of M&A transactions, customer volumes would have increased by 4 per cent.

REVENUE BY CUSTOMER GROUP
2023, %



REVENUE BY CUSTOMER GROUP,
EUR MILLION



Sale of dental care services

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

2. Materials and services

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Materials	-8.3	-8.3	0.2	-31.2	-31.0	0.7
Change in inventories	-0.1	0.2	-133.7	0.2	0.6	-74.9
External services, practitioners	-33.7	-34.0	-0.8	-129.8	-112.5	15.4
External services, other	-23.2	-32.6	-12.7	-94.3	-124.4	-4.5
Total	-65.3	-74.8	-8.1	-255.2	-267.2	1.5

3. Employee benefit expenses

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Wages and salaries	-70.2	-66.8	5.5	-267.1	-245.3	9.0
Share-based incentive schemes						
- implemented as shares	-0.2	0.0	1,168.5	-0.3	-0.1	207.3
Pension costs - defined contribution plans	-11.8	-11.4	2.8	-45.5	-42.0	8.3
Other social security expenses	-2.2	-2.2	1.3	-9.9	-9.2	8.2
Total	-84.4	-80.4	1,178.1	-322.8	-296.6	8.8

4. Other operating expenses

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Facility expenses	-3.5	-4.0	-11	-13.6	-14.3	-5
Information management expenses	-6.4	-6.8	-5	-26.3	-26.2	1
Sales and marketing expenses	-2.2	-2.4	-8	-6.8	-6.4	6
Other expenses	-9.0	-9.5	-23.2	-30.3	-30.3	10.1
Total	-21.2	-22.7	-7	-77.0	-77.2	0

5. Depreciation and impairment

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Intangible assets	-2.1	-2.1	1.9	-8.2	-7.7	6.7
Property, plant and equipment	-3.2	-2.9	13.5	-12.0	-10.6	12.6
Right-of-use assets	-7.6	-7.1	6.9	-31.1	-27.2	14.4
Impairments	-0.6			-0.6		
Total depreciation, amortisation and impairment	-13.6	-12.0	12.9	-51.9	-45.5	14.1

6. Financial expenses

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Interest expenses from financial liabilities carried at amortised cost	-1.7	-1.4	20.9	-7.2	-3.4	111.3
Interest expenses on lease liabilities	-1.0	-0.9	11.8	-3.7	-3.4	8.3
Other financial expenses	-1.4	-0.4	267.8	-1.9	-1.2	49.5
Total	-4.1	-2.7	52.7	-12.7	-8.1	57.9

Line Other financial expenses for the quarter include impairments of loan receivables totalling approximately EUR 1.2 million. In the comparison period, the item in question mainly included costs associated with financial restructuring and waiver costs due to increased temporary covenant levels.

7. Income taxes

EUR million	10–12/2023	10–12/2022	change, %	1–12/2023	1–12/2022	change, %
Current taxes	4.4	0.0		-0.5	-1.9	-74.0
Deferred taxes	-4.6	1.7	-367	-3.0	8.1	-137.7
Total	-0.3	1.7	-115	-3.6	6.1	-158.7

8. Share-based incentive schemes

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

The performance and quality-based share programme comprises four separate performance periods of one year each (the calendar years 2022, 2023, 2024 and 2025). The potential share rewards will be paid out after the performance periods in the years 2023, 2024, 2025 and 2026. The Board of Directors annually decides on the participants, performance indicators, targets and earning opportunities. Two earnings periods have been launched under the programme: 2022 and 2023. For the earnings period 2023, a total of 48 key persons are entitled to participate to the share-based incentive programme. The programmes are treated in their entirety as equity-settled share-based payments.

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. The applicable withholding tax will be deducted from the transferred shares, and the remaining net amount will be paid to the participants in shares. Shares paid out as share rewards are subject to a two-year transfer restriction. The earnings criteria for the performance and quality-based share programme are Pihlajalinna Group's adjusted EBITA, as well as key operational, quality-related and sustainability-related indicators.

No performance and quality-based share rewards materialised for the performance period 2022 pursuant to the matching share plan, as the minimum targets set for the programme were not achieved. For the performance period 2023, the performance and quality-based share award did not materialize due to impairments recorded during the financial year.

In case all the persons entitled to participate do participate to the program by meeting the condition of investment in full and if the performance targets set for the performance periods are fully achieved in the future, the maximum aggregate amount of share rewards that may be paid out based on the programme is approximately 618,000 shares (gross amount before the deduction of the applicable withholding tax) and the total value of the share rewards payable is approximately EUR 5.7 million. The above number of shares corresponds to approximately 2.7 per cent of the company's total number of shares.

9. Changes in intangible assets

EUR million	31 Dec 2023	31 Dec 2022
Acquisition cost at beginning of period	325.7	247.9
Additions	7.4	7.5
Business combinations	0.0	73.3
Reclassifications	0.0	-3.0
Disposals	-0.2	0.0
Acquisition cost at end of period	332.9	325.7
Accumulated depreciation at beginning of period	-51.9	-44.2
Depreciation and amortisation for period	-8.2	-7.7
Accumulated depreciation at end of period	-60.0	-51.9
Carrying amount at end of period	272.8	273.8

10. Changes in property, plant and equipment

EUR million	31 Dec 2023	31 Dec 2022
Acquisition cost at beginning of period	123.6	104.2
Additions	19.0	24.8
Business combinations	0.0	1.4
Transfers between items	-1.1	0.1
Reclassifications	0.0	-6.5
Disposals	1.1	-0.5
Acquisition cost at end of period	142.6	123.6
Accumulated depreciation at beginning of period	-64.8	-59.2
Depreciation and amortisation for period	-12.0	-10.6
Transfers between items	1.1	0.0
Reclassifications	0.0	4.9
Accumulated depreciation on disposals	-1.0	0.2
Accumulated depreciation at end of period	-76.7	-64.8
Carrying amount at end of period	65.8	58.7

11. Changes in right-of-use assets

EUR million	31 Dec 2023	31 Dec 2022
Acquisition cost at beginning of period	319.9	192.3
Additions	39.6	26.5
Business combinations	0.0	105.5
Transfers between items	18.4	0.1
Disposals	-7.0	-4.4
Acquisition cost at end of period	371.0	319.9
Accumulated depreciation at beginning of period	-122.0	-96.7
Depreciation and amortisation for period	-31.1	-27.2
Transfers between items	-18.4	0.0
Accumulated depreciation on disposals	4.4	1.7
Accumulated depreciation at end of period	-167.1	-122.2
Carrying amount at end of period	203.9	197.7

12. Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 31 Dec 2023	Lease liabilities 31 Dec 2023
Carrying amount at beginning of period	197.7	229.6
Changes	37.3	32.8
Depreciation and amortisation	-31.1	
Repayments of lease liabilities		-31.8
Carrying amount at end of period	203.9	230.6

On 31 December 2023, EUR 210.7 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 19.9 million were financial lease liabilities in accordance with previous accounting standards.

EUR million	Right-of-use asset items 31 Dec 2022	Lease liabilities 31 Dec 2022
Carrying amount at beginning of period	95.6	106.2
Changes	129.3	152.3
Depreciation and amortisation	-27.2	
Repayments of lease liabilities		-29.0
Carrying amount at end of period	197.7	229.6

On 30 September 2022, EUR 207.1 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 22.5 million were financial lease liabilities in accordance with previous accounting standards.

13. Financial assets and liabilities by measurement category

31 Dec 2023	Fair value hierarchy	Fair value through profit or loss	Fair value - a hedging instrument	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets						
Non-current financial assets						
Other shares and participations	level 3	0.2			0.2	0.2
Lease deposits	level 2			0.2	0.2	0.2
Other receivables	level 2			0.1	0.1	0.1
Loan receivables	level 3	2.1			2.1	2.1
Current financial assets						
Trade receivables				52.5	52.5	52.5
Other receivables	level 2			0.2	0.2	0.2
Interest derivatives	level 2		0.2		0.2	0.2
Cash and cash equivalents				24.5	24.5	24.5
Total		2.3	0.2	77.6	80.0	80.0
Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institutions	level 2			143.8	143.8	143.8
Lease liabilities	level 2			199.8	199.8	199.8
Other liabilities	level 2			0.5	0.5	0.5
Contingent considerations	level 3	0.2			0.2	0.2
Current financial liabilities						
Loans from financial institutions	level 2			2.3	2.3	2.3
Cheque account with credit						
Contingent considerations	level 3	0.7			0.7	0.7
Lease liabilities	level 2			30.8	30.8	30.8
Trade and other payables				27.1	27.1	27.1
Total		0.9		404.3	405.2	405.2
31 Dec 2023	Fair value hierarchy	Fair value through profit or loss	Fair value - a hedging instrument	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets						
Non-current financial assets						
Other shares and participations	level 3	1.2			1.2	1.2
Lease deposits	level 2			0.6	0.6	0.6
Other receivables	level 2			0.1	0.1	0.1
Current financial assets						
Trade receivables				47.2	47.2	47.2
Other receivables	level 2			1.2	1.2	1.2
Interest derivatives	level 2		5.1		5.1	5.1
Cash and cash equivalents				13.1	13.1	13.1
Total		1.2	5.1	62.1	68.4	68.4
Carrying amounts of financial liabilities						
Non-current financial liabilities						
Loans from financial institutions	level 2			167.3	167.3	167.3
Lease liabilities	level 2			201.2	201.2	201.2
Other liabilities	level 2			0.6	0.6	0.6
Contingent considerations	level 3	0.2			0.2	0.2
Current financial liabilities						
Loans from financial institutions	level 2			1.4	1.4	1.4
Cheque account with credit						

Contingent considerations	level 3	1.7	1.7	1.7
Lease liabilities	level 2	28.3	28.3	28.3
Trade and other payables		41.7	41.7	41.7
Total		1.9	440.5	442.4

Fair value hierarchy levels:

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

Level 2: The fair value is determined using valuation methods. The financial assets and liabilities are not subject to trading in active and liquid markets. The fair values can be determined based on quoted market prices and deduced valuation. The carrying amount of the trade receivables and financial assets essentially corresponds to their fair value, as the effect of discounting is not significant taking the maturity of the receivables into consideration. The fair values of lease liabilities are based on discounted cash flows. The fair values of loans essentially correspond to their carrying amount since they have a floating interest rate and the Group's risk premium has not materially changed. The carrying amount of other financial liabilities essentially corresponds to their fair value, as the effect of discounting is not significant taking the maturity of the receivables into consideration. Derivative financial instruments are initially recognized at fair value on the trade date and are subsequently remeasured at their fair value on the balance sheet date.

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

14. Liquidity risk

The Group monitors the amount of financing required by business operations by analysing cash flow forecasts to ensure that the Group has enough of liquid assets for financing operations and repaying maturing loans. The Group aims to ensure the availability and flexibility of financing with adequate credit limits, a balanced maturity profile and sufficiently long maturities for borrowings, as well as by obtaining financing through several financial instruments. The covenants included in the Group's financing arrangements are subject to continuous forecasting.

Pihlajalinna's financing arrangement comprises a long-term loan of EUR 130 million and a revolving credit facility of EUR 70 million for general financing needs and acquisitions. It also includes an opportunity to later increase the total amount by EUR 100 million (to EUR 300 million), subject to separate decisions on a supplementary loan from the funding providers.

Under the original agreement, Pihlajalinna's financing arrangement was set to have a term of three years and a maturity date in March 2025. In December 2023, Pihlajalinna and the creditor banks agreed on restructuring the financing arrangement. According to the new agreement, the financing arrangement will mature in March 2026, and the loan margin will change effective from 1 July 2024.

The financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. IFRS 16 lease liabilities are not considered in the calculation of the covenants (Frozen GAAP). The loan margin of the financing is additionally linked to Pihlajalinna's annual sustainability objectives related to patient satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment within the target time. Sustainability targets have a minor effect on the loan margin, depending on how many of the agreed-upon sustainability targets are achieved.

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

The original gearing covenant of the financing arrangement is 115 per cent and the leverage covenant is 3.75. At the end of the financial year, gearing in accordance with the financing arrangement was 93.6 per cent and leverage stood at 3.09.

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

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

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the financial year, Pihlajalinna had EUR 70 million in unused committed credit limits. Unused credit limits consist of EUR 10 million credit limit agreement and EUR 60 million unused revolving credit facility. Furthermore, an additional credit limit of EUR 100 million, which is subject to a separate credit decision, is unused.

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

The table below presents the contractual maturity of financial liabilities. The figures are undiscounted, and they include both future interest payments and repayments of principal. In the table below, the loan instalments drawn under the Group's revolving credit facility are presented as long-term items in spite of their maturity being 1, 3 or 6 months, because Pihlajalinna has an unequivocal right to postpone the re-payment of the loan instalments by a minimum of 12 months from the reporting date. Interest payments related to the loan instalments drawn are presented in the table below according to the actual timing of their payment.

15. Financial liabilities repayment schedule

EUR million	Carrying amount at 31	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
	Dec 2023					
Loans from financial institutions	136.1	-9.4	-8.6	-132.6	-1.2	-0.4
Revolving credit facility	10.0	-0.5	-0.5	-10.2		
Lease liabilities	230.6	-34.5	-31.4	-26.3	-23.7	-134.5
Other interest-bearing liabilities	0.5	-0.1	-0.1	-0.1	-0.1	-0.6
Contingent considerations	0.9	-0.7	-0.2			
Trade payables	27.1	-27.1				
Total	405.2	-72.2	-40.8	-169.2	-25.0	-135.5

EUR million	Carrying amount at 31 Dec 2022	less than 1 year	1-2 years	2-3 years	3-4 years	over 4 years
Loans from financial institutions	131.6	-6.1	-4.4	-130.1	0.0	
Revolving credit facility	37.0	-1.4	-1.4	-37.3		
Lease liabilities	229.6	-31.7	-29.8	-26.1	-21.9	-132.9
Other interest-bearing liabilities	0.6	-0.1	-0.1	-0.1	-0.1	-0.6
Contingent considerations	1.9	-1.7	0.0	0.0	-0.2	
Trade payables	41.7	-41.7				
Total	442.4	-82.7	-35.6	-193.6	-22.2	-133.6

16. Trade and other receivables

Pihlajalinna regularly reviews the credit risk of receivables and the procedures used to assess credit risk. No significant changes were observed in the payment behavior of customers during the financial year.

The Group recognised impairment losses of EUR 0.9 (0.5) million on trade receivables during the financial year. The Group recognised impairment losses of EUR 0.0 (0.0) million related to contract assets.

During the financial year, the Group classified receivables amounting to EUR 8.2 million as contingent off-balance sheet assets in accordance with IAS 37. In the comparison figures shown in the table below, the receivables in question are presented as contract assets. Pihlajalinna has also reviewed its loan receivables and recognised an impairment of EUR 1.2 million on the loan receivables. The change in classification of contract assets and the impairments of the loan receivables are described in more detail in the section *Consolidated revenue and result* in the financial statements release.

EUR million	31 Dec 2023	31 Dec 2022
Trade receivables	52.5	47.2*
Prepayments and accrued income	4.7	14.1
Current subleases	0.4	0.9
Other receivables	0.2	1.2
Contract assets	3.6	13.5*
Total	61.5	76.8

Pihlajalinna has adjusted the figures for the comparison period and transferred EUR 7.4 million receivables from trade receivables to contract assets.

Age distribution of trade receivables

EUR million	31 Dec 2023	of which written down	Net 31 Dec 2023	31 Dec 2022	of which written down	Net 31 Dec 2022
Not yet due	34.3	0.0	34.3	33.3	0.0	33.3
Past due						
Less than 30 days	12.9	0.0	12.9	8.5	0.0	8.5
30–60 days	1.1	0.0	1.0	1.5	-0.1	1.4
61–90 days	0.6	-0.1	0.5	0.9	-0.2	0.8
More than 90 days	4.0	-0.3	3.7	3.7	-0.5	3.2
Total	52.9	-0.5	52.5	47.9	-0.8	47.2

17. Contingent liabilities and commitments

EUR million	31 Dec 2023	31 Dec 2022
Collateral given on own behalf		
Mortgage on company assets	0.0	0.2
Sureties	5.3	4.2
Lease deposits	0.2	0.6
Properties' VAT refund liability	0.0	0.0
Lease commitments for off-balance sheet leases	1.6	1.3

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.7 (3.5) million. The investment commitments are related to business premises investments, additional and replacement investments in clinical equipment and information system projects.

Hybrid bond interests

Pihlajalinna issued EUR 20 million hybrid bond on 27 March 2023. At the end of the financial year, the unpaid interest was EUR 1.9 million.

Related party transactions

EUR million	1–12/2023	1–12/2022
Key management personnel		
Rents paid	1.0	0.9
Services procured	1.3	1.1
Prepayments	-0.1	-0.1
Trade payables	0.2	0.1

The Group has leased its business premises in Karkku, Tampere and Kangasala from Mikko Wirén's controlling company. Mikko Wirén acted as the interim CEO from 9 March to 31 August 2023 and is a member of the Board of Directors. The Group also has an agreement with MWW Oy, a company controlled by Mikko Wirén, under which the Group buys healthcare professionals' services and consulting.

Quarterly information

EUR million	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
INCOME STATEMENT								
Revenue	183.0	165.6	183.6	187.8	188.4	165.2	173.7	163.1
EBITDA	11.6	20.1	17.7	23.0	11.5	18.1	15.6	9.3
EBITDA, %	6.4	12.1	9.7	12.3	6.1	10.9	9.0	5.7
Adjusted* EBITDA	20.7	20.5	18.0	21.4	12.0	18.9	16.9	16.5
Adjusted* EBITDA, %	11.3	12.4	9.8	11.4	6.4	11.4	9.7	10.1
Depreciation and amortisation	-13.6	-13.0	-12.8	-12.5	-12.0	-11.5	-11.5	-10.5
Operating profit (EBIT)	-1.9	7.1	4.9	10.5	-0.6	6.6	4.1	-1.2
Operating profit, %	-1.1	4.3	2.7	5.6	-0.3	4.0	2.4	-0.7
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.9	9.6	7.3	11.0	2.2	9.4	7.3	7.8
Adjusted EBITA, %	5.4	5.8	4.0	5.9	1.2	5.7	4.2	4.8
Financial income	-0.1	0.2	0.2	0.1	0.4	0.1	0.1	0.1
Financial expenses	-4.1	-2.8	-2.7	-3.1	-2.7	-2.1	-1.7	-1.6
Profit before taxes (EBT)	-6.1	4.4	2.4	7.5	-2.8	4.5	2.5	-2.7
Income tax	-0.3	-1.1	-0.6	-1.6	1.7	-0.5	-0.3	5.2
Profit for the period	-6.4	3.3	1.8	5.9	-1.1	4.0	2.1	2.6
Share of the result for the period attributable to owners of the parent company	-5.2	3.5	2.0	5.5	-0.7	3.3	1.7	5.3
Share of the result for the period attributable to non-controlling interests	-1.2	-0.2	-0.2	0.4	-0.4	0.8	0.4	-2.7
EPS	-0.25	0.13	0.07	0.24	-0.03	0.14	0.08	0.23
Average number of personnel (FTE)	4,923	4,976	4,978	4,882	4,851	4,793	4,990	4,474
Change in personnel during the quarter	-53	-1	95	31	58	-197	516	-272

Calculation of key financial figures and alternative performance measures

Key figures

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

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

Adjusted EBITDA, % ¹⁾	Operating profit + depreciation, amortisation and impairment + adjustment items	x 100
	Revenue	
Adjusted EBITDA ¹⁾ , excluding IFRS 16	Operating profit + depreciation, amortisation and impairment + adjustment items - IFRS 16 adjustment	
Net debt/Adjusted EBITDA ¹⁾ , rolling 12 months	Interest-bearing net debt - cash and cash equivalents	
	Adjusted EBITDA (rolling 12 months)	
Net debt/Adjusted EBITDA, excluding IFRS 16, rolling 12 months	Interest-bearing net debt excluding IFRS 16 - cash and cash equivalents	
	Adjusted EBITDA, excluding IFRS 16 (rolling 12 months)	
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities	
Adjusted operating profit (EBIT) ¹⁾	Operating profit + adjustment items	
Adjusted operating profit (EBIT), % ¹⁾	Adjusted operating profit (EBIT)	x 100
	Revenue	
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) ¹⁾	Operating profit + adjustment items + amortisation and impairment of intangible assets	
Adjusted EBITA, % ¹⁾	Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	x 100
	Revenue	
Profit before taxes (EBT)	Profit for the financial year + income tax	
Gross investments	Increase in tangible and intangible assets and in right-of-use assets	
Organic revenue growth, %	Revenue for the period - revenue from M&A transactions and divestments 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 financial years. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships as well as fines and corresponding compensation payments. Pihlajalinna presents costs concerning cloud computing arrangements, and reversals of amortisation, as adjustment items.

Reconciliations with alternative key figures and ratios

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

Reading notes:

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Return on equity (ROE), %				
Profit for period (rolling 12 months)/			4.6	7.7
Equity (average) x 100			133.7	122.7
Return on equity (ROE), %			3.4	6.2

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Return on capital employed (ROCE), %				
Profit before taxes (rolling 12 months) +			8.2	1.5
Financial expenses (rolling 12 months)			12.7	8.1
/			20.9	9.6
Total statement of financial position at beginning of period -			661.6	457.1
non-interest-bearing liabilities at beginning of period			138.9	135.5
			522.8	321.6
Total statement of financial position at end of period -			657.5	661.6
Non-interest-bearing liabilities at end of period			135.7	138.9
			521.8	522.8
Average x 100			522.3	422.2
Return on capital employed (ROCE), %			4.0	2.3

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Equity ratio, %				
Equity/			144.6	122.9
Total statement of financial position -			657.5	661.6
Advances received x 100			0.3	0.0
Equity ratio, %			22.0	18.6

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Gearing, %				
Interest-bearing financial liabilities –			377.2	398.8
Cash and cash equivalents/			24.5	13.1
Equity x 100			144.6	122.9
Gearing, %			243.9	313.8

Gearing illustrates the company's indebtedness. The figure reveals the ratio between the equity invested in the company by shareholders and the interest-bearing debt borrowed from lenders.

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Net debt/adjusted EBITDA, rolling 12 months				
Interest-bearing financial liabilities –			377.2	398.8
Cash and cash equivalents			24.5	13.1

Net debt/	352.7	385.7
Adjusted EBITDA (rolling 12 months)	80.6	64.2
Net debt/adjusted EBITDA, rolling 12 months	4.4	6.0

This figure illustrates how quickly, at the current profit rate, the company would have paid off its debts if the EBITDA were to be used in full to repay the debts, if the company does not, for example, invest or distribute any dividend.

EUR million	10–12/2023	10–12/2022	1–12/2023 12 months	1–12/2022 12 months
Interest-bearing net debt, excluding IFRS 16, %				
Interest-bearing financial liabilities excluding IFRS 16 –			166.5	191.7
Cash and cash equivalents/			24.5	13.1
Equity x 100			151.8	127.6
Interest-bearing net debt, excluding IFRS 16, %			93.6	139.95

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16				
Interest-bearing financial liabilities excluding IFRS 16 –			166.5	191.7
Cash and cash equivalents			24.5	13.1
Net debt/			142.0	178.6
Adjusted EBITDA excluding IFRS 16 (rolling 12 months)			51.9	40.2
Net debt/adjusted EBITDA, rolling 12 months, excluding IFRS 16			2.7	4.4

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
EBITDA and Adjusted EBITDA				
Profit for period	-6.4	-1.1	4.6	7.7
Income tax	-0.3	1.7	-3.6	6.1
Financial expenses	-4.1	-2.7	-12.7	-8.1
Financial income	-0.1	0.4	0.4	0.7
Depreciation, amortisation and impairment	-13.6	-12.0	-51.9	-45.5
EBITDA	11.6	11.5	72.5	54.4
IFRS 3 costs	0.0	0.2	0.7	1.3
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.2	0.1	1.0	0.3
Other EBITDA adjustments	8.9	0.2	6.4	8.2
Total EBITDA adjustments	9.1	0.6	8.1	9.8
Adjusted EBITDA	20.7	12.0	80.6	64.2

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
EBITDA, %				
EBITDA/	11.6	11.5	72.5	54.4
Revenue x 100	183.0	188.4	720.0	690.5
EBITDA, %	6.4	6.1	10.1	7.9

EUR million	10–12/2023	10–12/2022	1–12/2023	1–12/2022
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	3 months	3 months	12 months	12 months
Adjusted EBITDA, %				
Adjusted EBITDA/	20.7	12.0	80.6	64.2
Revenue x 100	183.0	188.4	720.0	690.5
Adjusted EBITDA, %	11.3	6.4	11.2	9.3

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Operating profit (EBIT) and Adjusted operating profit (EBIT)				
Profit for the period	-6.4	-1.1	4.6	7.7
Income tax	-0.3	1.7	-3.6	6.1
Financial expenses	-4.1	-2.7	-12.7	-8.1
Financial income	-0.1	0.4	0.4	0.7
Operating profit (EBIT)	-1.9	-0.6	20.6	8.9
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.5	-0.4
Other adjustments to amortisation and impairment	0.6	0.2	0.9	0.3
Total EBITDA adjustments	9.1	0.6	8.1	9.8
Total operating profit (EBIT) adjustments	9.6	0.6	8.5	9.7
Adjusted operating profit (EBIT)	7.7	0.1	29.1	18.6
PPA amortisation	0.5	0.7	2.1	2.7
Amortisation and impairment of other intangible assets	1.7	1.5	6.6	5.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.5	0.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.9	2.2	37.8	26.7

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Operating profit (EBIT), %				
Operating profit/	-1.9	-0.6	20.6	8.9
Revenue x 100	183.0	188.4	720.0	690.5
Operating profit (EBIT), %	-1.1	-0.3	2.9	1.3

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Adjusted operating profit (EBIT), %				
Adjusted operating profit/	7.7	0.1	29.1	18.6
Revenue x 100	183.0	188.4	720.0	690.5
Adjusted operating profit (EBIT), %	4.2	0.0	4.0	2.7

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %				
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) /	9.9	2.2	37.8	26.7
Revenue x 100	183.0	188.4	720.0	690.5
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	5.4	1.2	5.2	3.9

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Cash flow after investments				
Net cash flow from operating activities	26.1	22.5	79.0	64.9
Net cash flow from investing activities	-3.6	-6.9	-18.5	-83.4
Cash flow after investments	22.5	15.5	60.5	-18.6

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Profit before taxes				
Profit for period	-6.4	-1.1	4.6	7.7
Income tax	-0.3	1.7	-3.6	6.1
Profit before taxes	-6.1	-2.8	8.2	1.5

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Gross investments				
Property, plant and equipment at end of period	65.8	58.7	65.8	58.7
Right-of-use assets at end of period	203.9	197.7	203.9	197.7
Other intangible assets at end of period	21.1	22.8	21.1	22.8
Goodwill at end of period	251.8	251.0	251.8	251.0
Depreciation, amortisation and impairment for period are added	13.6	12.0	51.9	45.5
Property, plant and equipment at beginning of period	67.6	55.6	58.7	45.0
Right-of-use assets at beginning of the period	210.5	197.6	197.7	95.6
Other intangible assets at beginning of period	21.7	21.7	22.8	14.9
Goodwill at beginning of period	251.8	249.5	251.0	188.9
Proceeds from the sale of property, plant and equipment during period	-0.1	-0.1	-2.3	-3.0
Gross investments	4.7	18.0	66.5	234.5

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Organic revenue growth, %				
Revenue for period -	183.0	188.4	720.0	690.5
Revenue from M&A transactions during period		22.4	16.2	77.8
The impact of divestments on revenue during the period	-4.5		-12.0	
Revenue for previous period	188.4	154.7	690.5	577.8
Organic revenue growth /	-0.9	11.3	25.3	34.9
Revenue for previous period x 100	188.4	154.7	690.5	577.8
Organic revenue growth, %	-0.5	7.3	3.7	6.0
Revenue growth due to M&A transactions, %		14.5	2.3	13.5
Decrease in revenue due to divestments, %	-2.4		-1.7	
Revenue growth	-5.4	33.7	29.5	112.7
Revenue growth, %	-2.9	21.8	4.3	19.5

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

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
EBITDA	11.6	11.5	72.5	54.4
Adjustments to EBITDA				
Dismissal-related expenses	0.2	0.0	1.3	0.5
Costs arising from integration of acquired businesses	0.0	0.1	0.2	1.9
District Court's ruling, Jämsän Terveys				4.7
Classification of receivables as contingent assets according to IAS 37	7.8		7.8	
Impairments on shares of interest in associates	0.5		0.5	
Gains on the sale of businesses	0.0		-3.6	
IFRS 3 costs	0.0	0.2	0.7	1.3
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.2	0.1	1.0	0.3
Other items with cash flow effect	0.3	0.1	0.3	0.4
Other items with no cash flow effect			-0.2	0.7
Adjustments to EBITDA in total	9.1	0.6	8.1	9.8
Adjusted EBITDA	20.7	12.0	80.6	64.2
Depreciation, amortisation and impairment	-13.6	-12.0	-51.9	-45.5
Adjustments to depreciation, amortisation and impairment				
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.5	-0.4
Closure of operating locations		0.2	0.2	0.3
Impairments on investments	0.6		0.6	
Adjustments to depreciation, amortisation and impairment in total	0.5	0.1	0.3	-0.1
Adjustments to operating profit in total	9.6	0.6	8.5	9.7
Adjusted operating profit (EBIT)	7.7	0.1	29.1	18.6
PPA amortisation	0.5	0.7	2.1	2.7
Other amortisation and impairment of intangible assets	1.6	1.4	6.1	5.0
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.5	0.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	9.9	2.2	37.8	26.7
Operating profit (EBIT)	-1.9	-0.6	20.6	8.9

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

EUR million	10–12/2023 3 months	10–12/2022 3 months	1–12/2023 12 months	1–12/2022 12 months
Revenue	2.1		2.1	2.4
Other operating income	1.6		-2.2	
Materials and services	4.2		4.3	2.0
Employee benefit expenses	0.2	0.0	1.2	1.3
Other operating expenses	0.5	0.5	2.2	4.2
Share of profit in associated companies and joint ventures	0.5		0.5	
EBITDA adjustment items total	9.1	0.6	8.1	9.8
Depreciation, amortisation and impairment	0.5	0.1	0.3	-0.1
Operating profit (EBIT) adjustment items total	9.6	0.6	8.5	9.7