



Pihlajalinna

Interim report
January–March 2022

Pihlajalinna and Pohjola Hospital were combined, strong growth in revenue

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

A brief look at January-March:

- **Revenue amounted to EUR 163.1 (139.9) million – an increase of EUR 23.2 million, or 16.6 per cent**
- Adjusted EBITDA was EUR 16.5 (15.2) million – an increase of 8.2 per cent
- **Adjusted EBITA before the amortisation and impairment of intangible assets was EUR 7.8 (8.3) million – a decrease of -6.2 per cent**
- **Earnings per share (EPS) was EUR 0.23 (0.20)**
- Revenue from services related to COVID-19 ¹⁾ amounted to EUR 8.1 (8.8) million – a decrease of EUR 0.7 million.
- The effect of M&A transactions ²⁾ on revenue growth was EUR 15.9 million, or 11.3 per cent. Organic growth was EUR 7.3 million, or 5.2 per cent.
- Customer volumes ³⁾ grew by 23 per cent year-on-year. Remote services represented 42 per cent of all appointments. The use of chat services via the Pihlajalinna Health App (Terveyssovellus) more than tripled, and the use of the Nurse Telephone Service doubled.
- Pihlajalinna and Pohjola Hospital were combined on 1 February 2022. The integration is moving ahead as planned, and the increase of supply throughout the network of operating locations is being systematically managed. The amount of available appointments increased by 30 per cent year-on-year.
- The District Court handed down its ruling on the dispute between Jämsän Terveys Oy and the City of Jämsä. The effect of the decision on profit attributable to the owners of the parent company was EUR -2.4 million. The effect of the decision on earnings per share (EPS) was EUR -0.11 per share.
- Pihlajalinna strengthened its network of operating locations and range of specialised care services by acquiring the entire share capital of Etelä-Savon Työterveys Oy and a majority interest in Lääkärikeskus Ikioma Oy on 1 April 2022. Etelä-Savon Työterveys has nearly 20,000 occupational healthcare customers within the scope of its service provision. Pihlajalinna also acquired the Punkkibussi® business from Saaristolääkärit Oy on 1 April 2022.
- Pihlajalinna published its first sustainability report in accordance with the Global Reporting Initiative (GRI) standard.
- Pihlajalinna rearranged its long-term debt financing with a sustainability-linked financing arrangement.

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

²⁾ Työterveys Virta Oy 1 April 2021, Pohjola Hospital Ltd 1 February 2022

³⁾ Excluding municipal outsourcing arrangements and COVID-19 testing

	1-3/2022 3 months	1-3/2021 ¹⁾ 3 months	change %	2021 12 months
INCOME STATEMENT				
Revenue, EUR million	163.1	139.9	16.6	577.8
EBITDA, EUR million	9.3	14.9	-37.7	62.6
EBITDA, %	5.7	10.6	-46.5	10.8
Adjusted EBITDA, EUR million ²⁾	16.5	15.2	8.2	65.3
Adjusted EBITDA, % ²⁾	10.1	10.9	-7.2	11.3
Operating profit (EBIT), EUR million	-1.2	6.4	-118.6	27.9
Operating profit (EBIT), %	-0.7	4.6	-115.9	4.8
Adjusted operating profit (EBIT), EUR million ²⁾	5.9	6.7	-11.4	30.3
Adjusted operating profit (EBIT), % ²⁾	3.6	4.8	-24.0	5.3
Adjusted operating profit before the amortisation and	7.8	8.3	-6.2	37.3

impairment of intangible assets (EBITA), EUR million ²⁾				
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ²⁾	4.8	5.9	-19.5	6.5
Profit before tax (EBT), EUR million	-2.7	5.5	-148.2	24.2
SHARE-RELATED INFORMATION				
Earnings per share (EPS), EUR	0.23	0.20	16.0	0.89
Equity per share, EUR	5.50	4.99	10.2	5.27
Dividend per share, EUR				0.30
OTHER KEY FIGURES				
Return on capital employed (ROCE), %	5.1	6.7	-23.6	8.8
Return on equity (ROE), %	13.9	10.3	35.9	16.1
Equity ratio, %	20.5	26.2	-21.8	26.9
Gearing, %	288.4	161.2	78.9	158.8
Interest-bearing net debt, EUR million	359.6	189.6	89.6	194.7
Net debt/adjusted EBITDA, 12 months ²⁾	5.4	3.3	63.2	3.0
Gross investments, EUR million ³⁾	176.1	4.1		44.8
Cash flow from operating activities, EUR million	15.5	10.7	45.5	56.9
Cash flow after investments, EUR million	-28.2	7.6	-470.0	24.9
Average number of personnel (FTE)	4,819	4,444	8.4	4,746
Personnel at the end of the period (NOE)	6,623	5,783	14.5	6,297
Practitioners at the end of the period	1,747	1,451	20.4	1,512

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

²⁾ Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, 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. From financial statements 2021 onwards, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

EBITDA adjustments amounted to EUR 7.2 (0.4) million for the review period. Adjustments to operating profit amounted to EUR 7.1 (0.3) million for the review period.

³⁾ Assets acquired via leases are regarded as equal to assets acquired by the Group itself, meaning that right-of-use assets pursuant to IFRS 16 are included in gross investments.

Pihlajalinna's outlook for 2022

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

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna's revenue increased by 16.6 per cent to EUR 163.1 (139.9) million. The acquisition of Pohjola Hospital on 1 February 2022 and Työterveys Virta on 1 April 2021 had an effect of 11.3 per cent on revenue growth. Organic growth was EUR 7.3 million, or 5.2 per cent.

Pihlajalinna's systematic and responsive approach to managing supply growth has brought results. We have also been increasingly successful in recruiting healthcare professionals and engaging them to Pihlajalinna. The amount of available appointments increased by 30 per cent year-on-year in spite of the absences caused by COVID-19 among the personnel. Over 300 new practitioners or physicians in employment relationships started working for Pihlajalinna during the review period. The use of chat services via the Pihlajalinna Health App (Terveyssovellus) more than tripled, and the use of the Nurse Telephone Service doubled. The use of remote services grew particularly in the areas of pediatric health and psychiatry. Expanding our remote services and ensuring scalability are key focus areas for us as we increase the supply of our services. Some 42 per cent of all appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services.

The share of revenue represented by services related to COVID-19 decreased year-on-year in spite of the high COVID-19 testing volume. The potential abatement of the COVID-19 pandemic would lead to a significant decline in the share of COVID-19 services in Pihlajalinna's business operations towards the end of the year. Going forward, COVID-19 testing and vaccination services will be part of normal business operations during the flu season.

The Omicron variant of COVID-19 drove the number of respiratory infections to a very high level in the early months of the year, especially compared to the very low number of infections in the reference period. Based on the data collected by Pihlajalinna among occupational healthcare customers, sickness-related absences due to respiratory infections per 1,000 customers grew nearly sixfold compared to the corresponding period last year. Compared to the pre-pandemic period, 2019, the number of infections was twice as high.

Employee benefit expenses were exceptionally high during the review period. The COVID-19 pandemic saw sickness-related absences among Pihlajalinna's personnel increase by a factor of 1.5, and substitutes and recruitment services were used to compensate for shortages in personnel. Costs were also increased by the efforts to increase supply. The volumes and profitability of surgical operations developed even better than expected in the first quarter.

The costs of complete outsourcing agreements remained at high level during the first quarter of the year. The profitability of municipal outsourcings was additionally weakened by trade receivable write-downs based on the ruling of the District Court on 4 April 2022.

The basis for Pihlajalinna's presented claims was accepted by the District Court. However, the District Court did not consider the evidence provided by Jämsän Terveys to be sufficient in terms of cost effects and the amount of the claims. Jämsän Terveys has filed an appeal regarding the District Court's ruling to the Court of Appeal.

The sales of occupational health services continued to see strong growth, and Pihlajalinna has also been successful in terms of customer retention. The key drivers of growth include digital services, competitive pricing and successful acquisitions. Etelä-Savon Työterveys, which was acquired at the beginning of April

increased the number of people within the scope of Pihlajalinna's occupational health services to approximately 270,000.

The proportion of preventive activities by occupational health physicians in occupational healthcare increased to 62.2 (57.4) per cent. Incorporating the Mental Care (Mielen Huoli) services into occupational healthcare service agreements is increasing rapidly. Pihlajalinna launched the low-threshold Mental Care service in early 2021. The use of the chat service more than tripled compared to the final quarter of 2021. The demand for short-term therapy services has also increased. Russia's attack on Ukraine was clearly reflected in the demand for these services. The rate of sickness-related absences caused by reasons related to mental health per 1,000 employees increased by 6 per cent year-on-year in the review period. Compared to the pre-pandemic period in early 2019, the increase is over 50 per cent.

Our goal is to expand our network of operating locations and our range of specialised care services, especially in the Helsinki Metropolitan Area and other growth centres. We strengthened our network of private clinics by opening new private clinics in Lahti, Espoo and Vantaa in the first quarter. We will open a new private clinic in Rovaniemi in May 2022.

Pihlajalinna acquired the entire share capital of Etelä-Savon Työterveys Oy and a majority interest in Lääkärikeskus Ikioma Oy on 1 April 2022. Lääkärikeskus Ikioma provides its customers with a comprehensive range of private clinic services, including general practitioner and specialist appointments, occupational healthcare and physiotherapy services, and day surgery. Pihlajalinna also acquired the Punkkibussi® business from Saaristolääkärit Oy on 1 April 2022.

Pihlajalinna rearranged its long-term debt financing with a sustainability-linked financing arrangement in March 2022. The new five-year EUR 200 million unsecured financing arrangement was concluded with Danske Bank, OP Corporate Bank and Swedbank. The interest rate risk of the loan is partially hedged. The loan margin is linked to the customary financial covenants as well as Pihlajalinna's annual sustainability targets related to customer satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment in targeted time.

Pihlajalinna will continue its sustainability efforts this year with a particular focus on the strategic development of clinical quality and effectiveness. The aim is to identify the most significant aspects of quality and effectiveness with regard to Pihlajalinna and its customers, and to pursue goal-driven development in these areas. The key sustainability themes for the year also include sharpening Pihlajalinna's environmental policy and the readiness to certification of the ISO 14001:2015 environmental management system. To facilitate the setting of climate targets, we have started Group-level carbon footprint calculations as well as projects aimed at the minimisation and recycling of waste.

Russia's offensive war in Ukraine has shocked us all. We hope for a quick end to the war and the human suffering it involves. While Pihlajalinna operates only in Finland, the war may have indirect impacts through slower economic growth and high inflation. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions.

The war has elevated the risk of cyber attacks, and Pihlajalinna takes this threat seriously. The global component shortage caused by the COVID-19 pandemic and the war in Ukraine, and rising inflation, may increase Pihlajalinna's costs and create delays in purchases of materials and equipment.

Pihlajalinna reopened its reception centre operations for asylum seekers due to the war in Ukraine. The first of the new reception centres was opened in the village of Karkku in Sastamala, where Ukrainian refugees began to be received at the beginning of April. We see the provision of reception centre services as an

activity that has significance to society. We have previous experience from reception centre operations during the period 2015–2019, when large numbers of refugees entered Finland in a short period of time due to the war in Syria.

Pihlajalinna is planning the renewal of its operating structure and a transition to an organisational structure based on business activities. The renewal of the operating structure would also lead to a change in Pihlajalinna's segment reporting. Going forward, the operating segments would be the company's two business segments: Public Services, and Private Clinic and Hospital Services. The new operating structure will be announced in the third quarter of the year at the latest.

Revenue by customer group

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

- The Group corporate customers consist of Pihlajalinna occupational healthcare customers, insurance company customers and other corporate customers.
- The 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.

January-March 2022

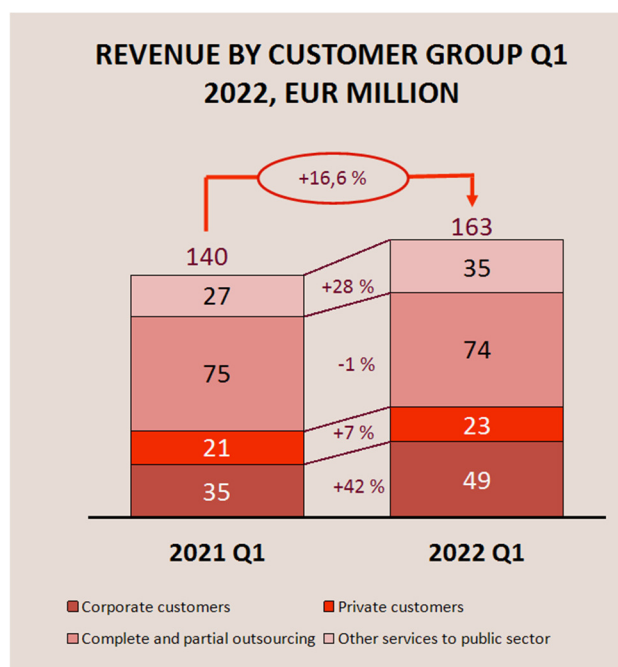
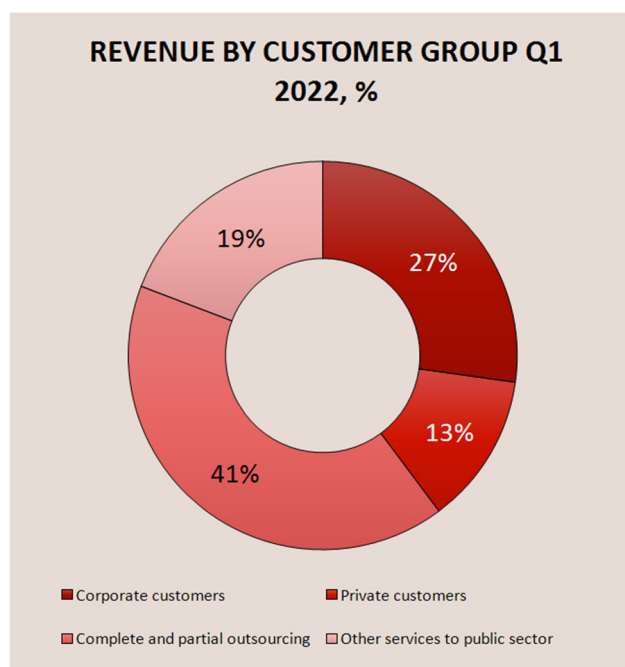
EUR million	1-3/2022	1-3/2021	change	change %	2021
Corporate customers	49.3	34.7	14.6	42.1 %	137.6
of which insurance company customers	20.4	9.0	11.3	125.9 %	34.8
Private customers	22.8	21.4	1.4	6.6 %	85.5
Public sector	109.2	102.1	7.1	7.0 %	427.7
of which complete outsourcing	74.4	74.9	-0.6	-0.7 %	300.8
of which staffing	5.9	6.4	-0.5	-7.6 %	26.1
of which occupational healthcare and other services	28.9	20.7	8.2	39.5 %	100.8
Intra-Group sales	-18.3	-18.3	0.1	-0.3 %	-73.0
Total consolidated revenue	163.1	139.9	23.2	16.6 %	577.8

Revenue from **corporate customers** amounted to EUR 49.3 (34.7) million, an increase of EUR 14.6 million, or 42.1 per cent. Sales to insurance company customers increased by EUR 11.3 million, or 125.9 per cent. The acquisition of Pohjola Hospital contributed EUR 9.4 million to the increase in revenue. In the corporate customer group, revenue from COVID-19 services amounted to EUR 3.6 (3.1) million, an increase of EUR 0.5 million. The customer volumes of Pihlajalinna's private clinics increased by 37 per cent year-on-year and were 34 per cent higher than in the pre-pandemic period in 2019. Without the acquisition of Pohjola Hospital and Työterveys Virta, customer volumes would have increased by 13 per cent year-on-year and by 11 per cent compared to 2019.

Revenue from **private customers** amounted to EUR 22.8 (21.4) million, an increase of EUR 1.4 million, or 6.6 per cent. In the private customer group, revenue from COVID-19 services amounted to EUR 0.9 (0.5) million, an increase of EUR 0.4 million. The customer volumes of Pihlajalinna's private clinics increased by

17 per cent year-on-year and were 20 per cent lower than in 2019. The operations of Pihlajalinna's Forever fitness centres are returning to normal after the shutdowns in January–February.

Revenue from the **public sector** amounted to EUR 109.2 (102.1) million, an increase of EUR 7.1 million, or 7.0 per cent. Revenue from COVID-19 services came to EUR 3.5 (5.2) million, representing a decrease of EUR 1.6 million. Revenue from complete and partial outsourcing agreements decreased due to the District Court ruling concerning Jämsän Terveys. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 3.5 million. The customer volumes of Pihlajalinna's private clinics increased by 54 per cent year-on-year and were 78 per cent higher than in 2019 due to the acquisition of Työterveys Virta. Without the acquisition of Työterveys Virta, customer volumes would have increased by 3 per cent year-on-year and by 20 per cent compared to 2019.



Consolidated revenue and result

January-March 2022

Pihlajalinna's revenue totalled EUR 163.1 (139.9) million, an increase of EUR 23.2 million, or 16.6 per cent. M&A transactions accounted for EUR 15.9 million, or 11.3 per cent, of the growth in revenue. Organic growth was EUR 7.3 million, or 5.2 per cent. Without the write-down recognised due to the outcome of the District Court hearing concerning Jämsän Terveys Oy and the City of Jämsä, the rate of organic growth would have been 7.0 per cent.

Organic growth during the review period was based on the strong supply growth throughout the network of operating locations. The organic growth of private clinic service was EUR 2.4 million, and the organic growth of remote services was EUR 2.2 million. The organic growth of surgical operations and occupational health services was faster than expected.

The customer volumes of Pihlajalinna's private clinics increased by 34 per cent year-on-year and by 21 per cent compared to 2019. Without the acquisition of Pohjola Hospital and Työterveys Virta, customer volumes would have increased by 13 per cent year-on-year and by one per cent compared to 2019. Some 42 (32) per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services during the quarter.

EBITDA was EUR 9.3 (14.9) million, a decrease of EUR -5.6 million, or -37.7 per cent. Adjusted EBITDA was EUR 16.5 (15.2) million, an increase of 1.3 million or 8.2 per cent. EBITDA adjustments amounted to EUR 7.2 (0.4) million. The write-down recognised due to the outcome of the District Court hearing concerning Jämsän Terveys Oy and the City of Jämsä had an effect of EUR -4.7 million on EBITDA. This item is treated as an adjustment item. Other adjustment items included EUR 0.7 million related to the integration of Pohjola Hospital, EUR 0.7 million related to retrospective cost adjustments with no cash flow effect, and EUR 0.4 million related to other items.

Employee benefit expenses were exceptionally high during the review period. The COVID-19 pandemic saw sickness-related absences among Pihlajalinna's personnel increase by a factor of 1.5, and substitutes and recruitment services were used to compensate for shortages in personnel. Costs were also increased in private clinic operations and occupational health services by Pihlajalinna's efforts to increase supply.

The profitability of surgical operations and remote services improved year-on-year and was higher than expected due to higher volumes. The costs of complete outsourcing agreements remained at high level in the first quarter.

Depreciation, amortisation and impairment amounted to EUR 10.5 (8.5) million. Adjustments to depreciation, amortisation and impairment amounted to EUR 0.1 (0.1) million. Depreciation of intangible assets amounted to EUR 1.8 (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 2.5 (2.2) million, and depreciation and impairment of right-of-use assets totalled EUR 6.2 (4.7) million. The acquisition of Pohjola Hospital significantly increased Pihlajalinna's depreciation of right-of-use premises.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 7.8 (8.3) million. The adjusted EBITA margin was 4.8 (5.9) per cent. Adjustments to EBIT amounted to EUR 7.1 (0.3) million.

Pihlajalinna's EBIT was EUR -1.2 (6.4) million, a decrease of EUR -7.6 million. Adjusted EBIT amounted to EUR 5.9 (6.7) million, a decrease of EUR -0.8 million.

The Group's net financial expenses amounted to EUR -1.5 (-0.9) million. The rearrangement of financing in March created a non-recurring expense of EUR 0.2 million recognised in financial expenses, and the acquisition of Pohjola Hospital significantly increased Pihlajalinna's interest expenses associated with right-of-use premises. Profit before taxes amounted to EUR -2.7 (5.5) million. Taxes in the income statement amounted to EUR 5.2 (-1.1) million.

The Tax Authority granted Pihlajalinna the right to deduct Pohjola Hospital's confirmed tax losses for previous fiscal years and confirmed tax losses for the fiscal years 2021–2022. The deferred tax asset in question, amounting to EUR 6.3 million, was recognised through income statement during the review period, as the plans concerning the use of tax losses have been completed. Pihlajalinna Lääkärikeskukset Oy will be merged to Pohjola Sairaala Oy on 1 Jan 2023.

Profit came to EUR 2.6 (4.4) million. Earnings per share (EPS) was EUR 0.23 (0.20).

The operating environment

In addition to the prolonged COVID-19 pandemic, the war in Ukraine is straining the mental resources of many people. Russia's attack on Ukraine creates fear and anxiety in many people. It is expected that mental health problems and related service needs will increase further.

The COVID-19 pandemic continues and the number of cases is high. The situation is challenging with regard to the load it creates in hospital care, even if the number of cases requiring intensive care has decreased substantially. There are large regional differences in infection numbers. The COVID-19 pandemic continues to affect predictability.

The care queues for non-urgent specialised care has grown further. According to the Finnish Institute for Health and Welfare's statistics, queues for treatment in public healthcare have increased in general due to COVID-19. At the end of December 2021, a total of 158,485 patients were waiting for access to non-urgent specialised care at hospitals operated by the hospital districts. Out of those waiting for care, 10,819 (6.8 per cent) had been waiting for over half a year.

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 new social and healthcare service system will significantly reshape healthcare structures and needs as the responsibility for organising services is transferred from municipalities to larger wellbeing services counties. As the wellbeing services counties focus on their administrative organisation, queues for treatment are growing and the benefits from the reform of service structure may be delayed.

The healthcare and social welfare reform has a significant impact on the responsibilities of municipalities and related financing, taxation rights, the system of central government transfers to local government, assets, liabilities, agreements and personnel. The personnel of social welfare, healthcare and rescue services will be transferred in their entirety from municipalities to the wellbeing services counties. More than 173,000 people will change their employer. The potential harmonisation of wages also increases the costs of healthcare personnel. This may also have an impact on costs in the private sector.

Centralised labour market negotiations concerning the collective agreements for healthcare services, the private social services sector and the general collective agreement for municipal personnel are under way. All of these will have an impact on the development of personnel costs for private healthcare providers. Rising inflation creates additional pressure regarding demands for higher wages. Nurses account for approximately 62 per cent of Pihlajalinna's personnel.

According to the Ministry of Finance's latest economic survey (4/2022), the Finnish GDP is expected to grow by 1.5 per cent in 2022. In response to Russia's attack on Ukraine, western countries have imposed economic sanctions against Russia, which will slow down Finland's economic growth due to their impact on exports and industrial production. Higher consumer prices will slow down GDP growth as household purchasing power becomes weaker and the growth of private consumption slows down. GDP is expected to grow by 1.7 per cent in 2023 and 1.5 per cent in 2024.

Consolidated statement of financial position and cash flow

Pihlajalinna Group's total statement of financial position amounted to EUR 609.9 (450.4) million. The growth is mainly attributable to the acquisition of Pohjola Hospital. Consolidated cash and cash equivalents amounted to EUR 6.5 (13.6) million.

Net cash flow from operating activities during the review period amounted to EUR 15.5 (10.7) million. Taxes paid amounted to EUR -4.2 (-2.3) million. The change in net working capital was EUR 10.3 (-1.9) million. Working capital totalling EUR 13.2 (11.4) million was released from trade and other payables. Working capital amounting to EUR -2.7 (-13.5) million was tied up in trade and other receivables and EUR 0.2 (0.1) million was released from inventories. Changes in provisions tied up EUR -0.4 (-0.1) million in working capital.

Following the District Courts ruling on the dispute between Jämsän Terveys Oy and the City of Jämsä, Pihlajalinna settled open trade receivables and other receivables from the City of Jämsä against open trade payables and other liabilities to the City of Jämsä. Jämsän Terveys Oy's trade receivables and other receivables decreased during the review period by EUR 39.5 million. Similarly, Jämsän Terveys Oy's trade payables and other liabilities decreased during the review period by EUR 34.4 million.

Net cash flow from investing activities totalled EUR -43.7 (-3.0) million for the review period. Acquisition of Pohjola Hospital on 1 February 2022 had an impact of EUR -33.4 (0.0) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -10.2 (-3.1) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.1 (0.1) million. Pihlajalinna redeemed the clinical equipment lease liabilities of Pohjola Hospital EUR 5.8 million on the acquisition date 1 February 2022.

The Group's cash flow after investments (free cash flow) was EUR -28.2 (7.6) million for the review period.

Net cash flow from financing activities totalled EUR 30.4 (-7.3) million for the review period. The change in financial liabilities, including changes in credit limits, amounted to EUR 39.6 (-0.4) million. Payments for financial lease liabilities amounted to EUR -6.5 (-5.0) million, and interest paid and other financial expenses amounted to EUR -2.0 (-1.1) million. Pihlajalinna rearranged its long-term debt financing in March 2022. The loan arrangement fee increased other financing costs during the review period. The acquisition of Pohjola Hospital increased Pihlajalinna's interest costs for right-of-use premises. A total of EUR 0.1 (0.2) million in dividends was paid to non-controlling interests. The Group has acquired treasury shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR -0.6 (-0.6) million.

The Group's gearing was 288.4 (161.2) per cent. Interest-bearing net debt amounted to EUR 359.6 (189.6) million, an increase of EUR 170.0 million. The acquisition of Pohjola Hospital increased the amount of Pihlajalinna's lease liabilities by EUR 129.6 million.

Return on capital employed was 5.1 (6.7) per cent and return on equity was 13.9 (10.3) per cent.

Financing arrangements

Pihlajalinna rearranged its long-term debt financing with a sustainability-linked facility on 22 March 2022. An unsecured five-year EUR 200 million financing arrangement was implemented with Danske Bank, OP Corporate Bank and Swedbank. Financing consists of a EUR 130 million long-term loan and a EUR 70 million revolving credit facility for the Group's general financing needs and acquisitions. The financing arrangement also includes an opportunity to increase the total amount by EUR 100 million (to EUR 300 million), subject to separate decisions on a supplementary loan from the funding providers.

The financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. The covenants are calculated excluding IFRS 16 accounting for lease liabilities. The loan margin is also linked to Pihlajalinna's annual sustainability targets related to customer satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment in targeted time.

Due to the acquisition of Pohjola Hospital, Pihlajalinna and the funding providers agreed on temporary adjustments to the covenants of the financing arrangement increasing the gearing covenant to 140 per cent and leverage covenant to 4.00 for the year 2022. From the beginning of the year 2023 gearing will decrease to 115 per cent and leverage to 3.75. At the end of the review period, leverage according to the financing arrangement stood at 3.49 and gearing at 117 per cent.

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the review period, Pihlajalinna had a total of EUR 80 million in unused committed credit limits. In addition, EUR 100 million of an additional credit limit, which is subject to separate credit decisions, is unused at end of the review period.

Pihlajalinna has entered into an interest rate swap agreement with a nominal value of EUR 65 million to hedge the interest rate risk of its floating rate loan. Cash flow hedge accounting is applied to the interest rate swap, in which case the effective portion of the change in fair value is recognized in other comprehensive income. The interest rate swap agreement is valid until 25 March 2027 and the fair value at the end of the review period was EUR 0.4 million.

Acquisitions and capital expenditure

Gross investments, including acquisitions, amounted to EUR 176.1 (4.1) million. Gross investments in M&A transactions amounted to EUR 159.7 (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 9.9 (3.3) million. Pihlajalinna redeemed Pohjola Hospital's clinical equipment leasing liabilities for EUR 5.8 million on the acquisition date 1 February 2022.

Gross investments in connection with the opening of new units amounted to EUR 1.5 (0.0) million. Gross investments in right-of-use assets amounted to EUR 5.1 (1.0) million, including investments in opening of new units. Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 3.5 (2.5) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects such as replacing the HR-software and document control system.

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

Pihlajalinna acquired, on 1 April 2022, the entire share capital of Etelä-Savon Työterveys Ltd and the majority interest of Lääkärikeskus Ikioma Ltd. In addition, on 1 April 2022, Pihlajalinna acquired the Punkkibussi® business from Saaristolääkärit Ltd. The total purchase price to be paid in cash for these acquisitions was EUR 16.0 million.

Complete and partial outsourcing agreements

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

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

Complete and partial outsourcing agreements	1-3/2022 3 months	1-3/2021 3 months	2021 12 months	2020 12 months
INCOME STATEMENT				
Revenue, EUR million	68.3	68.6	277.0	264.2
EBITDA, EUR million	-3.1	0.7	6.6	11.0
EBITDA, %	-4.5	1.0	2.4	4.2
Adjusted EBITDA, EUR million ¹⁾	2.3	0.7	6.7	11.0
Adjusted EBITDA, % ¹⁾	3.4	1.0	2.4	4.2
Operating profit (EBIT), EUR million	-3.8	0.0	3.6	8.2
Operating profit (EBIT), %	-5.6	-0.1	1.3	3.1
Adjusted operating profit (EBIT), EUR million ¹⁾	1.5	0.0	3.7	8.2
Adjusted operating profit (EBIT), % ¹⁾	2.3	-0.1	1.3	3.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million ¹⁾	1.6	0.1	4.1	8.5
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % ¹⁾	2.4	0.1	1.5	3.2
Profit before tax (EBT), EUR million	-3.9	-0.1	3.6	8.1

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

Personnel

At the end of the review period, the number of personnel amounted to 6,623 (5,783), an increase of 840 persons or 15 per cent. The Group's personnel averaged 4,819 (4,444) persons as full-time equivalents, an increase of 375 persons or 8 per cent. The Group employee benefit expenses totalled EUR 73.2 (61.2) million, an increase of EUR 11.9 million or 19 per cent.

The growth of nearly 400 persons in the number of personnel was attributable to the acquisitions of Pohjola Hospital and Työterveys Virta. The increase in personnel in Pihlajalinna's network of operating locations was approximately 300 persons. The number of personnel in the residential services and in the complete outsourcing increased by approximately 100 persons. Employee benefit expenses grew also due to the fact that the COVID-19 pandemic saw sickness-related absences among Pihlajalinna's personnel increase by a factor of 1.5. Substitutes and recruitment services were used to compensate for shortages in personnel. Additionally, the growth in supply has increased employee benefit expenses.

The provision of health advisory services for the ports of Helsinki ended on 3 April 2022. The co-operation negotiations concerning the provision covered 40 persons. In February the efficiency improvement program and co-operation negotiations started in Jämsän Terveys covering the entire personnel and in Joki-laakson Terveys covering around 50 persons. The co-operation negotiations are still ongoing in Jämsä. The co-operation negotiations and the efficiency program concerning Kolmostien Terveys started in March 2022.

Management Team

CEO Joni Aaltonen serves as the Chairman of the Management Team. The Management Team also includes CFO Tarja Rantala, CLO Marko Savolainen, Sales Director Juha-Pekka Halttunen, CIO Antti-Jussi Aro and CMO Sari Riihijärvi. Sari Nevanlinna, M.Sc. (Econ.), M.Soc.Sc. was appointed as Pihlajalinna's Chief Commercial Officer (CCO). She joined the Group Management Team on 1 March 2022.

Chief People and Culture Officer Elina Heliö and COO Teija Kulmala's work in Pihlajalinna ended in March 2022.

Board of Directors

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

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

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's Board of Directors appointed the following members to its committees at its constitutive meeting on 13 April 2022:

Audit Committee: Seija Turunen (chairman), Mika Manninen, Hannu Juvonen and Heli Iisakka

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 13 April 2022 resolved 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: EUR 250,000 per year to the full-time Chairman of the Board of Directors, EUR 39,000 per year to the Vice Chairman and to the Chairman of the Audit Committee, and EUR 26,000 per year to the other members.

The annual remuneration shall be paid in company shares and in cash, with approximately 40 % 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. Remuneration may be paid entirely or partly in cash if a member of the Board of Directors held shares in the company to a value exceeding EUR 1,000,000 on the day of the Annual General Meeting, 13 April 2022. The company shall be liable for the costs of acquiring the shares and for any transfer tax. 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 procuring shares directly on the 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 for legal or other regulatory reasons, such as in view of insider regulations, then remuneration may alternatively be paid in cash at the earliest opportunity thereafter. The Board of Directors shall be entitled to decide on possible recovery of annual remuneration in the manner that it deems appropriate if the term of office of a member of the Board of Directors ends before the 2023 Annual General Meeting.

The Annual General Meeting further resolved that a meeting fee of EUR 500 shall be paid in cash to each member of the Board of Directors for each meeting of the Board of Directors and of its committees. Reasonable travelling expenses of the members of the Board of Directors shall also be reimbursed in accordance with Group travel policy.

Board authorisations

The Annual General Meeting of 13 April 2022 authorised the Board of Directors to decide on the acquisition of no more than 2,061,314 of the Company's own shares, corresponding to approximately 9 % of current shares in the company. 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 2023 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 surrender of the company's own shares. The authorisation permits a targeted share issue. The authorisation is effective until the next Annual General Meeting, or until 30 June 2023 at the latest.

Auditors and auditing

At Pihlajalinna's Annual General Meeting held on 13 April 2022, KPMG Oy Ab, a firm of authorised public accountants, was elected as the company's auditor for the financial year 1 January–31 December 2022. Lotta Nurminen, APA, is the principal auditor.

Shares and shareholders

At the end of the review 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 22,554,828 were outstanding and 65,307 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 15,894 (14,353) 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	1-3/2022	1-3/2021	2021
No. of shares outstanding at the end of the period	22,554,828	22,584,387	22,594,235
Average no. of shares outstanding during the period	22,592,643	22,578,934	22,589,383
Highest price, EUR	13.18	11.60	12.98
Lowest price, EUR	9.54	9.26	9.26
Average price, EUR ¹⁾	11.81	10.30	11.18
Closing price, EUR	12.26	11.60	12.64
Share turnover, 1,000 shares	1,862	3,122	6,929
Share turnover, %	8.2	13.8	30.7
Market capitalisation at the end of the period, EUR million	277.0	262.0	285.6

¹⁾ average rate weighted by trading level

Risks and uncertainties in business operations

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

Russia's offensive war in Ukraine started on 24 February 2022. While Pihlajalinna operates only in Finland, the war may have indirect impacts through slower economic growth and high inflation. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions.

The war has elevated the risk of cyber attacks, and Pihlajalinna takes this threat seriously. The global component shortage caused by the COVID-19 pandemic and the war in Ukraine, and rising inflation, may increase Pihlajalinna's costs and create delays in purchases of materials and equipment.

The COVID-19 pandemic has a twofold impact on Pihlajalinna's business: on one hand, the demand for COVID-19 services has led to the growth of Pihlajalinna's business but, on the other hand, COVID-19 restrictions have at times led to weaker demand for services and made resourcing more difficult. Private customer volumes of private clinics, dental care units and fitness centre's have not yet recovered to the pre-pandemic levels of 2019. The fitness centre business has particularly suffered from the extensive restrictions that have included the lockdown 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.

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

Determining the annual profitability of the Group's fixed-term complete social and healthcare services outsourcing agreements may become accurate with a delay. The Group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements, and the agreements 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 the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognized the variable compensation components and cost compensation under the agreements using the same criteria and model for all clients. Demands for the compensation of cost increases due to changes in services corresponding to the actual costs and investment costs that serve operations after the end of the term of the contract being the client's responsibility constitute the majority of costs and variable compensation components that are specified with a delay. 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.

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

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

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

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

As a result of the write-downs in accordance to the District Court's ruling, Pihlajalinna Group will face an approximately EUR 2.4 million negative impact on the result attributable to the owners of the parent company in the review period. The ruling decreased revenue by EUR 2.4 million, and EBITDA was decreased by EUR 4.7 million. The City of Jämsä owns 49 per cent of the company and Pihlajalinna 51 per cent. Earnings per share was weakened by EUR 0.11 per share. The ruling does not have an immediate material impact on cash flow. The effects of the District Court's ruling are treated as adjustment items. Jämsän Terveys Oy has appealed to the Court of Appeals against the District Court's ruling. Negotiations with the City of Jämsä to secure the operating conditions for Jämsän Terveys service provision have begun.

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänvuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 4.2 (3.3) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs.

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. The Parkano City Board has decided to apply for a voluntary conciliation procedure with Kolmostien Terveys Oy.

Pending legal processes:

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

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

Impairment testing of goodwill:

At the end of the review period, goodwill on Pihlajalinna statement of financial position amounted to EUR 229.9 (173.6) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. 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.

Share-based incentive schemes

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

Performance and quality-based share program shall comprise of four separate performance periods of one year each (calendar years 2022, 2023, 2024 and 2025). Potential share rewards shall be paid out after the performance periods in years 2023, 2024, 2025 and 2026 provided that the performance and quality-based targets as set by the board are reached. The maximum number of shares (gross amount prior to deduction of applicable withholding tax) for each one year performance period is defined in the allocation per participant. Shares paid off as share rewards shall be subject to a two-year transfer restriction. The criteria for the performance and quality based additional share program are adjusted EBITA as well as key operative and quality indicators of Pihlajalinna Group.

A total of 42 key persons are entitled to participate to the share-based incentive program. In case all the persons entitled to participate do participate to the program by meeting the condition of investment in full and in case the performance targets set to the program are achieved in total, the total amount of the share rewards payable under the program is a maximum of approximately 1,100,000 shares (gross amount prior to the deduction of applicable withholding tax) and the total value of the share reward program is approximately EUR 12.8 million. In case the program materializes in full, the above amount of shares equals approximately to 4.8 per cent of the total amount of the shares of the company.

Repurchase and transfer of own shares

Pihlajalinna conveyed, on 15 March 2022, 8,867 shares held by the company to key employees in accordance with the earlier incentive program (LTIP 2019). The number of treasury shares held by the company was 65,307 at the end of the review period. Pihlajalinna conveyed, on 4 April 2022, a total of 59,900 treasury shares held by the company as consideration in a transaction to redeem non-controlling interests of its subsidiary.

Pihlajalinna has repurchased, between 24 March 2022 and 20 April 2022, treasury shares totaling 120,000 shares with an average price of EUR 12.297 per share.

Following the repurchase and above-mentioned transfers on 20 April 2022, Pihlajalinna holds a total of 77,133 treasury shares, corresponding to approximately 0,34 per cent of the total number of shares.

The treasury shares can be used for payments under the incentive program currently in effect and in the remuneration of the fees of Board of Directors.

Events after the review period

Annual General Meeting

The Annual General Meeting was held on 13 April 2022. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2021 and discharged the members of the company's Board of Directors and the CEO from liability for the financial year 2021.

In accordance with the proposal of the Board of Directors, the AGM decided that a dividend of EUR 0.30 per share be paid for the financial year that ended on 31 December 2021 based on the adopted statement of financial position. The dividend was paid on 26 April 2022 to shareholders who, on the dividend record date of 19 April 2022, were registered as shareholders in the company's shareholder register maintained by Euroclear Finland Ltd.

The AGM approved the Remuneration Report concerning the remuneration of Pihlajalinna's Board of Directors, CEO and Deputy CEO in 2021. The other decisions of the AGM are reported in this interim report under the subheadings *Board of Directors*, *Committees nominated by the Board*, *Remuneration of the members of the Board of Directors*, *Board authorisation* and *Auditors and auditing*.

District Court ruling on the dispute between Pihlajalinna's subsidiary Jämsän Terveys Oy and the City of Jämsä

On 4 April 2022, the District Court of Central Finland handed down its ruling on the dispute concerning the service agreement between Jämsän Terveys Oy and the City of Jämsä. The basis for Pihlajalinna's presented claims was accepted by the District Court however, the District Court did not consider the evidence provided by Jämsän Terveys Oy to be sufficient in terms of cost effects and the amount of the claim. The ruling is not final. Jämsän Terveys has filed an appeal regarding the District Court's ruling to the Court of Appeal.

The City Board of Jämsä has revised the amount of the 2022 annual compensation to Jämsän Terveys Oy on 2 May 2022. The resolution of the City Board increased the annual compensation according to the service agreement by EUR 2.5 million to EUR 73.0 million.

Pihlajalinna acquired the business operations of Etelä-Savon Työterveys Oy, Lääkärikeskus Ikioma Oy and Punkkibussi®

Pihlajalinna acquired the entire share capital of Etelä-Savon Työterveys Oy and a majority interest in Lääkärikeskus Ikioma Oy on 1 April 2022. As a result of the acquisition, all operating locations of Etelä-Savon Työterveys and Lääkärikeskus Ikioma became part of Pihlajalinna's chain of private clinics. Etelä-Savon Työterveys owns 93.3 per cent of the shares of Lääkärikeskus Ikioma, with the remaining shares being owned by the physicians who work for the company. The companies have approximately 85 employees. The combined revenue of the companies was approximately EUR 11.6 million in 2021.

Additionally, Pihlajalinna acquired the Punkkibussi® business from Saaristolääkärit Oy on 1 April 2022.

Pihlajalinna completed repurchase of own shares

Pihlajalinna has completed the repurchase of own shares, which started on 24 March 2022 and ended on 20 April 2022. During that time, Pihlajalinna acquired a total of 120,000 own shares for an average price of EUR 12.297 per share.

Following the repurchase, Pihlajalinna holds a total of 77,133 own shares, corresponding to approximately 0,34 % of the total number of shares.

Pihlajalinna's financial reporting in 2022

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

Interim Report January–September: Friday, 4 November 2022

Press and analyst meeting

Pihlajalinna will hold a briefing for analysts and the media on Thursday, 5 May 2022 at 10:00 a.m. in the Eino Leino meeting room at Hotel Kämp. The event will also be held remotely through Teams meeting application.

Helsinki, 4 May 2022

The Board of Directors of Pihlajalinna Plc

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Pihlajalinna in brief

20-year-old Pihlajalinna (Nasdaq HELSINKI: PIHLIS) is one of the leading private service providers of social, healthcare and wellbeing services in Finland. 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. Read more www.pihlajalinna.fi.



Consolidated statement of comprehensive income

EUR million	1-3/2022 3 months	1-3/2021 ¹⁾ 3 months	2021
Revenue	163.1	139.9	577.8
Other operating income	1.7	1.1	3.7
Materials and services	-64.2	-53.2	-209.5
Employee benefit expenses	-73.2	-61.2	-255.2
Other operating expenses	-18.2	-11.7	-54.2
Share of profit in associated companies and joint ventures	0.0	0.0	0.0
EBITDA	9.3	14.9	62.6
Depreciation, amortisation and impairment	-10.5	-8.5	-34.7
Operating profit (EBIT)	-1.2	6.4	27.9
Financial income	0.1	0.1	0.2
Financial expenses	-1.6	-1.0	-4.0
Profit before taxes	-2.7	5.5	24.2
Income tax	5.2	-1.1	-5.1
Profit for the period	2.6	4.4	19.1
Attributable to:			
To the owners of the parent company	5.3	4.5	20.1
To non-controlling interests	-2.7	-0.1	-1.0
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)			
Basic	0.23	0.20	0.89
Diluted	0.23	0.20	0.89
Profit for the period	2.6	4.4	19.1
Other comprehensive income that will be reclassified subsequently to profit or loss			
Cash flow hedge	0.4		
Income tax on other comprehensive income	-0.1		
Other comprehensive income for the reporting period	0.3		
Total comprehensive income for the reporting period	2.9	4.4	19.1
Attributable to:			
To the owners of the parent company	5.6	4.5	20.1
To non-controlling interests	-2.7	-0.1	-1.0

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

Consolidated statement of financial position

EUR million	31 Mar 2022	31 Mar 2021 ¹⁾	2021
ASSETS			
Non-current assets			
Property, plant and equipment	52.8	44.2	45.0
Goodwill	229.9	173.6	188.9
Other intangible assets	20.1	14.4	14.9
Right-of-use assets	204.6	98.5	95.6
Interests in associates	0.3	0.0	0.3
Other investments	1.2	0.1	1.2
Other receivables	9.1	5.4	5.2
Deferred tax assets	14.7	6.0	5.5
Total non-current assets	532.7	342.2	356.5
Current assets			
Inventories	3.5	3.3	3.7
Trade and other receivables	66.2	89.4	92.1
Current tax assets	1.0	1.9	0.4
Cash and cash equivalents	6.5	13.6	4.3
Total current assets	77.2	108.2	100.5
Total assets	609.9	450.4	457.1
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.1	0.1
Fair value reserve	0.3		
Reserve for invested unrestricted equity	116.5	116.5	116.5
Retained earnings	1.8	-8.5	-17.6
Profit for the period	5.3	4.5	20.1
	124.0	112.6	119.1
Non-controlling interests	0.7	5.0	3.5
Total equity	124.7	117.6	122.6
Deferred tax liabilities	6.8	5.5	5.9
Provisions	1.1	0.0	0.1
Lease liabilities	207.8	91.3	87.9
Financial liabilities	130.7	92.4	91.4
Other non-current liabilities	1.0	1.1	1.0
Total non-current liabilities	347.4	190.3	186.3
Trade and other payables	109.4	120.7	125.1
Current tax liabilities	0.7	1.6	3.3
Provisions	0.2	0.7	0.1
Lease liabilities	26.3	18.2	18.4
Financial liabilities	1.3	1.4	1.3
Total current liabilities	137.8	142.5	148.1
Total liabilities	485.2	332.8	334.5
Total equity and liabilities	609.9	450.4	457.1

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

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company					
EUR million	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Non-controlling interests	Equity Total
Total equity, 1 Jan 2021	0.1	116.5		-7.6	5.2	114.2
Total comprehensive income for the period ¹⁾				4.5	-0.1	4.4
Dividends paid					-0.1	-0.1
Acquisition of own shares				-0.6		-0.6
Share-based benefits				-0.3		-0.3
Total transactions with owners				-0.9	-0.1	-1.0
Total equity, 31 Mar 2021	0.1	116.5		3.7	5.0	117.6

	Equity attributable to owners of the parent company					
EUR million	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Non-controlling interests	Equity Total
Total equity, 1 Jan 2022	0.1	116.5		2.5	3.5	122.6
Total comprehensive income for the period			0.3	5.3	-2.7	2.9
Dividends paid				0.0	-0.1	-0.1
Acquisition of own shares				-0.6		-0.6
Share-based benefits				-0.1		-0.1
Total transactions with owners				-0.7	-0.1	-0.8
Total equity, 31 Mar 2022	0.1	116.5	0.3	7.0	0.7	124.7

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

Consolidated statement of cash flows

EUR million	1-3/2022 12 months	1-3/2021 12 months	2021
Cash flow from operating activities			
Profit for the period	2.6	4.4	19.1
Adjustments to cash flow from operating activities:			
Taxes	-5.2	1.1	5.1
Depreciation, amortisation and impairment	10.5	8.5	34.7
Financial income and expenses	1.5	0.9	3.7
Net cash generated from operating activities before change in working capital	9.3	14.8	62.6
Change in working capital	10.3	-1.9	-3.3
Interest received	0.1	0.1	0.2
Taxes paid	-4.2	-2.3	-2.6
Net cash flow from operating activities	15.5	10.7	56.9
Cash flow from investing activities			
Investments in tangible and intangible assets	-10.2	-3.1	-14.8
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.1	0.5
Changes in other receivables and investments	0.0	0.0	-1.3
Granted loans	-0.2	0.0	0.0
Dividends received	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-33.4	0.0	-16.4
Net cash flow from investing activities	-43.7	-3.0	-32.1
Cash flow from financing activities			
Changes in non-controlling interests	0.0	0.0	-3.0
Acquisition of own shares	-0.6	-0.6	-0.6
Proceeds from and repayment of borrowings	39.6	-0.4	-1.6
Repayment of lease liabilities	-6.5	-5.0	-19.8
Interest and other operational financial expenses	-2.0	-1.1	-4.0
Dividends paid and other profit distribution	-0.1	-0.2	-4.9
Net cash flow from financing activities	30.4	-7.3	-33.9
Changes in cash and cash equivalents	2.2	0.3	-9.0
Cash at beginning of period	4.3	13.3	13.3
Cash at end of period	6.5	13.6	4.3

Notes to the interim report

Accounting policies

This interim report has been prepared in compliance with the IFRS standards currently in effect and the provisions of IAS 34 (Interim Financial Reporting). Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

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

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

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

The preparation of the interim report in accordance with IFRS requires the management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and contingent assets and liabilities on the statement of financial position, and recognition of the amount of income and expenses. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates provided in this interim report.

Contingent liabilities and commitments

EUR million	31 Mar 2022	31 Mar 2021	2021
Collateral given on own behalf			
Sureties	4.3	4.3	4.4
Lease deposits	0.5	0.6	0.5
Properties' VAT refund liability	0.1	0.1	0.1
Lease commitments for off-balance sheet leases	0.8	0.6	0.8

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 3.5 (2.5) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects such as replacing the HR-software and document control system.

Pihlajalinna acquired, on 1 April 2022, the entire share capital of Etelä-Savon Työterveys Oy and the majority of Lääkärikeskus Iki-oma Oy. In addition, on 1 April 2022, Pihlajalinna also acquired the Punkkibussi® business from Saaristolääkärit Oy. The total purchase price to be paid in cash for these acquisitions was EUR 16.4 million.

Changes in intangible assets

EUR million	31 Mar 2022	31 Mar 2021	2021
Acquisition cost at beginning of period	247.9	226.4	226.4
Additions	1.5	0.6	4.0
Business combinations	46.5	0.0	17.5
Transfers between items	0.0	0.0	0.1
Acquisition cost at end of period	296.0	227.0	247.9
Accumulated depreciation at beginning of period	-44.2	-37.4	-37.4
Depreciation and amortisation for the period	-1.8	-1.6	-6.7
Transfers between items	0.0	0.0	-0.1
Accumulated depreciation at end of period	-46.0	-39.0	-44.2
Carrying amount at end of period	250.0	188.0	203.8

Changes in property, plant and equipment

EUR million	31 Mar 2022	31 Mar 2021	2021
Acquisition cost at beginning of period	104.2	94.2	94.2
Additions	9.8	2.5	10.9
Business combinations	0.4	0.0	0.0
Transfers between items	0.0	0.2	-0.2
Disposals	-0.1	-0.2	-0.8
Acquisition cost at end of period	114.4	96.8	104.2
Accumulated depreciation at beginning of period	-59.2	-50.2	-50.2
Depreciation and amortisation for the period	-2.5	-2.2	-9.2
Transfers between items	0.0	-0.3	-0.1
Accumulated depreciation on disposals	0.0	0.1	0.3
Accumulated depreciation at end of period	-61.7	-52.6	-59.2
Carrying amount at end of period	52.8	44.2	45.0

Changes in right-of-use assets

EUR million	31 Mar 2022	31 Mar 2021	2021
Acquisition cost at beginning of period	192.3	182.9	182.9
Additions	5.1	1.0	9.8
Business combinations	112.7		2.8
Transfers between items	0.0		-0.7
Disposals	-3.5	-1.0	-2.5
Acquisition cost at end of period	306.7	183.0	192.3
Accumulated depreciation at beginning of period	-96.7	-80.1	-80.1
Depreciation and amortisation for the period	-6.2	-4.7	-18.8
Transfers between items	0.0		0.7
Accumulated depreciation on disposals	0.9	0.3	1.4
Accumulated depreciation at end of period	-102.0	-84.5	-96.7
Carrying amount at end of period	204.6	98.5	95.6

Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 31 Mar 2022	Lease liabilities 31 Mar 2022
Carrying amount at the beginning of the period	95.6	106.2
Changes	115.2	134.3
Depreciation and amortisation	-6.2	
Repayments of lease liabilities		-6.5
Carrying amount at end of period	204.6	234.1

On 31 March 2022, EUR 209.6 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 24.5 million were financial lease liabilities in accordance with previous accounting standards.

EUR million	Right-of-use asset items 31 Mar 2021	Lease liabilities 31 Mar 2021
Carrying amount at the beginning of the period	102.8	114.2
Changes	0.3	0.3
Depreciation and amortisation	-4.7	
Repayments of lease liabilities		-5.0
Carrying amount at end of period	98.5	109.5

On 31 March 2021, EUR 81.5 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 27.9 million were financial lease liabilities in accordance with previous accounting standards.

Acquired business operations

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

EUR million	2022
Consideration transferred	
Cash	35.2
Total acquisition cost	35.2

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

EUR million	2022
Property, plant and equipment	0.4
Intangible assets	5.6
Right-of-use assets	112.8
Deferred tax assets	3.2
Trade and other receivables	13.2
Cash and cash equivalents	1.8
Total assets	137.0
Deferred tax liabilities	1.0
Restructuring provision	1.5
Lease liabilities	131.8
Other liabilities	8.5
Total liabilities	142.7
Acquired net assets	-5.8

Preliminary goodwill generated in the acquisition:

EUR million	2022
Consideration transferred	35.2
Net identifiable assets of acquirees	5.8
Preliminary goodwill	41.0
Transaction price paid in cash:	35.2
Cash and cash equivalents of acquirees	-1.8
Preliminary effect on cash flow	33.4

Customer relationships, trademarks and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 5.1 million, and to which a deferred tax liability of EUR 1.0 million was recognised. The fair values have been determined through the use of income approach which requires a forecasting expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 41.0 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

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

Had Pohjola Hospital Ltd been consolidated since the beginning of the financial year, the consolidated revenue for the review period would have amounted to EUR 168.4 million and operating result would have totalled EUR -1,6 million.

Events after the balance sheet date

Acquired business operations

Pihlajalinna completed the acquisitions of Etelä-Savon Työterveys Oy, Lääkärikeskus Ikioma Oy and Punkkibussi® unit on 1 April 2022. Preliminary information on the acquisitions is presented below:

EUR million	2022
Consideration transferred	
Cash	16.0
Contingent consideration	0.4
Total acquisition cost	16.4

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

EUR million	2022
Property, plant and equipment	0.4
Intangible assets	1.9
Right-of-use assets	2.5
Inventories	0.2
Trade and other receivables	1.3
Cash and cash equivalents	1.6
Total assets	8.0
Deferred tax liabilities	0.3
Lease liabilities	2.5
Other liabilities	4.7
Total liabilities	7.6
Acquired net assets	0.4

Preliminary goodwill generated in the acquisition:

EUR million	2022
Consideration transferred	16.4
Net identifiable assets of acquirees	-0.4
Preliminary goodwill	16.0
Transaction price paid in cash:	16.0
Cash and cash equivalents of acquirees	-1.6
Preliminary effect on cash flow	14.5

Customer relationships, trademark and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 1.3 million, and to which a deferred tax liability of EUR 0.3 million was recognised. The fair values have been determined through the use of income approach which requires forecasting expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 16.0 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

Expenses related to the acquisition presented above, amounting to EUR 0.1 million, have been recognised in other operating expenses (IFRS 3 costs).

Trade and other receivables

Due to the COVID-19 pandemic and the ongoing war in Ukraine, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in customers' payment behaviour. The amount of receivables more than 90 days past due is significantly decreased by the District Courts ruling in the dispute between Jämsän Terveys Oy and the City of Jämsä. Open trade receivables and other receivables from the City of Jämsä were offset against open trade payables and other liabilities to the City of Jämsä. The change in Jämsän Terveys Oy's trade receivables and other receivables during the review period was EUR -39.5 million. The change in Jämsän Terveys Oy's trade payables and other liabilities during the review period was EUR -34.4 million

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

EUR million	31 Mar 2022	31 Dec 2021
Trade receivables	49.8	79.7
Prepayments and accrued income	14.3	11.4
Current subleases	1.2	0.6
Other receivables	0.9	0.5
Total	66.2	92.1

Age distribution of trade receivables

EUR million	31 Mar 2022	of which written down	Net 31 Mar 2022	31 Dec 2021	of which written down	Net 31 Dec 2021
Not yet due	33.3	0.0	33.3	25.9	0.0	25.9
Past due						
Less than 30 days	6.6	0.0	6.6	4.2	0.0	4.1
30–60 days	1.5	-0.1	1.4	2.3	-0.1	2.3
61–90 days	0.9	-0.1	0.7	2.0	-0.1	1.8
More than 90 days	8.2	-0.5	7.7	46.1	-0.5	45.6
Total	50.4	-0.7	49.8	80.4	-0.7	79.7

Quarterly information

EUR million	Q1/22	Q4/21	Q3/21 ¹⁾	Q2/21 ¹⁾	Q1/21 ¹⁾	Q4/20 ¹⁾	Q3/20 ¹⁾	Q2/20 ¹⁾
INCOME STATEMENT								
Revenue	163.1	154.7	140.6	142.5	139.9	137.2	123.9	114.7
EBITDA	9.3	14.5	18.2	15.0	14.9	15.1	16.5	8.5
EBITDA, %	5.7	9.4	12.9	10.5	10.6	11.0	13.3	7.4
Adjusted* EBITDA	16.5	14.9	19.3	15.9	15.2	15.8	17.2	9.1
Adjusted* EBITDA, %	10.1	9.6	13.8	11.1	10.9	11.5	13.9	7.9
Depreciation and amortisation	-10.5	-9.0	-8.8	-8.5	-8.5	-8.3	-8.6	-8.3
Operating profit (EBIT)	-1.2	5.6	9.4	6.5	6.4	6.8	7.9	0.2
Operating profit, %	-0.7	3.6	6.7	4.6	4.6	4.9	6.4	0.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) ²⁾	7.8	7.8	12.3	8.9	8.3	9.0	10.3	2.3
Adjusted EBITA, % ²⁾	4.8	5.1	8.7	6.3	5.9	6.5	8.3	2.0
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial expenses	-1.6	-1.1	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1
Profit before taxes (EBT)	-2.7	4.6	8.5	5.6	5.5	5.7	6.8	-0.9
Income tax	5.2	-1.2	-1.7	-1.1	-1.1	-2.8	-1.5	0.1
Profit for the period	2.6	3.3	6.8	4.5	4.4	2.9	5.3	-0.8
Share of the result for the period attributable to owners of the parent company	5.3	4.3	7.0	4.3	4.5	3.4	4.5	-0.5
Share of the result for the period attributable to non-controlling interests	-2.7	-0.9	-0.1	0.2	-0.1	-0.5	0.8	-0.3
EPS	0.23	0.19	0.31	0.19	0.20	0.15	0.20	-0.02
Average number of personnel (FTE)	4,819	4,746	4,731	4,665	4,444	4,308	4,303	4,306
Change in personnel during the quarter	73	15	66	221	136	5	-4	-44

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

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

Calculation of key financial figures and alternative performance measures

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

Net debt/Adjusted EBITDA ¹⁾ , 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) ¹⁾	Operating profit + adjustment items	
Adjusted operating profit (EBIT),% ¹⁾	$\frac{\text{Adjusted operating profit (EBIT)}}{\text{Revenue}} \times 100$	
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) ¹⁾	Operating profit + adjustment items + amortisation and impairment of intangible assets	
Adjusted EBITA, % ¹⁾	$\frac{\text{Adjusted operating profit before the amortisation andimpairment of intangible assets (EBITA)}}{\text{Revenue}} \times 100$	
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, %	$\frac{\text{Revenue for the period} - \text{revenue from M\&A transac-tions for the period} - \text{revenue for the previous period}}{\text{Revenue for the previous period}} \times 100$	

¹⁾ Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships as well as fines and corresponding compensation payments. In addition, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

Reconciliations with alternative key figures and ratios

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

Reading notes:

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Return on equity (ROE), %			
Profit for the period (rolling 12 months)/	17.2	11.9	19.1
Equity (average) x 100	123.6	115.9	118.4
Return on equity (ROE), %	13.9	10.3	16.1

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Return on capital employed (ROCE), %			
Profit before taxes (rolling 12 months) +	16.1	17.2	24.2
Financial expenses (rolling 12 months)	4.6	4.2	4.0
/	20.7	21.4	28.2
Total statement of financial position at beginning of period -	457.1	441.3	441.3
non-interest-bearing liabilities at beginning of period	135.5	119.0	119.0
	321.6	322.3	322.3
Total statement of financial position at end of period -	609.9	450.4	457.1
Non-interest-bearing liabilities at end of period	119.2	129.5	135.5
	490.7	320.8	321.6
Average x 100	406.1	321.6	321.9
Return on capital employed (ROCE), %	5.1	6.7	8.8

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Equity ratio, %			
Equity/	124.7	117.6	122.6
Total statement of financial position -	609.9	450.4	457.1
Advances received x 100	1.5	1.9	0.9
Equity ratio, %	20.5	26.2	26.9

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Gearing, %			
Interest-bearing financial liabilities –	366.0	203.2	199.0
Cash and cash equivalents/	6.5	13.6	4.3
Equity x 100	124.7	117.6	122.6
Gearing, %	288.4	161.2	158.8

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Net debt/adjusted EBITDA, rolling 12 months			
Interest-bearing financial liabilities -	366.0	203.2	199.0
Cash and cash equivalents	6.5	13.6	4.3
Net debt/	359.6	189.6	194.7
Adjusted EBITDA (rolling 12 months)	66.6	57.3	65.3
Net debt/adjusted EBITDA, rolling 12 months	5.4	3.3	3.0

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
EBITDA and Adjusted EBITDA			
Profit for the period	2.6	4.4	19.1
Income tax	5.2	-1.1	-5.1
Financial expenses	-1.6	-1.0	-4.0
Financial income	0.1	0.1	0.2
Depreciation, amortisation and impairment	-10.5	-8.5	-34.7
EBITDA	9.3	14.9	62.6
IFRS 3 costs –	0.8	0.0	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.0	0.2	0.6
Other EBITDA adjustments	6.4	0.2	0.7
Total EBITDA adjustments ¹⁾	7.2	0.4	2.7
Adjusted EBITDA	16.5	15.2	65.3

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
EBITDA, %			
EBITDA/	9.3	14.9	62.6
Revenue x 100	163.1	139.9	577.8
EBITDA, %	5.7	10.6	10.8

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Adjusted EBITDA, %			
Adjusted EBITDA/	16.5	15.2	65.3
Revenue x 100	163.1	139.9	577.8
Adjusted EBITDA, %	10.1	10.9	11.3

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Operating profit (EBIT) and Adjusted operating profit (EBIT)			
Profit for the period	2.6	4.4	19.1
Income tax	5.2	-1.1	-5.1
Financial expenses	-1.6	-1.0	-4.0
Financial income	0.1	0.1	0.2
Operating profit (EBIT)	-1.2	6.4	27.9
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation) -	-0.1	-0.1	-0.3
Total EBITDA adjustments ¹⁾	7.2	0.4	2.7
Total operating profit (EBIT) adjustments	7.1	0.3	2.4
Adjusted operating profit (EBIT)	5.9	6.7	30.3
PPA amortisation –	0.7	0.7	3.0
Amortisation and impairment of other intangible assets	1.2	0.9	4.0
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	7.8	8.3	37.3

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Operating profit (EBIT), %			
Operating profit/	-1.2	6.4	27.9
Revenue x 100	163.1	139.9	577.8
Operating profit (EBIT), %	-0.7	4.6	4.8

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Adjusted operating profit (EBIT), %			
Adjusted operating profit/	5.9	6.7	30.3
Revenue x 100	163.1	139.9	577.8
Adjusted operating profit (EBIT), %	3.6	4.8	5.3
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	8.3	37.3
Revenue x 100	163.1	139.9	577.8
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	4.8	5.9	6.5

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Cash flow after investments			
Net cash flow from operating activities	15.5	10.7	56.9
Net cash flow from investing activities	-43.7	-3.0	-32.1
Cash flow after investments	-28.2	7.6	24.9

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

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Profit before taxes			
Profit for the period	2.6	4.4	19.1
Income tax	5.2	-1.1	-5.1
Profit before taxes	-2.7	5.5	24.2

EUR million	1-3/2022	1-3/2021 ¹⁾	2021
Gross investments			
Property, plant and equipment at the end of the period	52.8	44.2	45.0
Right-of-use assets at the end of the period	204.6	98.5	95.6
Other intangible assets at end of period	20.1	14.4	14.9
Goodwill at end of period	229.9	173.6	188.9
Depreciation, amortisation and impairment for the period are added	10.5	8.5	34.7
-			
Property, plant and equipment at the start of the period	45.0	44.0	44.0
Right-of-use assets at the start of the period	95.6	102.8	102.8

Other intangible assets at beginning of period	14.9	15.3	15.3
Goodwill at beginning of period	188.9	173.6	173.6
Proceeds from the sale of property, plant and equipment during the period	-2.6	-0.7	-1.5
Gross investments	176.1	4.1	44.8
EUR million	1-3/2022	1-3/2021¹⁾	2021
Organic revenue growth, %			
Revenue for the period -	163.1	139.9	577.8
Revenue from M&A transactions during the period	15.9		11.0
Revenue for the previous period	139.9	133.0	508.7
Organic revenue growth /	7.3	6.9	58.1
Revenue for the previous period x 100	139.9	133.0	508.7
Organic revenue growth, %	5.2	5.2	11.4
Revenue growth due to M&A transactions, %	11.3		2.2
Revenue growth	23.2	6.9	69.1
Revenue growth, %	16.6	5.2	13.6

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

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

Description of adjustment items applied to adjusted EBITDA and adjusted operating

EUR million	1-3/2022 3 months	1-3/2021 ¹⁾ 3 months	2021
EBITDA	9.3	14.9	62.6
Adjustments to EBITDA			
Dismissal-related expenses		0.2	0.4
Costs arising from integration of acquired businesses	0.7		
District Court's ruling, Jämsän Terveys	4.7		
Onerous contracts			-0.2
IFRS 3 costs	0.8	0.0	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.0	0.2	0.6
Other items with cash flow effect	0.4		0.5
Other items with no cash flow effect	0.7		
Adjustments to EBITDA in total	7.2	0.4	2.7
Adjusted EBITDA	16.5	15.2	65.3
Depreciation, amortisation and impairment	-10.5	-8.5	-34.7
Adjustments to depreciation, amortisation and impairment			
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.3
Adjustments to depreciation, amortisation and impairment in total	-0.1	-0.1	-0.3
Adjustments to operating profit in total	7.1	0.3	2.4
Adjusted operating profit (EBIT)	5.9	6.7	30.3
PPA amortisation	0.7	0.7	3.0
Other amortisation and impairment of intangible assets	1.1	0.9	3.7
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	7.8	8.3	37.3
Operating profit (EBIT)	-1.2	6.4	27.9

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

EUR million	1-3/2022 3 months	1-3/2021 ¹⁾ 3 months	2021
Revenue	2.4		
Materials and services	2.0		
Employee benefit expenses	0.5	0.2	0.4
Other operating expenses	2.3	0.2	2.3
EBITDA adjustment items total	7.2	0.4	2.7
Depreciation, amortisation and impairment	-0.1	-0.1	-0.3
Operating profit adjustment items total	7.1	0.3	2.4

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