



Pihlajalinna

Financial Statements Release
1 January–31 December 2021

Revenue continued to increase, Pihlajalinna and Pohjola Hospital were combined

This financial statements release is unaudited. The comparison figures in brackets refer to the corresponding period in the previous year. Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

A brief look at October–December:

- Revenue amounted to EUR 154.7 (137.2) million – an increase of EUR 17.5 million, or 12.8 per cent
- Adjusted* EBITDA was EUR 14.9 (15.8) million – a decrease of -5.6 per cent
- Profitability was reduced by the increased costs of specialised care under complete outsourcing agreements
- Adjusted* EBIT was EUR 6.0 (7.3) million – a decrease of -17.7 per cent
- Adjusted* EBITA before the amortisation and impairment of intangible assets was EUR 7.8 (9.0) million – a decrease of -12.5 per cent
- Earnings per share (EPS) was EUR 0.19 (0.15)
- Revenue from services related to COVID-19** amounted to EUR 10.1 (7.4) million – an increase of EUR 2.7 million.
- The acquisition of Työterveys Virta Oy on 1 April 2021 increased revenue by EUR 3.6 million, or 2.6 per cent.
- Customer volumes grew by approximately 17 per cent year-on-year, with remote services representing 39 per cent of all appointments (excluding municipal outsourcing arrangements and COVID-19 testing).

A brief look at January–December:

- Revenue amounted to EUR 577.8 (508.7) million – an increase of EUR 69.1 million, or 13.6 per cent
- Adjusted* EBITDA was EUR 65.3 (54.8) million – an increase of 19.3 per cent
- Adjusted* EBIT was EUR 30.3 (20.9) million – an increase of 45.2 per cent
- Adjusted* EBITA before the amortisation and impairment of intangible assets was EUR 37.3 (27.4) million – an increase of 36.1 per cent
- Earnings per share (EPS) was EUR 0.89 (0.38)
- Revenue from services related to COVID-19** amounted to EUR 38.9 (11.4) million – an increase of EUR 27.5 million.
- The acquisition of Työterveys Virta Oy on 1 April 2021 increased revenue by EUR 11.0 million, or 2.2 per cent.
- Customer volumes grew by approximately 9 per cent year-on-year, with remote services representing 39 per cent of all appointments (excluding municipal outsourcing arrangements and COVID-19 testing).
- Pihlajalinna and Pohjola Hospital were combined on 1 February 2022. The acquisition is an important element of Pihlajalinna's growth strategy, and it strengthens Pihlajalinna's service portfolio in all health care specialities. The business combination also enables the geographical expansion of the service network, especially in the Helsinki Metropolitan Area and other growth centers. Growth potential is further strengthened by the new five-year service agreement signed with Pohjola Insurance in connection with the deal.

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

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

	10–12/2021 3 months	10–12/2020 3 months	1–12/2021 12 months	1–12/2020 12 months
INCOME STATEMENT				
Revenue, EUR million	154.7	137.2	577.8	508.7
EBITDA, EUR million	14.5	15.1	62.6	52.2
EBITDA, %	9.4	11.0	10.8	10.3
Adjusted EBITDA, EUR million*	14.9	15.8	65.3	54.8
Adjusted EBITDA, %*	9.6	11.5	11.3	10.8
Operating profit (EBIT), EUR million	5.6	6.8	27.9	18.1

Operating profit (EBIT), %	3.6	4.9	4.8	3.6
Adjusted operating profit (EBIT), EUR million*	6.0	7.3	30.3	20.9
Adjusted operating profit (EBIT), %*	3.9	5.3	5.3	4.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million*	7.8	9.0	37.3	27.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %*	5.1	6.5	6.5	5.4
Profit before tax (EBT), EUR million	4.6	5.7	24.2	13.7
SHARE-RELATED INFORMATION				
Earnings per share (EPS), EUR	0.19	0.15	0.89	0.38
Equity per share, EUR			5.27	4.82
Dividend per share, EUR			0.30	0.20
OTHER KEY FIGURES				
Return on capital employed (ROCE), %			8.8	5.7
Return on equity (ROE), %			16.1	8.1
Equity ratio, %			26.9	25.9
Gearing, %			158.8	170.6
Interest-bearing net debt, EUR million			194.7	194.8
Net debt/adjusted EBITDA, 12 months*			3.0	3.6
Gross investments, EUR million	7.4	5.5	44.8	25.4
Cash flow from operating activities, EUR million	24.8	18.5	56.9	46.9
Cash flow after investments, EUR million	19.0	16.7	24.9	42.8
Average number of personnel (FTE)			4,746	4,308
Personnel at the end of the period (NOE)			6,297	5,550
Practitioners at the end of the period			1,070	1,056
Combined weighted NPS for services (entire Group)			72.5	70.4
eNPS (entire Group)			1.0	-4.3

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

EBITDA adjustments amounted to EUR 0.3 (0.7) million for the quarter and EUR 2.7 (2.6) million for the financial year. Adjustments to operating profit amounted to EUR 0.4 (0.6) million for the quarter and EUR 2.4 (2.8) million for the financial year.

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

Pihlajalinna's outlook for 2022

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

The acquisition of Pohjola Hospital will increase consolidated revenue by at least EUR 50 million in the financial year 2022. Revenue from COVID-19 services is expected to decline from the level of 2021. In 2022, Pihlajalinna will focus on the integration of Pohjola Hospital operations to be a seamless part of its Medical Center for All of Finland -concept. Maintaining profitability on a par with 2021 will require success in increasing supply, realization of the planned synergies of the acquisition, and successful implementation of potential efficiency improvements in municipal companies.

Joni Aaltonen, CEO of Pihlajalinna:

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

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

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

The sales of occupational healthcare services continued to see strong growth, and Pihlajalinna has also been successful in terms of customer retention. The key drivers of growth are digital services, competitive pricing and successful acquisitions. The number of people within the scope of Pihlajalinna occupational healthcare services was approximately 240,000 at the end of the financial year. Due to new contracts starting 2022 we expect this number to increase to 250,000. The proportion of preventive activities in occupational healthcare services grew in line with targets, increasing by over 6 per cent year-on-year.

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

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

According to the Finnish Institute for Health and Welfare statistics, at the end of November 2021, a total of 150,392 people (31 December 2020: 141,469) were waiting for access to care at hospitals operated by the hospital districts. Of these, 9,539 (7,617) people, or 6.3 (5.4) per cent, had waited for access to non-urgent specialised care for more than six months. In specialised care, congestion is highest in surgery and psychiatry. Our job at Pihlajalinna is to provide people with a channel through which they can access the service they need without a delay. The most effective solution for working through the waiting lists for treatment is increased purchasing from private-sector service providers.

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

At the beginning of July, we announced our intention to acquire the entire share capital of Pohjola Hospital Ltd. The transaction was approved by the Finnish Competition and Consumer Authority at the beginning of 2022 and completed on 1 February 2022. In connection with the acquisition, we also signed a new five-year service agreement with Pohjola Insurance. The acquisition not only improves the availability of our services and our service portfolio, but also expands the provision especially in the orthopedic services. Pohjola Hospital is known for its high-quality expertise in orthopedics and hand surgery.

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

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

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

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

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

Pihlajalinna's strategy 2021–2025

Strategic priorities

1. The renewal of services for private customers

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

2. Cooperation in social and healthcare services

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

3. Enhancing digitalisation

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



Objectives for the strategy period

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

Performance indicators

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

Revenue by customer group

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

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

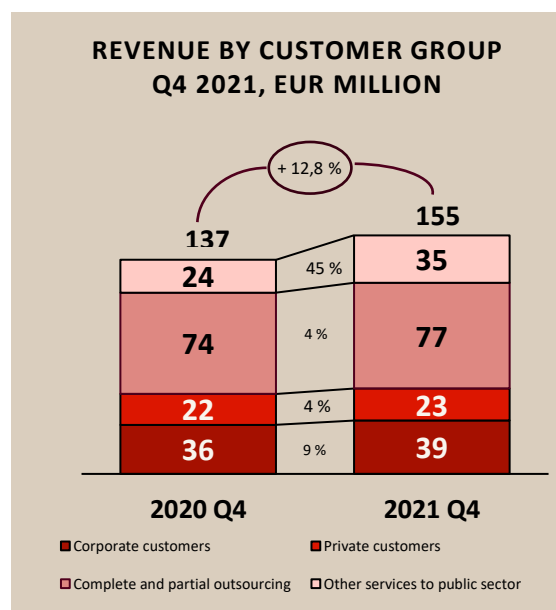
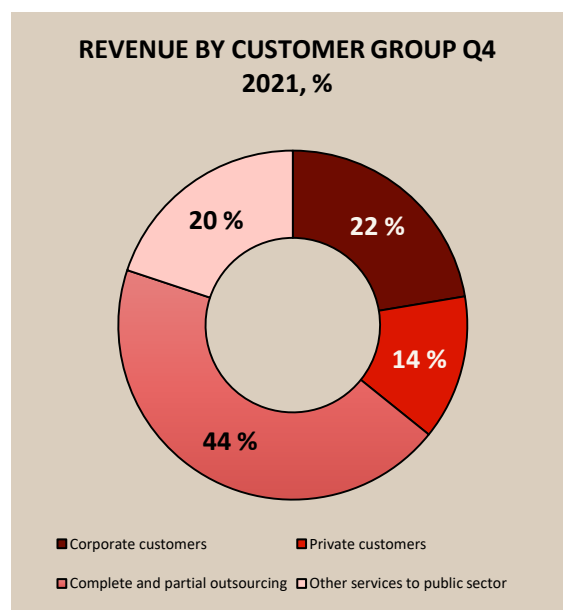
October–December 2021

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

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

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

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



January–December 2021

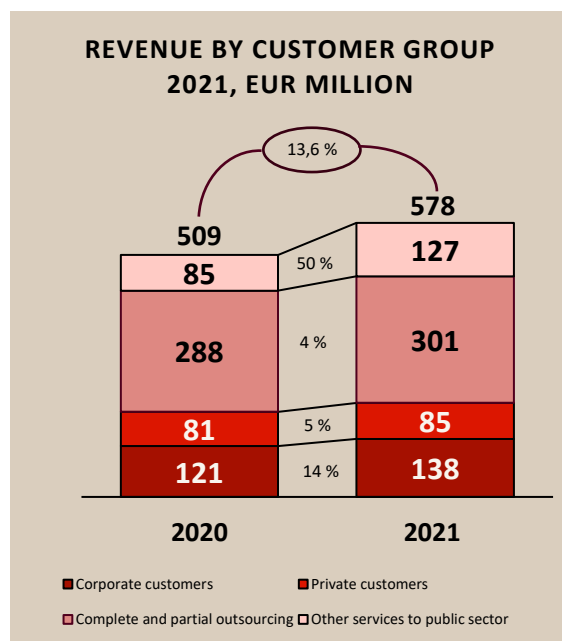
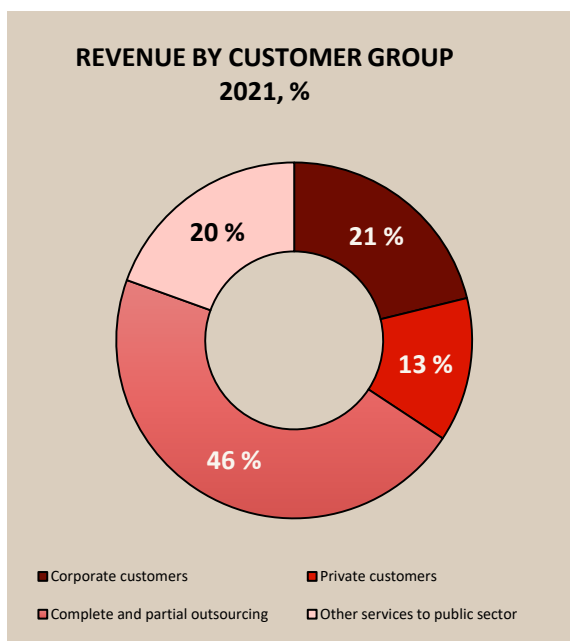
EUR million	1–12/2021	1–12/2020	change	change %
Corporate customers	137.8	120.7	17.1	14.1%
of which insurance company customers	34.8	31.4	3.4	10.9%
Private customers	85.3	81.1	4.2	5.1%
Public sector	427.7	372.4	55.2	14.8%
of which complete and partial outsourcing agreements	300.8	287.9	12.9	4.5%
of which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

Revenue from **corporate customers** amounted to EUR 137.8 (120.7) million, an increase of EUR 17.1 million, or 14.1 per cent. Sales to insurance company customers increased by EUR 3.4 million, or 10.9 per cent. Revenue from occupational healthcare services increased by EUR 6.0 million. In the corporate customer group, revenue from COVID-19 services amounted to EUR 9.4 (5.9) million, an increase of EUR 3.5 million. Revenue from surgical services and remote services increased. The customer volumes of Pihlajalinna's private clinics increased by 5 per cent year-on-year but were one per cent lower than in 2019.

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

Revenue from **the public sector** amounted to EUR 427.7 (372.4) million, an increase of EUR 55.2 million, or 14.8 per cent. Revenue from COVID-19 services amounted to EUR 27.3 (4.6) million, an increase of EUR 22.7

million. The partial outsourcing agreement with Kristiinankaupunki, index adjustments to complete outsourcing agreements and additional invoicing increased revenue by a total of EUR 12.6 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 9.9 million. The customer volumes of Pihlajalinna's private clinics increased by 54 per cent year-on-year and were 55 per cent higher than in 2019. Without the acquisition of Työterveys Virta, customer volumes would have increased by 7 per cent year-on-year and by 8 per cent compared to 2019.



Consolidated revenue and result

October–December 2021

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

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

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

EBITDA was EUR 14.5 (15.1) million, a decrease of EUR -0.5 million, or -3.5 per cent. Adjusted EBITDA was EUR 14.9 (15.8) million. EBITDA adjustments amounted to EUR 0.3 (0.7) million. The profitability of private clinic services improved due to COVID-19 services. The profitability of fitness centre services improved as

the operating conditions returned closer to normal in the final quarter of the year. Fitness centres also received retrospective financial support from the government in the amount of EUR 0.5 million in November.

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

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

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

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

January–December 2021

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

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

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

EBITDA was EUR 62.6 (52.2) million, an increase of EUR 10.5 million, or 201 per cent. Adjusted EBITDA was EUR 65.3 (54.8) million, an increase of EUR 10.6 million, or 19.3 per cent. EBITDA adjustments amounted to EUR 2.7 (2.6) million. The profitability of private clinic services improved due to COVID-19 services. The

profitability of occupational healthcare services remained good and improved due to higher volumes. The profitability of fitness centres improved. The capacity utilisation rates and profitability of surgical operations improved.

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

Depreciation, amortisation and impairment amounted to EUR 34.7 (34.0) million. Adjustments to depreciation, amortisation and impairment amounted to EUR -0.3 (0.1) million. Depreciation of intangible assets amounted to EUR 6.7 (6.3) million, of which depreciation related to purchase price allocations amounted to EUR 3.0 (3.1) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 9.2 (8.8) million, and depreciation and impairment of right-of-use assets totalled EUR 18.8 (18.9) million.

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

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

The operating environment

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

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

In primary care, non-urgent outpatient appointments with physicians were available within one week of the assessment of the need for treatment in approximately 60 per cent of cases in October 2021 in all of the Regional State Administrative Agency regions. The increased use of remote consultations has expedited

access to care at health centers. In October 2021, the number of non-urgent visits to dental care was still lower than in 2019.

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

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

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

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

Consolidated statement of financial position and cash flow

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

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

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

Net cash flow from investing activities totalled EUR -5.8 (-1.9) million during the quarter. Investments in tangible and intangible assets amounted to EUR -5.8 (-2.0) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.2 (0.1) million. Pihlajalinna acquired the business operations of Finla Työterveys Oy's Mänttä-Vilppula unit in November 2021.

Net cash flow from investing activities totalled EUR -32.1 (-4.1) million for the financial year. Acquisitions of subsidiaries (mainly Työterveys Virta Oy on 1 April 2021) had an impact of EUR -16.4 (-1.4) million on net

cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -14.8 (-9.6) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.5 (6.8) million. Pihlajalinna sold and leased back two care properties in Laihia in May 2020. Investments in NONNA Group Oy and Digital Health Solutions Oy had aware EUR -1.3 million.

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

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

Net cash flow from financing activities during the financial year totalled EUR -33.9 (-56.5) million. The change in financial liabilities, including changes in credit limits, amounted to EUR -1.6 (-12.2) million. Payments for financial lease liabilities amounted to EUR -19.8 (-20.6) million, and interest paid and other financial expenses amounted to EUR -4.0 (-4.5) million. The net effect of the change in non-controlling interests on cash flow was EUR -3.0 (-18.3) million. Pihlajalinna acquired 7.2 per cent of the share capital of Kuusiolinna Terveys from the municipality of Kuortane in August 2021. The transaction price, paid in cash, was EUR 3.0 million. In January 2020, Pihlajalinna paid EUR 16.3 million in total for shares in Kuusiolinna Terveys to the municipalities of Alavus, Ähtäri and Soini as well as EUR 2.0 million to the city of Mänttä-Vilppula for shares in Mäntänvuoren Terveys. A total of EUR 0.4 (0.2) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed dividends of EUR 4.5 (0.0) million for the financial year 2020 in accordance with the decision of the Annual General Meeting. The Group has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR 0.6 (0.7) million.

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

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

Financing arrangements

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

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

Due to the changes in the operating environment caused by the COVID-19 pandemic, Pihlajalinna and the funding providers agreed on a temporary adjustment to the covenants of the financing arrangement for the first two quarters of 2020 at the end of March 2020. The original covenants of the financing arrangement –

leverage of 3.75 and gearing of 115 per cent – took effect again when the covenants were reviewed in the third quarter of 2020.

In connection with this, a permanent new margin ceiling was added to the financing arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50. On 31 December 2021, leverage in accordance with the financing arrangement stood at 2.30 and gearing at 91 per cent.

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

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

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

Acquisitions and capital expenditure

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

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

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

Complete and partial outsourcing agreements

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

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

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

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

Changes in Group structure

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

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

Research and development

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

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

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

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

New features will be added into our portal for the occupational healthcare care customers to benefit. To mention some of them, expanding possibilities of analytics and reporting capabilities. A new mobile application for professionals will be launched for our employees and professional medical practitioners. Enhancements will be made also to our HR and document management systems. A new ERP system will be deployed in our surgical business area.

Personnel

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

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

Management Team

CEO Joni Aaltonen serves as the Chairman of the Management Team. The Management Team also includes COO Teija Kulmala, CFO Tarja Rantala, Chief Legal Officer Marko Savolainen, Chief People and Culture Officer Elina Heliö and Sales Director Juha-Pekka Halttunen. Antti-Jussi Aro, M.Sc. (Tech.), joined Pihlajalinna on 3 May 2021 as the new CIO and a member of the Group Management Team. Medical specialist Sari Riihijärvi, PhD, became Pihlajalinna's Chief Medical Officer (CMO) and a member of the Management Team on 2 July 2021. Sari Nevanlinna, M.Sc. (Econ.), M.Soc.Sc. was appointed as Pihlajalinna's Chief Commercial Officer (CCO). She will join the Group Management Team on 1 March 2022.

Board of Directors

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

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

Shareholders' Nomination Board

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

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

Committees nominated by the Board

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

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

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

Remuneration of the members of the Board of Directors

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

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

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

The AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the company's travel policy.

Board authorisations

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

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

Auditors and auditing

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

Shares and shareholders

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

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

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

* average rate weighted by trading level

Risk management

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

and categorises the group's risks and describes the goals of risk management. In addition, it defines risk management principles, operating methods and responsibilities.

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

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

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

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

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

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

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

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

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

The Group and operative management are responsible for risk management according to reporting responsibilities. In addition, risk management specialists guide and develop the group's risk management. The Group Management Team regularly discusses the key risks related to the Group's business operations. Everyone working at Pihlajalinna must also know and manage risks related to their responsibilities. The internal

audit function evaluates the appropriateness and performance of the Company's risk management as part of its annual audit plan.

Risks and uncertainties in business operations

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

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

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

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

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

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

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

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

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

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

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

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

Pending legal processes:

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement as mentioned above under *Items that may, according to the management estimate, influence the profitability of complete outsourcing agreements with a delay*. The

district court hearing was held in January 2022. The district court has announced to reach a decision in the beginning of March.

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

On 31 August 2021, in arbitration proceedings brought against a subsidiary of Pihlajalinna Group regarding a breach of contract, an arbitration court found that the claimant had suffered damages of EUR 295,800 due to the unfounded termination of an agreement. The court of arbitration ordered Pihlajalinna to pay compensation for damages and the claimant's legal expenses, totalling EUR 82,943, and, under joint and several liability, pay for the costs of the arbitration proceedings, totalling EUR 98,694.

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

Impairment testing of goodwill

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

Tax liability and footprint

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

Tax footprint

EUR million	31 December 2021	31 December 2020
Direct tax payable for the period		
Income tax	5.3	4.2
Employer's pension contributions	35.3	27.0
Social security contributions	3.2	2.5
Employer's unemployment insurance contributions	3.5	2.5
Contribution to accident insurance and group life insurance	1.6	1.3
Employer contributions, total	43.7	33.3
Property taxes	0.1	0.1
Transfer taxes	0.4	0.4
Direct tax payable for the period, total	49.5	37.9

Value added tax of acquisitions payable by the company		
Value added taxes, estimate	14.3	11.3
Tax for the period		
Withholding taxes	48.0	43.3
Employee pension contributions	15.8	13.7
Employee unemployment insurance contributions	2.9	2.2
Payroll tax, total	66.7	59.2
Net value-added tax	1.4	1.9
Taxes collected for the period, total	68.1	61.1
Tax footprint	131.9	110.4

Share-based incentive schemes

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

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

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

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

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

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

Repurchase of own shares

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

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

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

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

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

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

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

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

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

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

Events after the financial period

Pihlajalinna and Pohjola Hospital were combined

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

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

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

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

The number of members and composition of the Board of Directors

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

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

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

Remuneration of the members of the Board of Directors

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

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

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

Pihlajalinna's financial reporting in 2022

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

Interim report January–March: Thursday, 5 May 2022

Half-year financial report January–June: Friday, 12 August 2022

Interim report January–September: Friday, 4 November 2022

Pihlajalinna Plc's Annual General Meeting is scheduled for Wednesday, 13 April 2022.

Briefing

Pihlajalinna will hold a briefing for analysts and the media on Friday, 18 February 2022 at 10:00 a.m. The event will be held remotely.

Helsinki, 17 February 2022

The Board of Directors of Pihlajalinna Plc

Further information

Joni Aaltonen, CEO, +358 40 524 7270

Tarja Rantala, CFO, +358 40 774 9290

Distribution

Nasdaq Helsinki

Major media

investors.pihlajalinna.fi

Pihlajalinna in brief

20-year-old Pihlajalinna (Nasdaq Helsinki: PIHLIS) is one of the leading private providers of social, healthcare and wellbeing services. The Group provides services to private individuals, companies, insurance companies and public sector entities, such as municipalities and joint municipal authorities, across Finland. The Group provides general practitioner and specialised care services, occupational healthcare and dental care services, residential services and wellbeing services, for example. The Group, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high-quality services for public pay healthcare customers.



Consolidated statement of comprehensive income

EUR million	10–12/2021 3 months	10–12/2020* 3 months	2021 12 months	2020* 12 months
Revenue	154.7	137.2	577.8	508.7
Other operating income	1.6	0.5	3.7	2.4
Materials and services	-56.3	-53.5	-209.5	-198.0
Employee benefit expenses	-69.3	-55.5	-255.2	-214.2
Other operating expenses	-16.2	-13.6	-54.2	-46.7
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0
EBITDA	14.5	15.1	62.6	52.2
Depreciation, amortisation and impairment	-9.0	-8.3	-34.7	-34.0
Operating profit (EBIT)	5.6	6.8	27.9	18.1
Financial income	0.1	0.1	0.2	0.2
Financial expenses	-1.1	-1.1	-4.0	-4.6
Profit before taxes	4.6	5.7	24.2	13.7
Income tax	-1.2	-2.8	-5.1	-4.8
Profit for the period **	3.3	2.9	19.1	8.9
Total comprehensive income for the period	3.3	2.9	19.1	8.9
Total comprehensive income for the period attributable:				
To the owners of the parent company	4.3	3.4	20.1	8.7
To non-controlling interests	-0.9	-0.5	-1.0	0.2
Earnings per share calculated on the basis of the profit for the period attributable to the owners of the parent company (EUR)				
Basic	0.19	0.15	0.89	0.38
Diluted	0.19	0.15	0.89	0.38

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

** The Group has not had any other comprehensive income items

Consolidated statement of financial position

EUR million	31 December 2021	31 December 2020*
ASSETS		
Non-current assets		
Property, plant and equipment	45.0	44.0
Goodwill	188.9	173.6
Other intangible assets	14.9	15.3
Right-of-use assets	95.6	102.8
Interests in associates	0.3	0.0
Other investments	1.2	0.1
Other receivables	5.2	5.5
Deferred tax assets	5.5	5.6
Total non-current assets	356.5	347.0
Current assets		
Inventories	3.7	3.4
Trade and other receivables	92.1	75.8
Current tax assets	0.4	1.9
Cash and cash equivalents	4.3	13.3
Total current assets	100.5	94.4
Total assets	457.1	441.3
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	116.5	116.5
Retained earnings	-17.6	-16.3
Profit for the financial year	20.1	8.7
	119.1	109.0
Non-controlling interests	3.5	5.2
Total equity	122.6	114.2
Non-current liabilities		
Deferred tax liabilities	5.9	5.8
Provisions	0.1	0.1
Lease liabilities	87.9	95.5
Financial liabilities	91.4	92.5
Other non-current liabilities	1.0	1.2
Total non-current liabilities	186.3	195.0
Current liabilities		
Trade and other payables	125.1	109.4
Current tax liabilities	3.3	2.0
Provisions	0.1	0.6
Lease liabilities	18.4	18.7
Financial liabilities	1.3	1.4
Total current liabilities	148.1	132.1
Total liabilities	334.5	327.1
Total equity and liabilities	457.1	441.3

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

Consolidated statement of changes in equity

	Equity attributable to owners of the parent				
EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2020	0.1	116.5	-15.5	5.0	106.1
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*			-0.8		-0.8
Comparable equity	0.1	116.5	-16.2	5.0	105.3
Profit for the financial year			8.7	0.2	8.9
Total comprehensive income for the period			8.7	0.2	8.9
Dividends paid			0.0	-0.3	-0.3
Acquisition of own shares			-0.7		-0.7
Share-based benefits			1.3		1.3
Total transactions with owners			0.6	-0.3	0.3
Changes in NCI without a change in control			-0.7	0.4	-0.3
Total changes in subsidiary shareholdings			-0.7	0.4	-0.3
Total equity, 31 Dec. 2020	0.1	116.5	-7.6	5.2	114.2

	Equity attributable to owners of the parent				
EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan. 2021	0.1	116.5	-7.6	5.2	114.2
Profit for the financial year			20.1	-1.0	19.1
Total comprehensive income for the period			20.1	-1.0	19.1
Dividends paid			-4.5	-0.3	-4.8
Acquisition of own shares			-0.6		-0.6
Share-based benefits			0.0		0.0
Total transactions with owners			-5.1	-0.3	-5.4
Changes in NCI without a change in control			-4.9	-0.4	-5.3
Total changes in subsidiary shareholdings			-4.9	-0.4	-5.3
Total equity, 31 Dec. 2021	0.1	116.5	2.5	3.5	122.6

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

Consolidated statement of cash flows

EUR million	10– 12/2021 3 months	10– 12/2020* 3 months	1– 12/2021 12 months	1– 12/2020* 12 months
Cash flow from operating activities				
Profit for the period	3.3	2.9	19.1	8.9
Adjustments to cash flow from operating activities:				
Taxes	1.2	2.8	5.1	4.8
Depreciation, amortisation and impairment	9.0	8.3	34.7	34.0
Financial income and expenses	1.0	1.0	3.7	4.4
Other	0.0	0.0	0.0	-0.1
Net cash generated from operating activities before change in working capital	14.5	15.1	62.6	52.1
Change in working capital	9.6	4.0	-3.3	-1.8
Interest received	0.1	0.0	0.2	0.2
Taxes paid	0.6	-0.6	-2.6	-3.6
Net cash flow from operating activities	24.8	18.5	56.9	46.9
Cash flow from investing activities				
Investments in tangible and intangible fixed assets	-5.8	-2.0	-14.8	-9.6
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.2	0.1	0.5	6.8
Changes in other receivables and investments	0.0	0.0	-1.3	0.0
Dividends received	0.0	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-0.3	0.0	-16.4	-1.4
Net cash flow from investing activities	-5.8	-1.9	-32.1	-4.1
Cash flow from financing activities				
Changes in non-controlling interests	0.0	0.0	-3.0	-18.3
Acquisition of own shares	0.0	0.0	-0.6	-0.7
Proceeds from and repayment of borrowings	-15.4	-3.2	-1.6	-12.2
Repayment of lease liabilities	-5.1	-5.4	-19.8	-20.6
Interest and other operational financial expenses	-1.1	-0.9	-4.0	-4.5
Dividends paid and other profit distribution	0.0	0.0	-4.9	-0.2
Net cash flow from financing activities	-21.5	-9.5	-33.9	-56.5
Changes in cash and cash equivalents	-2.5	7.1	-9.0	-13.7
Cash at beginning of period	6.8	6.2	13.3	27.0
Cash at end of period	4.3	13.3	4.3	13.3

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

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

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 to be replacements for the key figures defined in IFRS standards, and they may not be comparable with similarly named items used by other companies.

The preparation of the 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.

Impacts of new and revised IFRS standards

The amended standards published by IASB for adoption in 2021 did not have a material impact on Pihlajalinna's financial statements.

In April 2021, the IFRS Interpretations Committee issued a final agenda decision on the accounting of the costs of configuring or customising a cloud computing arrangement (IAS 38 Intangible Assets). In the agenda decision, the Interpretations Committee examined whether the customer should apply the IAS 38 standard and recognise an intangible asset on the configuration and customisation of the application, and if an intangible asset is not recognised, how the customer should account for the configuration and customisation costs in question. IFRIC agenda decisions do not have an effective date, so they are expected to be applied as soon as possible.

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

Retrospective effect on the 2020 financial statements of the IFRIC Agenda Decision

	2020 reported figures	Effect of the IFRIC Agenda Decision	2020 restated
ASSETS			
Other intangible assets	16.3	-1.0	15.3
Deferred tax assets	5.4	0.2	5.6

Total non-current assets	347.8	-0.8	347.0
Total assets	442.1	-0.8	441.3
EQUITY			
Retained earnings	-15.6	-0.8	-16.3
Profit for the financial year	8.7	0.0	8.7
Total	109.8	-0.8	109.0
Non-controlling interests	5.2	0.0	5.2
TOTAL EQUITY	115.0	-0.8	114.2
Total equity and liabilities	442.1	-0.8	441.3

	2020 reported figures	Effect of the IFRIC Agenda Decision	2020 restated
INCOME STATEMENT			
Other operating expenses	-46.4	-0.3	-46.7
EBITDA	52.4	-0.3	52.2
Depreciation, amortisation and impairment	34.3	0.2	34.0
Operating profit (EBIT)	18.2	0.0	18.1
Profit before taxes	13.8	0.0	13.7
Income tax	-4.8	0.0	-4.8
Total comprehensive income for the period	8.9	0.0	8.9
Total comprehensive income for the period attributable:			
To the owners of the parent company	8.7	0.0	8.7
To non-controlling interests	0.2	0.0	0.2

Cash flow from operating activities decreased and cash flow from investing activities increased by EUR 0.6 million due to the application of the Agenda Decision.

Contingent liabilities and commitments

EUR million	31 December 2021	31 December 2020
Collateral given on own behalf		
Sureties	4.4	4.4
Lease deposits	0.5	0.5
Properties' VAT refund liability	0.1	0.1
Lease commitments for off-balance sheet leases	0.8	0.8

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

Changes in intangible assets

EUR million	31 December 2021	31 December 2020
Acquisition cost at beginning of period	226.4	224.8
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*		-1.4
Additions	4.0	3.6
Business combinations	17.5	0.0
Transfers between items	0.1	-0.2
Disposals	0.0	-0.4
Acquisition cost at end of period	247.9	226.4
Accumulated depreciation at beginning of period	-37.4	-32.1
IFRIC Agenda Decision concerning the customisation and configuration costs of cloud computing arrangements*		0.5
Depreciation and amortisation for the period	-6.7	-6.3
Transfers between items	-0.1	0.1
Accumulated depreciation on disposals		0.4
Accumulated depreciation at end of period	-44.2	-37.4
Carrying amount at end of period	203.8	188.9

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

Changes in property, plant and equipment

EUR million	31 December 2021	31 December 2020
Acquisition cost at beginning of period	94.2	97.4
Additions	10.9	7.2
Business combinations	0.0	
Transfers between items	-0.2	1.1
Disposals	-0.8	-11.5
Acquisition cost at end of period	104.2	94.2
Accumulated depreciation at beginning of period	-50.2	-44.1
Depreciation and amortisation for the period	-9.2	-8.8

Transfers between items	-0.1	-1.0
Accumulated depreciation on disposals	0.3	3.7
Accumulated depreciation at end of period	-59.2	-50.2
Carrying amount at end of period	45.0	44.0

Changes in right-of-use assets

EUR million	31 Decem- ber 2021	31 Decem- ber 2020
Acquisition cost at beginning of period	182.9	172.7
Additions	9.8	14.6
Business combinations	2.8	
Transfers between items	-0.7	
Disposals	-2.5	-4.3
Acquisition cost at end of period	192.3	182.9
Accumulated depreciation at beginning of period	-80.1	-64.6
Depreciation and amortisation for the period	-18.8	-18.9
Transfers between items	0.7	
Accumulated depreciation on disposals	1.4	3.4
Accumulated depreciation at end of period	-96.7	-80.1
Carrying amount at end of period	95.6	102.8

Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 31 December 2021	Lease liabilities 31 December 2021
Carrying amount at the beginning of the pe-	102.8	114.2
Changes	11.6	11.9
Depreciation and amortisation	-18.8	
Repayments of lease liabilities		-19.8
Carrying amount at end of period	95.6	106.2

On 31 December 2021, EUR 83.5 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 26.2 million were financial lease liabilities in accordance with previous accounting standards. The former IFRS accounting principles of financial leases are applied in Pihlajalinna's financing arrangement (frozen GAAP).

EUR million	Right-of-use asset items 31 December 2020	Lease liabilities 31 December 2020
Carrying amount at the beginning of the pe-	108.1	114.2
Changes	13.7	20.6
Depreciation and amortisation	-18.9	
Repayments of lease liabilities		-20.6
Carrying amount at end of period	102.8	114.2

On 31 December 2020, EUR 86.8 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 29.7 million were financial lease liabilities in accordance with previous accounting standards. The former IFRS accounting principles of financial leases are applied in Pihlajalinna's financing arrangement (frozen GAAP).

Acquired business operations

Pihlajalinna completed the acquisition of Työterveys Virta Oy on 1 April 2021 and the acquisition of Finla Työterveys Oy's Mänttä-Vilppula unit on 1 November 2021. Since the acquisitions are not material individually, the following information on acquired business operations has been consolidated:

EUR million	2021
Consideration:	
Cash	17.9
Total acquisition cost	17.9
At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:	
Intangible assets	2.2
Right-of-use assets	2.8
Deferred tax assets	0.1
Trade and other receivables	1.6
Cash and cash equivalents	1.5
Total assets	8.2
Deferred tax liabilities	0.4
Restructuring provision	0.3
Interest-bearing financial liabilities	2.8
Other liabilities	2.0
Total liabilities	5.5
Net assets	2.6
Goodwill generated in the acquisition:	
Consideration transferred	17.9
Net identifiable assets of acquirees	-2.6
Goodwill	15.3
Transaction price paid in cash:	17.9
Cash and cash equivalents of acquirees	-1.5
Effect on cash flow	16.4

Customer contracts, non-compete agreements and patient databases were recognised in the acquisition as intangible assets separate from goodwill. The fair value of intangible assets has been determined on the basis of the standardised price level in business combinations and the values of future cash flows. The remaining goodwill consists of expectations about returns, the skilled workforce of the acquired companies and synergy benefits.

EUR 0.4 million of the costs related to the acquisitions have been recognised under other operating expenses (IFRS 3 costs).

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

Events after the financial period

Acquired business operations

Pihlajalinna acquired the entire share capital of Pohjola Hospital Oy from Pohjola Insurance Oy. The acquisition was completed on 1 February 2022. The purchase price allocation on the Pohjola Hospital acquisition is currently been finalized and will be completed within one year from the acquisition date, which will be 31 January 2023. Pihlajalinna is releasing the preliminary purchase price allocation, as a result of which adjustments have been made to the opening balance sheet of the Pohjola Hospital. Fair value adjustments were mainly made to right-of-use assets, other provisions and calculatory taxes.

EUR million	2022
Consideration:	
Cash	31,8
Total acquisition cost	31,8
At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:	
Tangible assets	0,4
Intangible assets	6,0
Right-of-use assets	112,8
Deferred tax assets	3,8
Other long-term receivables	4,6
Trade and other receivables	8,6
Cash and cash equivalents	1,8
Total assets	138,0
Deferred tax liabilities	1,1
Other provisions	4,9
Lease liabilities	131,7
Other liabilities	8,5
Total liabilities	146,2
Preliminary Net assets	-8,2
Goodwill generated in the acquisition:	
Consideration transferred	31,8
Net identifiable assets of acquirees	8,2
Goodwill	40,0
Transaction price paid in cash	31,8
Cash and cash equivalents of acquirees	-1,8
Effect on cash flow	30,0

Acquisition-related costs of EUR 1.0 million are included in other operating cost (IFRS 3 -cost). Preparing a purchase price allocation requires management to make judgements when determining the fair values of the assets acquired and liabilities assumed. The preliminary purchase price allocation may change when analyses are conducted and further information becomes available. Any adjustments to the fair values of the assets acquired and liabilities assumed will impact the preliminary estimate of goodwill. These adjustments may be material.

Trade and other receivables

Due to the COVID-19 epidemic, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in customers' payment behaviour. The collection of trade receivables has been reinforced. The amount of receivables more than 90 days past due is significantly increased by withheld payments concerning trade receivables and trade payables between Jämsän Terveys and the City of Jämsä. As described under Risks and uncertainties in business operations, if the negotiation obligation does not lead to payment, the receivables will be collected through legal action. This may further delay the collection of items presented in current receivables in the financial statements and interim reports.

The Group recognised impairment losses of EUR 0.5 (0.3) million on trade receivables during the financial year.

EUR million	31 December 2021	31 December 2020
Trade receivables	79.7	59.1
Prepayments and accrued income	11.4	15.7
Current subleases	0.6	0.5
Other receivables	0.5	0.4
Total	92.1	75.8

Age distribution of trade receivables

EUR million	31 December 2021	of which written down	Net 31 December 2021	31 December 2020	of which written down	Net 30 December 2020
Not yet due	25.9	0.0	25.9	23.6	0.0	23.6
Past due						
Less than 30 days	4.2	0.0	4.1	3.8	0.0	3.8
30–60 days	2.3	-0.1	2.3	1.9	-0.1	1.8
61–90 days	2.0	-0.1	1.8	2.2	-0.1	2.1
More than 90 days	46.1	-0.5	45.6	28.3	-0.5	27.8
TOTAL	80.4	-0.7	79.7	59.8	-0.7	59.1

Quarterly information

EUR million	Q4/21	Q3/21**	Q2/21**	Q1/21**	Q4/20**	Q3/20**	Q2/20**	Q1/20**
INCOME STATEMENT								
Revenue	154.7	140.6	142.5	139.9	137.2	123.9	114.7	133.0
EBITDA	14.5	18.2	15.0	14.9	15.1	16.5	8.5	12.1
EBITDA, %	9.4	12.9	10.5	10.6	11.0	13.3	7.4	9.1
Adjusted* EBITDA	14.9	19.3	15.9	15.2	15.8	17.2	9.1	12.7
Adjusted* EBITDA, %	9.6	13.8	11.1	10.9	11.5	13.9	7.9	9.5
Depreciation and amortisation	-9.0	-8.8	-8.5	-8.5	-8.3	-8.6	-8.3	-8.7
Operating profit (EBIT)	5.6	9.4	6.5	6.4	6.8	7.9	0.2	3.4
Operating profit, %	3.6	6.7	4.6	4.6	4.9	6.4	0.1	2.5
Adjusted* operating profit (EBIT)	6.0	10.5	7.2	6.7	7.3	8.7	0.7	4.2
Adjusted* operating profit (EBIT), %	3.9	7.4	5.0	4.8	5.3	7.0	0.6	3.2
Adjusted* operating profit before the amortisation and impairment of intangible assets (EBITA)	7.8	12.3	8.9	8.3	9.0	10.3	2.3	5.9
Adjusted* EBITA, %	5.1	8.7	6.3	5.9	6.5	8.3	2.0	4.4
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Financial expenses	-1.1	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.4
Profit before tax (EBT)	4.6	8.5	5.6	5.5	5.7	6.8	-0.9	2.0
Income tax	-1.2	-1.7	-1.1	-1.1	-2.8	-1.5	0.1	-0.6
Profit for the period	3.3	6.8	4.5	4.4	2.9	5.3	-0.8	1.4
Share of the result for the period attributable to owners of the parent company	4.3	7.0	4.3	4.5	3.4	4.5	-0.5	1.3
Share of the result for the period attributable to non-controlling interests	-0.9	-0.1	0.2	-0.1	-0.5	0.8	-0.3	0.1
EPS	0.19	0.31	0.19	0.20	0.15	0.20	-0.02	0.06
Average number of personnel (FTE)	4,746	4,731	4,665	4,444	4,308	4,303	4,306	4,350
Change in personnel during the quarter	15	66	221	136	5	-4	-44	-299

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

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

Calculation of key financial figures and alternative performance measures

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

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

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

Reconciliations with alternative key figures and ratios

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

Reading notes:

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

EUR million, unless otherwise stated	10–12/2021 3 months	10–12/2020* 3 months	1–12/2021 12 months	1–12/2020* 12 months
Return on equity (ROE), %				
Profit for the period (rolling 12 months)/			19.1	8.9
Equity at beginning of period			114.2	105.3
Equity at end of period			122.6	114.2
Equity (average) x 100			118.4	109.8
Return on equity (ROE), %			16.1	8.1
Return on equity is one of the most important indicators of a company's profitability used by shareholders and investors. The indicator illustrates the company's ability to look after the capital invested by shareholders in the company. The figure indicates how much return was accumulated on equity during the financial year.				
Return on capital employed (ROCE), %				
Profit before taxes (rolling 12 months) +			24.2	13.7
Financial expenses (rolling 12 months)			4.0	4.6
/			28.2	18.4
Total statement of financial position at beginning of period -			441.3	437.7
non-interest-bearing liabilities at beginning of period			119.0	112.7
			322.3	325.0
Total statement of financial position at end of period -			457.1	441.3
Non-interest-bearing liabilities at end of period			135.5	119.0
			321.6	322.3
Average x 100			321.9	323.7
Return on capital employed (ROCE), %			8.8	5.7
Return on capital employed is one of the most important indicators produced by financial statements analysis. It measures the company's relative profitability, or the return on capital invested in the company that requires interest or other returns.				
Equity ratio, %				
Equity/			122.6	114.2
Total statement of financial position -			457.1	441.3
Advances received x 100			0.9	1.2
Equity ratio, %			26.9	25.9
The equity ratio measures the company's solvency, the capacity to tolerate losses and the ability to manage commitments in the long term. The indicator shows the percentage of the company's assets that are financed by equity.				
Gearing, %				
Interest-bearing financial liabilities -			199.0	208.1
Cash and cash equivalents/			4.3	13.3
Equity x 100			122.6	114.2
Gearing, %			158.8	170.6
Gearing illustrates the company's indebtedness. The figure reveals the ratio between the equity invested in the company by shareholders and the interest-bearing debt borrowed from lenders.				
Net debt/adjusted EBITDA, rolling 12 months				
Interest-bearing financial liabilities -			199.0	208.1
Cash and cash equivalents			4.3	13.3
Net debt/			194.7	194.8
Adjusted EBITDA (rolling 12 months)			65.3	54.8
Net debt/adjusted EBITDA, rolling 12 months			3.0	3.6
This figure illustrates how quickly, at the current profit rate, the company would have paid off its debts if the EBITDA were to be used in full to repay the debts, if the company does not, for example, invest or distribute any dividend.				
	10–12/2021 3 months	10–12/2020* 3 months	1–12/2021 12 months	1–12/2020* 12 months
EBITDA and Adjusted EBITDA				
Profit for the period	3.3	2.9	19.1	8.9
Income tax	-1.2	-2.8	-5.1	-4.8
Financial expenses	-1.1	-1.1	-4.0	-4.6
Financial income	0.1	0.1	0.2	0.2
Depreciation, amortisation and impairment	-9.0	-8.3	-34.7	-34.0
EBITDA	14.5	15.1	62.6	52.2
IFRS 3 costs	0.2	0.0	1.4	0.1
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.1	0.1	0.6	0.3
Other EBITDA adjustments	0.0	0.6	0.7	2.2

Total EBITDA adjustments*	0.3	0.7	2.7	2.6
Adjusted EBITDA	14.9	15.8	65.3	54.8
EBITDA indicates how much is left of the company's revenue after deducting operating expenses. Assessments of whether EBITDA is sufficiently high should take into account the company's financial expenses, depreciation requirements and intended profit distribution. Adjusted EBITDA provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted EBITDA improves comparability between periods and is frequently used by analysts, investors and other parties. The Group Management Team and operative management monitor and forecast adjusted EBITDA on a monthly basis.				
EBITDA, %				
EBITDA/	14.5	15.1	62.6	52.2
Revenue x 100	154.7	137.2	577.8	508.7
EBITDA, %	9.4	11.0	10.8	10.3
Adjusted EBITDA, %				
Adjusted EBITDA/	14.9	15.8	65.3	54.8
Revenue x 100	154.7	137.2	577.8	508.7
Adjusted EBITDA, %	9.6	11.5	11.3	10.8
Operating profit (EBIT) and Adjusted operating profit (EBIT)				
Profit for the period	3.3	2.9	19.1	8.9
Income tax -	-1.2	-2.8	-5.1	-4.8
Financial expenses -	-1.1	-1.1	-4.0	-4.6
Financial income -	0.1	0.1	0.2	0.2
Operating profit (EBIT)	5.6	6.8	27.9	18.1
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation) -	-0.1	-0.1	-0.3	-0.2
Other adjustments to amortisation and impairment	0.2	-0.1	0.0	0.4
Total EBITDA adjustments	0.3	0.7	2.7	2.6
Total operating profit (EBIT) adjustments	0.4	0.6	2.4	2.8
Adjusted operating profit (EBIT)	6.0	7.3	30.3	20.9
PPA amortisation	0.7	0.7	3.0	3.1
Amortisation and impairment of other intangible assets	1.1	0.9	4.0	3.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3	0.2
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	7.8	9.0	37.3	27.4
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 (EBIT) provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted EBIT 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 before the amortisation and impairment of intangible assets on a monthly basis.				
	10–12/2021	10–12/2020*	1–12/2021	1–12/2020*
	3 months	3 months	12 months	12 months
Operating profit (EBIT), %				
Operating profit/	5.6	6.8	27.9	18.1
Revenue x 100	154.7	137.2	577.8	508.7
Operating profit (EBIT), %	3.6	4.9	4.8	3.6
Adjusted operating profit (EBIT), %				
Adjusted operating profit/	6.0	7.3	30.3	20.9
Revenue x 100	154.7	137.2	577.8	508.7
Adjusted operating profit (EBIT), %	3.9	5.3	5.3	4.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %				
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)/	7.8	9.0	37.3	27.4
Revenue x 100	154.7	137.2	577.8	508.7
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	5.1	6.5	6.5	5.4
Cash flow after investments				

Net cash flow from operating activities	24.8	18.5	56.9	46.9
Net cash flow from investing activities	-5.8	-1.9	-32.1	-4.1
Cash flow after investments	19.0	16.7	24.9	42.8
Cash flow after investments (free cash flow) indicates how much cash is left for the company after deducting the cash tied up in operative business and investments. It indicates how much the company has left for its shareholders and creditors. Free cash flow indicates how sustainable the foundation of the company's profitability is, and it is used as the basis of the company's valuation.				
Profit before taxes				
Profit for the period	3.3	2.9	19.1	8.9
Income tax	-1.2	-2.8	-5.1	-4.8
Profit before taxes	4.6	5.7	24.2	13.7
Gross investments				
Property, plant and equipment at the end of the period	45.0	44.0	45.0	44.0
Right-of-use assets at the end of the period	95.6	102.8	95.6	102.8
Other intangible assets at end of period	14.9	15.3	14.9	15.3
Goodwill at end of period	188.9	173.6	188.9	173.6
Depreciation, amortisation and impairment during the period	9.0	8.3	34.7	34.0
-				
Property, plant and equipment at the start of the period	43.9	45.4	44.0	53.2
Right-of-use assets at the start of the period	98.8	104.9	102.8	108.1
Other intangible assets at beginning of period	14.9	16.0	15.3	18.1
Goodwill at beginning of period	188.6	173.6	173.6	173.6
Proceeds from the sale of property, plant and equipment and disposals during the period	-0.3	-1.3	-1.5	-8.7
Gross investments	7.4	5.5	44.8	25.4
Organic revenue growth, %				
Revenue for the period -	154.7	137.2	577.8	508.7
Revenue from M&A transactions during the period	3.6	0.2	11.0	1.4
Revenue for the previous period	137.2	133.8	508.7	518.6
Organic revenue growth/	13.9	3.2	58.1	-11.3
Revenue for the previous period x 100	137.2	133.8	508.7	518.6
Organic revenue growth, %	10.1	2.4	11.4	-2.2
Revenue growth due to M&A transactions, %	2.6	0.1	2.2	0.3
Revenue growth	17.5	3.4	69.1	-9.9
Revenue growth, %	12.8	2.6	13.6	-1.9

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

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

EUR million	10–12/2021 3kk	10–12/2020* 3kk	1–12/2021 12kk	1–12/2020* 12kk
EBITDA	14.5	15.1	62.6	52.2
Adjustments to EBITDA				
Dismissal-related expenses	0.0		0.4	-0.1
Compensation under the share-based incentive scheme in relation to the expired tender offer		0.3		1.5
Onerous contracts			-0.2	
IFRS 3 costs	0.2	0.0	1.4	0.1
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.1	0.1	0.6	0.3
Other		0.3	0.5	0.7
Adjustments to EBITDA in total	0.3	0.7	2.7	2.6
Adjusted EBITDA	14.9	15.8	65.3	54.8
Depreciation, amortisation and impairment	-9.0	-8.3	-34.7	-34.0
Adjustments to depreciation, amortisation and impairment				
Double depreciation arising from a merger with				0.4

no cash flow effect				
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.3	-0.2
Closure of operating locations	0.2	-0.1	0.0	0.0
Adjustments to depreciation, amortisation and impairment in total	0.1	-0.1	-0.3	0.1
Adjustments to operating profit in total	0.4	0.6	2.4	2.8
Adjusted operating profit (EBIT)	6.0	7.3	30.3	20.9
PPA amortisation	0.7	0.7	3.0	3.1
Other amortisation and impairment of intangible assets	1.0	0.8	3.7	3.2
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3	0.2
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	7.8	9.0	37.3	27.4
Operating profit (EBIT)	5.6	6.8	27.9	18.1

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

EUR million	10–12/2021 3kk	10–12/2020* 3kk	1–12/2021 12kk	1–12/2020* 12kk
Employee benefit expenses	0.0	0.3	0.4	1.5
Other operating expenses	0.3	0.4	2.3	1.2
EBITDA adjustment items total	0.3	0.7	2.7	2.6
Depreciation, amortisation and impairment	0.1	-0.1	-0.3	0.1
Operating profit adjustment items total	0.4	0.6	2.4	2.8

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