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Pihlajalinna Financial Statements bulletin 1 January–31 December 2015 (12 Months)

Strong increase in revenue and cash flow from operating activities

Brief look at October–December 2015 (year-on-year comparison in brackets):

- Revenues amounted to EUR 62.6 (51.9) million – an increase of 21 per cent
- EBITDA excluding non-recurring items amounted to EUR 3.4 (3.6) million
- Operating profit excluding non-recurring items amounted to EUR 1.4 (1.9) million
- Operating profit (EBIT) amounted to EUR 1.4 (1.4) million
- Net cash flow from operating activities amounted to EUR 7.1 (5.0) million
- Pihlajalinna expanded its social services to include the asylum seeker reception centre operations
- Pihlajalinna and Fennia agreed on comprehensive national cooperation
- Pihlajalinna finalized the Koskiklinikka deal on 30 December 2015 and announced the acquisition of Itä-Suomen Lääkärikeskus
- Pihlajalinna implemented directed share issue on 14 December 2015

Brief look at January–December:

- Revenues amounted to EUR 213.3 (148.9) million – an increase of 43 per cent
- EBITDA excluding non-recurring items amounted to EUR 12.5 (14.0) million.
- Operating profit excluding non-recurring items amounted to EUR 4.5 (8.2) million
- Net cash flow from operating activities amounted to EUR 17.7 (9.4) million
- Gross investments in the financial year amounted to EUR 44.6 (28.3) million
- Number of personnel at the end of the financial year 3,047 (1,714)
- Earnings per share EUR 0.03 (0.11)
- Board of Directors proposes a dividend of EUR 0,02 per share

Guidance on Group outlook

Pihlajalinna's consolidated revenue will exceed EUR 400 million in 2016 and EBIT margin will improve compared to 2015.

Key figures and ratios

	10-12/2015 3 mths	10-12/2014 3 mths	change %	1-12/2015 12 mths	1-12/2014 12 mths	change %
INCOME STATEMENT						
Revenue, EUR million	62.6	51.9	21	213.3	148.9	43
EBITDA excluding non-recurring items, EUR million	3.4	3.6	-4	12.5	14.0	-11
EBITDA % excluding non-recurring items	5.5	6.9	-20	5.9	9.4	-38
EBITDA, EUR million	3.4	3.0	14	11.6	11.8	-2
EBITDA %	5.5	5.8	-5	5.4	7.9	-32
Operating profit excluding non-recurring items (EBIT), EUR million	1.4	1.9	-30	4.5	8.2	-45
Operating profit % excluding non-recurring items	2.2	3.7	-42	2.1	5.5	-61
Operating profit (EBIT), EUR million	1.4	1.4	-1	3.6	6.0	-39
Operating profit %	2.2	2.6	-18	1.7	4.0	-58
Profit before tax (EBT), EUR million	1.0	0.7	39	1.3	2.9	-54
SHARE RELATED INFORMATION						
Earnings per share (EPS), EUR	0.03	0.06	-48	0.03	0.11	-75
Equity per share, EUR				4.47	0.70	540
OTHER INFORMATION						
Return on capital employed, % (ROCE)				3.4	7.1	
Return on equity, % (ROE)				2.3	7.7	
Equity ratio, %				50.5	8.0	
Gearing, %				25.2	691.1	
Net debt/adjusted EBITDA, rolling 12 mths				1.9	5.1	
Interest bearing net debt, EUR million				23.5	71.6	-67
Gross investments, EUR million	27.5	6.5	324	44.6	21.8	104
Cash flow from operating activities	7.1	5.0	42	17.7	9.4	88
Cash flow after investments	-13.2	1.9	-793	-14.4	-8.1	79
Average number of personnel				2,503	1,619	55
Personnel at the end of the period				3,047	1,714	78

Mikko Wirén, CEO of Pihlajalinna:



Pihlajalinna Group's strong growth continued during the last three months. The revenue grew by 21 per cent during the quarter, reaching EUR 62.6 (51.9) million. The majority of this was due to organic growth arising from complete outsourcing of social and health services in Parkano, Kihniö and Jämsä. In addition to this, the asylum seeker reception centre operation, which started in October, increased revenues. Investments in future growth continued to affect profitability.

Annual revenue grew by 43 per cent, reaching EUR 213.3 (148.9) million. The reinforcement of the Group's administration and supporting functions and the development of the ERP system affected our profitability. The low capacity utilisation rates of new units, which burdened the result of the financial year, improved towards the end of the year.

The Group's cost savings plan has proceeded as planned and, for instance, the affiliate mergers were completed in early February 2016. In all likelihood, the targeted annual cost savings level of EUR 3 million will be reached during 2016.

The financial year 2015 was a year of important projects building future growth of the Company. The Company was listed on NASDAQ OMX Helsinki main market in June 2015 and started three significant complete social

and health services outsourcing agreements. The biggest complete social and health service outsourcing takeover in the history of the Company to date was implemented during the financial year in the Kuusiokunnat area, and service production commenced on 1 January 2016 at the same time with the significantly expanding Jämsä outsourcing. During the year, we also executed several M&A transactions. I want to extend my warm gratitude to the staff of Pihlajalinna and to our partners for all their excellent work for the Company to succeed.

The most important projects of the financial year 2016 include ensuring the continuation of the positive trend in the Company's profitability, and implementing a long-term growth strategy. We also want to utilise the opportunities offered by health care and elderly care technologies as well as digitalisation in our operations as efficiently as possible.

Pihlajalinna will monitor the preparation of the new Act on the Organisation of Social and Health Services and investigate its practical impact on the Company's business opportunities. Vice President of the Dental Care service area, Pekka Utriainen, has been elected to the group of experts appointed by the Ministry of Social Affairs and Health to support the preparation and implementation of the social and health service reform.

As of 1 January 2016, Pihlajalinna's current outsourcing agreements cover a population of approximately 66,000 and once the option periods of the agreements are fully realised, the complete outsourcing business area may grow by approximately 154,000 citizens.

The cornerstone of Pihlajalinna's success is good cooperation between public and private social and health service providers. We hope that we can expand this operating model and develop it on a national level as part of the new Act on the Organisation of Social and Health Services preparation process.

Consolidated revenue and operating profit

January–December 2015

Pihlajalinna's revenue during the financial year amounted to EUR 213.3 million (EUR 148.9 million), an increase of EUR 64.5 million or 43 per cent. Organic growth amounted to about EUR 44.3 million, including the new social and health service outsourcings in Parkano, Jämsä and Kihniö. M&A transactions accounted for approximately EUR 20.2 million of the growth in revenue.

During the last quarter, the revenue grew by 21 per cent compared to previous year, reaching EUR 62.6 (51.9) million.

The Group's materials and services during the financial year represented 38.4 per cent (39.4) of consolidated revenue or EUR 81.9 million (EUR 58.7 million). The Group's employee benefit expenses represented 45.7 per cent (41.8) of consolidated revenue or EUR 97.4 million (EUR 62.2 million). Other operating expenses totalled 10.9 per cent (11.5) of revenue or EUR 23.2 million (EUR 17.1 million).

Depreciation and amortisation for the financial year totalled EUR 8.0 million (EUR 5.8 million). Amortisation of intangible assets during the financial year was EUR 2.9 million (EUR 2.3 million), of which the amortisation of the intangible assets separate from goodwill, allocated from the costs of business combinations on the date of acquisition, totalled EUR 2.2 million (EUR 2.0 million). Depreciation of property, plant and equipment totalled EUR 5.1 million (EUR 3.5 million).

Pihlajalinna's operating profit amounted to EUR 3.6 million (EUR 6.0 million). Operating profit represented 1.7 per cent of revenue in the financial year (4.0). Operating profit includes EUR 0.9 million of non-recurring costs relating to the Initial Public Offering of the Company. The operating profit for the comparison period included EUR 1.8 million in costs related to the preparations for the Initial Public Offering, and EUR 0.5 million in other non-recurring costs (a total of EUR 2.2 million).

Operating profit for the financial year excluding non-recurring items amounted to EUR 4.5 (8.2) million.

The decline in operating profit was due to increased depreciation and amortisation related to the investments for growth; low results of the new private clinics that were opened early in the year; the reinforcement of the Group's administration; and the introduction of the new ICT infrastructure to meet the needs of a growth company. Increasing resources and carrying out significant development projects are crucial to strengthening the Group for future growth.

Transfer taxes and expert fees relating to the M&A transactions executed during the year added an extra burden of EUR 0.9 (0.1) million on the result of the financial year.

The provision of specialised medical care in the Mänttä-Vilppula area, the acquisition of care homes in Southwest Finland, the increase in the volume of surgical operations, outsourcing the social and health services in Jämsä, and the acquisition of Suomen Keinojuuriklinikka contributed positively to the operating profit for the financial year.

Profitability improved during the final quarter compared to previous quarter. The operating profit for the last quarter was EUR 1.4 (1.4) million. Revenue excluding non-recurring items was EUR 1.4 (1.9) million, i.e., 2.2 (3.7) per cent.

In connection with Q2 interim report, Pihlajalinna announced that it would launch a restructuring programme aiming at annual cost savings of EUR 3 million. The implementation of fixed cost cuts and other efficiency improvement measures has continued as planned. In all likelihood, the target cost savings level will be achieved during 2016. Cost management, profitability monitoring and customer flow control form an essential part of this restructuring programme.

As part of the restructuring programme, Pihlajalinna initiated several subsidiary mergers aimed at achieving a clearer Group structure and cost savings during the financial year. The mergers were implemented early in 2016.

Revenue and operating profit by operating segments

January–December 2015

Private Clinics and Specialised Care (C&S)

The Private Clinics and Specialised Care segment (C&S) provides general practitioner and medical specialist consultation services, surgical services and occupational healthcare services, and dental care services. The segment's customers comprise private individuals from all age groups, companies, entrepreneurs, public enterprises, cities, municipalities, other public entities, and associations and foundations. The units of Pihlajalinna Group's Private Clinics and Specialised Care segment operate under the Dextra brand, and the specialised care services are provided to private and public sector customers under the Dextra and Pihlajalinna brands. The Private Clinics and Specialised Care (C&S) segment is divided into four service areas: Private Clinics, Surgical Operations and Public Specialised Care, Dental Care, and Occupational Healthcare.

The revenue of the C&S segment for the financial year amounted to EUR 119.5 (92.9) million, an increase of EUR 26.6 million or 29 per cent. The revenue for the final quarter was EUR 32.0 (38.4) million.

The increase in the segment's revenue was mainly due to the growth in the Surgical Operations and Public Specialised Care service area. The revenue increased by EUR 15.9 million compared to the previous year, mainly due to the outsourcing of the social and health services in Parkano and Kihniö and the acquisition of Laser Tilkka's surgical operations. The revenue of the Dental Care service area increased by EUR 8.1 million, primarily due to the acquisition of Suomen Keinojuuriklinikka. The revenue of the Occupational Healthcare service area increased by EUR 3.4 million and that of the Private Clinics service area by EUR 2.3 million.

C&S segment's operating profit for the financial year amounted to EUR 2.8 million (EUR 6.3 million). The operating profit for the final quarter was EUR 1.0 (1.7) million.

The segment's profitability was affected by the weak performance of the Occupational Healthcare and Private Clinics service areas. The weak results of the new units of the Dental Care service area played a part in the segment's low profitability. Another strain on the operating profit was the increased depreciation and amortisation of the segment, the reinforcement of the Group's operative management and administration, and the introduction of an IT infrastructure to meet the needs of a growth company. Transfer taxes and expert fees relating to the M&A transactions executed during the year reduced the segment's operating profit by EUR 0.7 (0.1) million in total.

The segment's profitability was improved by growing volumes in the Surgical Operations and Public Specialised Care service area, and the acquisition of Suomen Keinojuuriklinikka. The most significant positive effects on the segment's result were the improved utilisation rates of private surgical operations, and in particular more efficient management of customer flows in the Mänttä-Vilppula specialised care service area.

Primary and Social Care (P&S)

The Primary and Social Care segment (P&S) provides services under the Pihlajalinna brand to public entities. The supply of services includes primary healthcare and social care services that are provided through complete outsourcings, staffing services or separate care service units. Services for municipalities are mainly provided on the premises determined by them.

Performance of the segments

	C & S			P & S		
	10–12/2015	10–12/2014	change %	10–12/2015	10–12/2014	change %
Quarter						
Revenue, EUR million	32.0	38.4	–17	31.4	15.3	105
Operating profit, EUR million	1.0	1.7	–41	0.7	0.0	–2,027
Operating profit, %	3.2	4.5		2.1	–0.2	
	1–12/2015			1–12/2014		
	1–12/2015	1–12/2014	change %	1–12/2015	1–12/2014	change %
Cumulative						
Revenue, EUR million	119.5	92.9	29	96.8	57.9	67
Operating profit, EUR million	2.8	6.3	–55	2.3	1.9	19
Operating profit, %	2.3	6.7		2.4	3.3	

The Primary and Social Care segment is divided into four service areas: Complete Social and Healthcare Outsourcings, Health Centre Outsourcings, Staffing and Care Services.

The P&S segment's revenues during the financial year amounted to EUR 96.8 million (EUR 57.9 million), an increase of EUR 38.9 million, or 67 per cent. This increase was mainly due to the Parkano, Kihniö and Jämsä healthcare and social care service outsourcing contracts, and the acquisition of care homes in Southwest Finland. The segment's revenue for the final quarter was EUR 31.4 (15.3) million, an increase of 105%.

The P&S segment's operating profit for the financial year amounted to EUR 2.3 million (EUR 1.9 million). The operating profit for the final quarter was EUR 0.7 (0.0) million.

The increase in the operating profit was largely due to the acquisition of care homes in Southwest Finland and a general improvement in the utilisation rates in the Care Services service area.

The segment's operating profit was decreased by increased depreciation and amortisation, primarily related to the sale and leaseback of care premises (total growth of EUR 0.8 million). The reinforcement of the Group's operative management and administration and the introduction of IT infrastructure that meets the needs of a growth company also burdened the profitability of the P&S segment. Transfer taxes and expert fees relating to the M&A transactions executed during the year reduced the segment's operating profit by EUR 0.2 (0.0) million in total.

The City of Mänttä-Vilppula decided in June 2015 to put social and health services out to tender. The deadline was 12 January 2016. The City Council of Mänttä-Vilppula chose Pihlajalinna as the city's social and health service provider on 9 February 2016. Mänttä-Vilppula invited companies to tender for the social and health services for a maximum total population of 60,000 on a fixed-term ten-year contract, tentatively from 1 July 2016 to 30 June 2026. The contract includes an option for an additional five years.

Financial targets

Pihlajalinna has set the following long-term financial targets for its operations:

- Operating profit (EBIT) exceeding 7 per cent over revenue; and
- Net debt to EBITDA below three times EBITDA.
- A minimum of one-third of the result for the period is distributed to the Company's shareholders as dividend and equity returns.

Along with the successful Initial Public Offering, Pihlajalinna has reached its targeted net debt level.

Financial items and profit for the period

The Group's net financial expenses totalled EUR –2.3 million (EUR –3.1 million). This included EUR 0.3 million of non-recurring refinancing expenses related to the EUR 60 million revolving credit facility signed at the end of September. The increase in net financial expenses last year was due to non-recurring financial expenses of EUR 1.0 million, mainly relating to the extensive restructuring in the summer of 2014 and earlier refinancing arrangement.

The Group's net financial expenses excluding non-recurring items totalled EUR –2.0 million (EUR –2.1 million).

Pihlajalinna's profit before tax for the financial year amounted to EUR 1.3 million (EUR 2.9 million). The profit before tax for the final quarter amounted to EUR 1.0 million (EUR 0.7 million).

Taxes for the financial year amounted to EUR –0.1 (–1.0) million. The operating profit of the financial year amounted to EUR 1.2 (1.9) million. Earnings per share (EPS) was EUR 0.03 (EUR 0.11). The comparative figure presented is the earnings per share of Pihlajalinna Oy for 2014, which is an adjusted like-for-like figure that reflects the terms and conditions of the directed share issue carried out in July 2014.

The Group's financial position

At the end of the financial year, Pihlajalinna Group's total statement of financial position was EUR 185.1 million (EUR 130.7 million). Consolidated cash and cash equivalents stood at EUR 15.3 million (EUR 7.4 million).

The Group's net cash flow from operating activities during the financial year amounted to EUR 17.7 million (EUR 9.4 million). A total of EUR 4.2 (3.3) million in working capital was released during the financial year. The net cash flow for the last quarter was EUR 7.1 (5.0) million. A total of EUR 1.2 million in working capital was tied up in the last quarter (EUR 1.3 million released).

Net cash flow from investing activities totalled EUR –32.1 million (EUR –17.5 million). The impact of subsidiary acquisitions on the net cash flow in the financial year was EUR –33.8 million (EUR –5.1 million). Disposals of subsidiaries during the financial year amounted to EUR 1.3 million (EUR –0.6 million). Investments in property, plant and equipment and intangible assets during the financial year totalled EUR –7.8 million (EUR –10.4 million), and proceeds from the disposals of property, plant and equipment totalled EUR 7.9 million (EUR 0.0 million). Pihlajalinna financed the share acquisitions of the care homes in Southwest Finland carried out on 31 March 2015 by selling the Group's care home properties (proceeds from the property, plant and equipment) and the property companies (disposal of subsidiaries).

The Group's cash flow after investments was EUR –14.4 (–8.1) million. The cash flow of the last quarter after investments was EUR –13.2 (1.9) million.

The net cash flow from financing activities totalled EUR 18.8 million (EUR 7.7 million). The net cash flow from financing activities includes EUR 57.4 million in net assets received in the Initial Public Offering and EUR 25.0 million in net assets from the directed share issue in December. During the financial year, the Group withdrew EUR 31.1 million of new loans within its credit limit and repaid its financial liabilities a total amount of EUR 90.4 million.

Pihlajalinna immediately leased back the care home properties sold on 1 April 2015 for its own use through lease agreements classified as finance leases. The lease term is fifteen (15) years.

The Group's solvency improved significantly in the financial year. The Group's equity ratio at the end of the financial year was 50.5 per cent (8.0). The increase in the equity ratio was due to net assets received from the Initial Public Offering, the net assets received from the directed share issue in December, as well as major loan repayments. The low equity ratio in the corresponding period last year was due to the extensive restructuring arrangement and refinancing arrangement carried out during the summer of 2014. Gearing of the Group was 25.2 per cent (691.1) at the end of the financial year.

Interest-bearing net liabilities amounted to EUR 23.5 million (EUR 71.6 million). Return on capital employed was 3.4 per cent (7.1), and return on equity was 2.3 per cent (7.7).

At the end of September, Pihlajalinna signed a five-year revolving credit facility worth EUR 60 million and EUR 10 million account limit agreements with two of its partner banks. The revolving credit facility has one 12-month extension option period. The revolving credit facility includes a financial covenant based on the ratio of net debt to EBITDA. The Group met the set covenants on 31 December 2015.

At the end of the financial year, Pihlajalinna had EUR 58.0 million of unused committed short-term credit limits.

Capital expenditure

Gross investments in intangible and tangible assets during the financial year amounted to EUR 44.6 (28.3) million. The Company's gross investments in property, plant and equipment and intangible assets, which consisted of normal additional and replacement investments required for growth, amounted to EUR 6.0 million (EUR 6.1 million) during the financial year. Capital expenditure relating to the opening of new units totalled EUR 2.4 million (EUR 4.8 million). Gross investments in tangible and intangible assets attributable to M&A transactions, including goodwill, totalled EUR 36.3 million (EUR 17.4 million).

Total goodwill at the end of the financial year was EUR 76.1 (56.2) million.

The Group's investment commitments are related to imaging equipment and financial administration's IT system development projects. In total, these investment commitments amount to about EUR 0.6 million.

Personnel

The Group's personnel averaged 2,503 persons in the financial year (1,619), an increase of 55 per cent. The number of personnel at the end of the financial year amounted to 3,047 (1,714), an increase of 1,333 persons or 78 per cent. The number of Group personnel grew by approximately 300 employees due to M&A transactions during the financial period. The rest of the increase in personnel was mainly due to the implementation of new complete outsourcing contracts for health and social services in Parkano, Kihniö and Jämsä (in total approximately 1,000 persons transferred). The Group's employee benefit expenses totalled EUR 97.4 million (EUR 62.2 million), an increase of 57 per cent.

Business development

The Group expanded during the financial year through several M&As and new unit openings. In January 2015, a new Dextra dental clinic was opened on the 7th floor of Stockmann department store in Helsinki. Pihlajalinna signed an agreement to acquire the entire share capital of Suomen Keinojuuriklinikka Oy in February 2015.

The Group also strengthened its dental care business in Jyväskylä by acquiring Wiisuri Oy's entire share capital in early February 2015.

The arbitration process concerning the MediLappi Oy share transaction was concluded on 19 February 2015. The transaction price confirmed in the arbitration process was EUR 0.2 million higher than the management's estimate in the 2014 financial statements.

The operations of Pietarsaaren Medicer Oy were consolidated from the beginning of February 2015.

Pihlajalinna acquired three care homes in Southwest Finland on 31 March 2015 (Hoitokoti Matinkartano Oy, Hoitokoti Setälänpiha Oy and Raison Oiva Oy). The care homes were given new marketing names in connection with the sale: Ikipihlaja Oiva, Ikipihlaja Matinkartano and Ikipihlaja Setälänpiha. As part of financing its care home acquisitions, the Group sold its care home properties and the property company Hämeenlinnan Nuutintupa.

Pihlajalinna bought a non-controlling interest in its subsidiary Dextra Suunterveydenhoito Oy on 1 April 2015. Since then, the Group's share in the company has been 100 per cent.

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sairaala Oy in late 2015. Since then, the Group's share in the company has been 100 per cent.

During the financial year, Pihlajalinna opened five reception centres for asylum seekers (Hämeenlinna, Kokemäki, Kihniö, Jämsä and Karkku).

On 9 December 2015, Pihlajalinna announced the acquisition of the entire share capital of Tampereen Lääkärikeskus Oy (Koskiklinikka) from private owners and Diacor terveyspalvelut Oy. The purchase included Koskiklinikka's 50 per cent ownership of the imaging service company Röntgentutka Oy. The net debt-free value of the acquisition was EUR 21.2 million. The purchase price was paid in cash on the execution date, 30 December 2015.

Koskiklinikka employs 150 healthcare professionals and other personnel, as well as 250 medical practitioners. In the financial year 2014 Koskiklinikka's revenue was EUR 15.4 million (gross sales approximately 28 million) and operating profit EUR 1.7 million. In the financial year 2014, Röntgentutka Oy's revenue was EUR 4.6 million (gross sales approximately 6 million) and operating profit EUR 1.12 million. The joint venture Röntgentutka Oy will be consolidated in Pihlajalinna Group using the equity method as associated companies.

The total cost of the business combinations acquired in the financial year was EUR 42.1 million, all paid in cash. The acquisitions generated goodwill a total of EUR 20.0 million. The business combinations were financed by the net assets received from the Initial Public Offering in June and from the directed share issue in December, the Group's credit limits, and the sale of the care premises and real estate company owned by the Group.

Pihlajalinna Oyj's Group company Dextra Oy and Keskinäinen Vakuutusyhtiö Fennia signed a significant partnership agreement according which Dextra, as a national main partner, will produce healthcare services for Fennia customers based on a long term agreement. The cooperation starts in early 2016.

On 30 December 2015, the Ombudsman of the Finnish Parliament reached a verdict on a complaint pertaining to the dictum given by the Ministry of Social Affairs and Health to the City of Tampere regarding the position of Jokilaakso Hospital within the framework of freedom of choice. In the verdict dated 30 December 2015, the Parliament's Ombudsman states that the phrasing of the Health Service Act does not exclude specialised care arranged by the municipality in connection with basic healthcare from the freedom of choice pertaining to specialised care. Thus, Jokilaakso Hospital is deemed to fall under the patient's freedom of choice.

All Finns as well as the citizens of other Member States of the EU are free to choose Jokilaakso Hospital as their treatment centre, regardless of the municipality in which they reside.

Management changes

Joni Aaltonen was appointed Chief Operating Officer (COO) of Pihlajalinna Group as of 14 April 2015. He had previously served as the Group's Chief Financial Officer (CFO). In his new position, Aaltonen is responsible for the Group's strategic development and M&A transactions, and for ensuring the profitable growth of business operations. The Group's procurement unit also reports to him.

Virpi Holmqvist was appointed Chief Financial Officer (CFO) of Pihlajalinna Group as of 14 April 2015. Holmqvist is responsible for managing the Group's financial administration function and developing its processes. She previously served on the management team of Attendo Finland Group from 2008, initially as Financial Director and for the last two years as Director of Outsourced Social and Health Care Services.

On 1 September 2015, CFO Virpi Holmqvist was appointed Managing Director of Jämsän Terveys Oy, a joint venture of Pihlajalinna and the City of Jämsä.

Pekka Utriainen was appointed Vice President of the Dental Care service area. Utriainen (Ph.D. in Philosophy, Licentiate of Dentistry and Specialist in Dental Care) has previously worked as Deputy Mayor responsible for social and healthcare at the City of Jyväskylä and in several other leadership positions in Jyväskylä and Seinäjoki, among others. He has also worked as a researcher at the Academy of Finland and as a dentist.

VP of Care Services, Hanna Aschan (M.Sc. Health Sci., MBA) will retire on 1 February 2016. Sanna Määttänen (Lic. Med., Specialist in Geriatrics) has been appointed as her successor. She previously served as Pihlajalinna's Medical Director in Parkano and Mänttä-Vilppula, among other units.

Management team and administration

Pihlajalinna Group's management team has seven members: Mikko Wirén, CEO, Leena Niemistö, Deputy CEO and Director of the Private Clinics and Specialised Care segment, Joni Aaltonen, Chief Operating Officer, Juha Rautio, Director of the Primary and Social Care segment, Virpi Holmqvist, Chief Financial Officer, Terhi Kivinen, Senior Vice President Communications, Marketing and IR, and Kimmo Saarinen, Medical Director.

Pihlajalinna Oyj observes the Finnish Corporate Governance Code (2015) of Finnish listed companies provided by Arvopaperimarkkinayhdistys ry. The insider guidelines of Pihlajalinna Group are based on Finnish legislation, the insider guidelines of NASDAQ OMX Helsinki Oy, rules and guidelines of the Financial Supervision Authority, the relevant directives approved by the EP and the Council of the European Union, and the relevant regulations of the European Commission. The

insider register of the Company is maintained in the SIRE register of Euroclear Finland Oy.

The Corporate Governance statement for 2015 as well as the remuneration report for 2015 are available on the investor's website of the Company.

Shares and shareholders

At the end of the financial year, Pihlajalinna Oyj's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of outstanding shares was 20,613,146. The Company has one share series, with each share entitling its holder to one vote at the annual general meeting (AGM) of the Company. All shares bestow their holders with equal rights to dividends and other distribution of the Company's assets. At the end of the financial year, the Company had 5,459 (173) shareholders. The Company does not hold any treasury shares. The list of the largest shareholders is available on the investor's website of the Company at www.pihlajalinna-konserni.fi.

The trading of Pihlajalinna shares commenced on the pre-list of NASDAQ OMX Helsinki Ltd on 4 June 2015 and on the main market on 8 June 2015. The share's trade ID is PIHLIS, and Pihlajalinna Oyj has been classified as a Mid Cap company in the Healthcare sector.

By the end of the financial year, a total of 7,679,586 Pihlajalinna shares¹⁾ had been traded at a total exchange value of EUR 97,683,727. The highest price of the financial year was EUR 19.85, the lowest price EUR 11.38, the average price EUR 12.72 and the closing price EUR 17.70. The market value of the share capital based on the closing price was EUR 364.9 million.

Flagging notifications

On 17 June 2015, Pihlajalinna Oyj received a disclosure notice under Chapter 9, Section 5 of the Securities Market Act regarding MWW Yhtiö Oy holdings of Pihlajalinna Oyj stock that, on 17 June 2015, had increased to 11.23 per cent of Pihlajalinna's total stock and voting rights.

According to information published in the Offering Circular of Pihlajalinna Oyj, MWW Yhtiö Oy and Sinister Oy shareholders signed agreements on 7 May 2015 and 8 May 2015 according to which MWW Yhtiö Oy will buy the shares of Sinister Oy should the listing of Pihlajalinna Oyj be realised. The share acquisition was realised with the payment of the purchase price of the shares on 17 June 2015. Pihlajalinna Oyj CEO Mikko Wirén and his family own about 90 per cent of MWW Yhtiö Oy.

On 15 December 2015, Pihlajalinna Oyj received a notification pursuant to Chapter 9, Section 5 of the

Securities Markets Act from Sentica Buyout III GP Oy (business ID 2126931-6) and Sentica Buyout III Ky (business ID 2237279-6). According to the notification, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (business ID 2237018-4) (together referred to as the "Funds") had sold a total of 1,500,000 shares in connection with the share issue executed on the basis of an accelerated book building process ("Share Sale"). As a result of the completion of the Share Sale, Sentica Buyout III Ky's direct ownership of Pihlajalinna shares and votes in Pihlajalinna fell below the 20% threshold. According to the notification, in the same connection Sentica Buyout III GP Oy's indirect ownership through the Funds fell below the 20% threshold of all the shares and voting rights in Pihlajalinna.

As a result of the share sale, Sentica Buyout III Ky owns a total of 3,403,266 Pihlajalinna shares and votes, or approximately 17.81 per cent of all Pihlajalinna shares and votes, and Sentica Buyout III Co-Investment Ky owns a total of 132,724 shares and votes or approximately 0.69 per cent of all Pihlajalinna shares and votes.

The general partner of Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky is Sentica Buyout III GP Oy, which exercises the power of decision in the Funds. The investment management functions for both of the Funds have been transferred to Sentica Partners Oy based on a separate investment management agreement.

Resolutions of the annual general meeting

Pihlajalinna's Annual General Meeting held on 12 March 2015 adopted the financial statements and the Board of Directors' report for 1 January 2014–31 December 2014, and resolved that no dividend will be paid for the 2014 financial year. The Annual General Meeting discharged the members of the Board and the CEO from liability.

In the Annual General Meeting of 12 March 2015, the former board members Aarne Aktan, Heikki Dunder, Leena Niemistö, Veli-Matti Qvintus, Marjatta Rytömaa and Mika Uotila were re-elected, and Jari Sundström was elected as a new member, to Pihlajalinna Oy's Board of Directors, which has seven members. The Extraordinary General Meeting held on 22 May 2015 made a decision that the number of board members would be eight (8) and elected Martti Ala-Härkönen as a new Member of the Board of Directors for the term starting 1 June 2015 and continuing to the end of the next Annual General Meeting.

The Annual General Meeting on 12 March 2015 decided to keep its compensation unchanged, with each Board member being paid a monthly remuneration of EUR 1,000. In addition, a meeting fee of EUR 1,000 will be paid for each Board meeting to all members who are present, and a meeting fee of EUR 500 for each committee meeting to all members who are present.

¹⁾ Includes 1,918,409 shares sold by certain shareholders of the Company in connection with the listing and full exercise of the Over-Allotment Option of 978,000 shares, but does not include the Share Sale of 1,500,000 shares executed on 15.12.2016.

The firm of authorised public accountants KPMG Oy, with Frans Kärki APA as the principal auditor, were elected as the Company's auditors.

The Company's Extraordinary General Meeting decided on 22 May 2015 to change the Articles of Association and the company form. The business name of the Company was changed to Pihlajalinna Oyj and the redemption clause and the notice clause according to the former Articles of Association were removed. The removal of these clauses was registered in connection to the listing on 4 June 2015.

On 22 May 2015, the Extraordinary General Meeting decided to increase the capital stock with a bonus issue from EUR 2,500 to EUR 80,000 from the reserve for invested unrestricted equity.

On 14 December 2015, the Extraordinary General Meeting authorised the Board of Directors to decide on the issuance of shares, option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act with one or more decisions in accordance with the Board's suggestion.

Authorisations of the Board of Directors

Pihlajalinna's Extraordinary General Meeting on 22 May 2015 authorised the Board of Directors to decide on a directed share issue and its terms in relation to the listing of the Company, including the subscription price and price range of the shares.

The number of the shares issued under the authorisation may total a maximum of 9,000,000. The authorisation is valid until the end of the next Annual General Meeting, at the latest until 30 June 2016. Under the authorisation, the Board has issued 5,714,286 new shares in connection with the Initial Public Offering of the Company.

In addition to this, on 22 May 2015 the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the issuance of option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act as follows: based on the authorisation, the Board of Directors may grant option rights or other special rights conferring entitlement to the shares based on which a total of 800,000 Company shares may be subscribed. The Board of Directors has the right to decide on all terms, including the terms of the option schemes directed at the key personnel of Pihlajalinna Group. The authorisation is valid until the end of the next Annual General Meeting, until 30 June 2016 at the latest.

On 14 December 2015, the Extraordinary General Meeting decided to authorise the Board of Directors

to decide on the issuance of shares, option rights and other special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act with one or more decisions in accordance with the Board's suggestion, as follows:

The shares issued on the basis of the authorisation are the Company's new shares, the maximum total amount thereof 2,600,000 shares, or approximately 13.6 per cent of all of the Company's current shares. Shares or special rights conferring entitlement to shares may be issued in one or more batches.

The Board of Directors was authorised to decide all terms of the share issue and the issuance of special rights conferring entitlement to shares. This authorisation included the right to depart from the shareholders' subscription right (directed share issue), if the Company has sufficient financial reasons for the departure pursuant to the Limited Liability Companies Act. The authorisation can be used for purposes decided by the Board of Directors, e.g. to reinforce the Company's balance and financial position in connection with expansion and investment projects, such as M&A transactions, in accordance with the Company's strategy.

The authorisation, which did not overturn previous authorisations, will be valid for five (5) years starting from the decision of the General Meeting.

Based on the authorisation, the Board of Directors issued 1,500,000 shares in the direct share issue on 15 December 2015.

Committees nominated by the Board

At its meeting held on 18 June 2015, the Board of Directors resolved upon the membership of its committees for a term ending at the end of the next Annual General Meeting.

Mika Uotila was elected chairman of the Audit Committee; the other members are Marjatta Rytömaa, Aarne Aktan and Martti Ala-Härkönen.

Aarne Aktan was elected chairman of the Nomination and Remuneration Committee; the other members are Veli-Matti Qvintus, Marjatta Rytömaa and Jari Sundström.

Listing of the Company on Nasdaq OMX Helsinki

On 4 May 2015, the Company announced its plan for an Initial Public Offering and listing on NASDAQ OMX Helsinki. The Board of the Company decided under the authorisation given by the Extraordinary General Meeting on 22 May 2015 to arrange the Initial Public Offering and to file the listing application.

In the Initial Public Offering, the Company offered for subscription ("Share Issue") and certain shareholders of the

Company offered for purchase ("Share Sale") a preliminary maximum of 7,607,076 shares of the Company in total. A preliminary maximum of 500,000 shares were offered to private individuals and organisations in Finland ("Public offering") and a preliminary maximum of 7,107,076 shares to institutional investors in Finland and internationally ("Institutional offering").

According to the terms and conditions of the Initial Public Offering in the event of an oversubscription, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (together "Institutional Sellers") and the Lead Manager Danske Bank may agree on granting the Lead Manager an over-allotment option exercisable within 30 days of the publication of the final subscription price to subscribe up to 978,000 additional shares. In addition, the terms and conditions of the Initial Public Offering stipulated stabilisation measures, based on which the Lead Manager may, within 30 days of the publication of the final subscription price, engage in measures that stabilise, maintain or otherwise affect the price of the shares.

The Lead Manager carried out the Share Lending Agreement with Institutional Sellers, related to stabilisation according to the terms and conditions of the Initial Public Offering. According to the Share Lending Agreement, the Lead Manager borrowed a number of shares of the Company equal to the over-allotment option.

The Public Offering was discontinued due to oversubscription on 1 June 2015 and the Institutional offering was discontinued due to oversubscription on 3 June 2015. The final subscription price of Pihlajalinna was set at EUR 10.50 per share on 3 June 2015. In the Initial Public Offering, 5,714,286 new shares were issued, corresponding to approximately 43 per cent of the total number of shares before the share issue. In the share issue, certain shareholders of the Company sold 1,918,409 shares. The over-allotment option was exercised in total. The Lead Manager of Danske Bank bought 978,000 shares from the Institutional Sellers on 11 June 2015. In the same connection, Danske Bank redelivered 978,000 shares of Pihlajalinna, which were borrowed on the basis of a Share Lending Agreement to the Institutional Sellers.

No stabilisation measures were carried out since the listing, and due to Pihlajalinna's share price development, the Lead Manager discontinued the stabilisation period.

In the Initial Public Offering, a total of 749,997 shares were allocated to private individuals and organisations in Finland and 6,882,698 shares for institutional investors in Finland and internationally. The total number of shares of the Company amounted to 19,113,146 shares. The shares were registered in the Trade Register on 4 June 2015.

Share issue and share sale on 15 December 2015

On 14 December 2015, Pihlajalinna and Sentica announced their intention to offer Pihlajalinna shares to institutional investors.

Pihlajalinna Oyj intended to offer a maximum of 1,500,000 new Company shares ("Share Issue Shares") to a limited number of institutional investors in deviation from the shareholders' pre-emptive subscription rights ("Share Issue"). The number of Share Issue Shares was approximately 7.8 per cent of all Company shares and votes directly prior to the share issue.

Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (together "Sentica") intended to sell Pihlajalinna shares ("Sale Shares", together with the Share Issue Shares "Shares") in connection with the share issue ("Share Sale"). Prior to the Share Sale, Sentica owned 5,035,990 Company shares or approximately 26 per cent of all of the Company's outstanding shares. After the Share Sale, Sentica will own 3,535,990 Company shares.

The Share Issue and the Share Sale were based on an accelerated book-building process, in which selected institutional investors could submit bids for the Shares. The subscription price and sale price of the shares were determined by the bids received in the accelerated book-building process. The accelerated book-building process started immediately. The subscription price and sale price of the shares were the same in the Share Issue and the Share Sale.

The Share Issue was based on the authorisation given by the Extraordinary General Meeting on 14 December 2015 to the Board of Directors regarding the issuance of new shares in deviation from the shareholders' pre-emptive subscription rights.

Pihlajalinna and Sentica announced the result of the Share Issue and Share Sale on 15 December 2015 at 8.15 a.m. The number of Company shares after the Share Issue is 20,613,146. The subscription price in the Share Issue was EUR 17.00 per share, i.e. a total of EUR 25.5 million before commissions and expenses. The subscription price was recorded in its entirety into the reserve for invested unrestricted equity fund.

Funds received were used for the acquisitions of Tampereen Lääkärikeskus Oy, Röntgentutka Oy and Itä-Suomen Lääkärikeskus Oy announced in December 2015 and other potential corporate acquisitions.

The shares were registered in the Trade Register on 16 December 2015 and trading on the NASDAQ OMX Helsinki, together with the old shares, started on 17 December 2015. In connection with the share issue, Pihlajalinna committed to a lock-up undertaking, under which it has, subject to certain exceptions, agreed not to

issue or sell any shares in Pihlajalinna for a period ending 90 days after the closing of the Share Issue.

In connection with the share sale, Sentica committed to a lock-up undertaking, under which it has, subject to certain exceptions, agreed not to issue or sell any shares in Pihlajalinna for a period ending 18 February 2016.

Carnegie Investment Bank AB and Danske Bank A/S, the Helsinki branch, acted as Joint Lead Managers in the Share Issue and the Share Sale.

Risks and uncertainties in business operations

As the population ages and the structures of health care services change, social policies may have a material impact on the private health care sector's business environment both in the short and long term. New policies may impact on business opportunities in the future, particularly with respect to the availability of skilled expert personnel.

In addition to the aforementioned factors, Pihlajalinna Group's operational risks and uncertainties in the long term concern the continuity of key existing customer relationships and contracts, and the financial impacts of new commitments and contracts, which are continuously increasing in value. It is estimated that the competitive situation in Pihlajalinna Group's business areas will remain unchanged.

Political decision-making and structural reforms in the public sector also affect social care and healthcare services and may directly or indirectly impact on the Company's business and growth opportunities. The purpose of the planned Social and Healthcare Reform is to guarantee equal social and healthcare services to all citizens of Finland. The future overall effects of the Social and Healthcare Reform and any other possible changes in the arrangement of social and healthcare services are difficult to predict. Reforms may hamper the Company's operations in some areas of social and healthcare services but, on the other hand, the Company's extensive operations in different operating areas may partially balance the effects of reforms.

The company closely monitors political decision-making processes.

In addition, the most essential risks and uncertainties affecting the Group's operations, are connected to the success of Group's acquisitions and information system projects, the risks related to the availability of competent management and recruitment, and tax risks.

Current incentive schemes

Based on the authorisation given by the Extraordinary General Meeting on 22 May 2015, the Board of Directors may issue option rights or other special rights conferring

the entitlement to subscribe to no more than 800,000 Company shares. The Board of Directors shall decide on the terms of granting option rights or other special rights conferring the entitlement to subscribe shares, including the terms of the option schemes aimed at the key personnel of Pihlajalinna Group. The authorisation will be valid until the end of the Annual General Meeting, however no later than 30 June 2016. The Board of Directors has not used the authorisation.

The Company does not use any share-based incentive schemes for the members of the Board of Directors.

Events after balance sheet date

Pihlajalinna finalised the acquisition of Itä-Suomen Lääkärikeskus Oy on 8 February 2016. The net debt-free value of the acquisition was EUR 6.8 million. The transaction price was paid fully in cash. Itä-Suomen Lääkärikeskus Oy demerged on 1 February 2016 and the target of the acquisition was the company to which the operative business was transferred.

Tuomas Ojala was appointed Chief Information Officer (CIO) of Pihlajalinna and a member of the Group's Management Team from 1 January 2016 onwards. He will report to the CEO, Mikko Wirén. In his new role, Tuomas Ojala will be responsible for the development of digital services and for the management and development of Pihlajalinna ICT operations. His previous positions include the CIO and management team member of Terveystalo from 2009 to 2015; several international management roles and management team member of Fujitsu Services from 2005 to 2008; and unit manager of TeliaSonera from 1997 to 2005.

The City Council of Mänttä-Vilppula chose Pihlajalinna as the city's social and health service provider on 9 February 2016. Mänttä-Vilppula invited companies to tender for the social and health services for a maximum total population of 60,000 on a fixed-term ten-year contract, tentatively from 1 July 2016 to 30 June 2026. The contract includes an option for additional five years.

The population of the City of Mänttä-Vilppula is approximately 11,000 and the estimated annual net cost of social and health services is approximately EUR 40 million. The contract includes service provision for the approximately 2,000 people of Juupajoki from 1 January 2018 onwards, the annual net cost of social and health services thereof being approximately EUR 7 million. Mänttä-Vilppula and Juupajoki have formed a social care and healthcare cooperation area since the start of 2015. Pihlajalinna has been providing social and health services for Mänttä-Vilppula from 1 January 2013 and for Juupajoki from 1 January 2014. The validity period of the current agreement with Juupajoki will terminate on 31 December 2017.

According to the tender the service provider can be required to produce corresponding services up to maximum of 60 000 inhabitants if the population base expands via municipal joint authorities, other municipal cooperation methods or government social and healthcare reform. Should the whole 60 000 inhabitants population option realize fully the value of the contract is according to the tender approximately EUR 220 million per annum. Thus the full potential of the contract including the five year additional option is about EUR 3.3 billion. Mänttä-Vilppula and Juupajoki share of the full potential is about EUR 700 million.

The procurement will only be established once a written agreement has been signed, no earlier than 21 days from the date the selected tenderer has been informed or is deemed to have been informed of the decision and the reasons behind it.

The municipalities of the Suupohja area (Isojoki, Kauhajoki, Karijoki and Teuva) are considering the formation of a cooperation area with Kuusiokunnat to organise social care and healthcare services. Kuusiokunnat has outsourced the production of social and health services to Pihlajalinna. The Kuusiokunnat agreement includes a customer option according to which Kuusiokunnat may request that the service provider produce services for the entire potential cooperation area.

The Ministry of Social Affairs and Health and the Ministry of Finance prepare temporary legislation to limit municipalities and joint authorities' social and healthcare complete outsourcing contracts to be presented to the parliament as soon as possible. The temporary legislation would be effective until the end of 2018 when the organizing responsibility of social and healthcare would move from the municipalities and joint authorities to the autonomous regions.

However, the ministries' announcement states that investments improving productivity and other appropriate investments will be safeguarded. The SYKKI study (the growth and internationalisation project of a Finnish healthcare and social care services company) carried out by the National Institute for Health and Welfare (THL) compared the impact of the total outsourcing of the social and health services of Mänttä-Vilppula (jointly provided by Pihlajalinna and the City) on 16 other municipalities. The result of the study was that already after a one-year reporting period, the operative model of Pihlajalinna was deemed to create cost savings of between 12.1 – 13.3 per cent for the City of Mänttä-Vilppula compared to the other municipalities in the study.

Ultimately, the Constitutional Law Committee of the Parliament will decide whether the legislative proposal is pursuant to the autonomy of municipalities.

The temporary law is still in preparation state. Its final form is not known to Pihlajalinna. It is too early to assess its effects on Pihlajalinna's operations. The responsibility for organising social and health services is due to transfer from municipalities to provinces in 2019.

Accounting policies

This Balance Book has been prepared in compliance with the recording and valuation principles of the IFRS Standards, but not all of the requirements of the IAS 34 Standard have been complied with. All of the figures presented in the condensed financial statements and the notes have been rounded, due to which the actual total of individual figures may differ from the total presented.

The preparation of the financial statements 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 the 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.

In the 2014 financial year, Pihlajalinna Group carried out an extensive restructuring and refinancing arrangement. Prior to the restructuring arrangement, the Group's parent company was Pihlajalinna Terveys Oy (formerly Pihlajalinna Oy, business ID 2303024-5). The Group's new parent company, Pihlajalinna Oyj (formerly Sorbuscast Oy, business ID 2617455-1), was registered on 29 April 2014. In July 2014, Pihlajalinna Oy carried out a directed share issue for the holders of Series A shares in Pihlajalinna Terveys Oy, who exchanged their shares for new shares in Pihlajalinna Oy. As a result of the share swap, Pihlajalinna Oyj holds the entire share capital of Pihlajalinna Terveys Oy, and the parties that held a stake in Pihlajalinna Terveys Oy prior to the restructuring became shareholders of Pihlajalinna Oyj.

The 2015 figures of the Financial Statements Bulletin have not been audited.

Condensed financial statements and notes 1 january – 31 december 2015

Consolidated statement of comprehensive income

EUR million	10–12/2015 3 mths	10–12/2014 3 mths	change %	1–12/2015 12 mths	1–12/2014 12 mths	change %
Revenue	62.6	51.9	21	213.3	148.9	43
Other operating income	0.2	0.3	–46	0.8	0.9	–17
Materials and services	–24.0	–27.5	–13	–81.9	–58.7	40
Employee benefit expenses	–29.2	–17.5	66	–97.4	–62.2	57
Other operating expenses	–6.2	–4.2	46	–23.2	–17.1	36
EBITDA	3.4	3.0	14	11.6	11.8	–2
Depreciation, amortisation and impairment	–2.1	–1.6	28	–8.0	–5.8	36
Operating profit (EBIT)	1.4	1.4	–1	3.6	6.0	–39
Financial income	0.0	0.0	3	0.2	0.1	54
Financial expenses	–0.4	–0.7	–43	–2.5	–3.2	–22
Profit before tax	1.0	0.7	39	1.3	2.9	–54
Income taxes	–0.3	–0.2	13	–0.1	–1.0	–91
Profit for the period **	0.7	0.5	52	1.2	1.9	–35
Total comprehensive income for the period	0.7	0.5	52	1.2	1.9	–35
Total comprehensive income for the period attributable:						
To the owners of the parent	0.6	0.8	–24	0.5	1.5	–69
To non-controlling interests	0.1	–0.3	–132	0.8	0.4	94
Earnings per share calculated on the basis of the profit for the period attributable to owners of the parent (EUR)						
Basic and diluted	0.03	0.06		0.03	0.11	

** The Group has not had any other comprehensive income

Consolidated statement of financial position

EUR million	12/2015	12/2014	change %
ASSETS			
Non-current assets			
Property, plant and equipment	48.6	35.3	
Goodwill	76.1	56.2	
Other intangible assets	15.1	9.7	
Interests in associates	2.8	0.0	
Available-for-sale financial assets	0.0	0.1	
Other receivables	2.8	1.6	
Deferred tax assets	2.5	1.1	
Total non-current assets	148.0	104.2	42
Current assets			
Inventories	1.8	1.3	
Trade receivables and other receivables	19.7	14.2	
Current tax assets	0.3	0.1	
Cash and cash equivalents	15.3	11.0	
Total current assets	37.1	26.5	40
Total assets	185.1	130.7	42
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.0	
Reserve for invested unrestricted equity	87.9	5.1	
Retained earnings	3.6	2.8	
Result for the review period	0.5	1.5	
	92.1	9.4	
Non-controlling interests	1.3	1.0	
Equity	93.5	10.4	802
Non-current liabilities			
Deferred tax liabilities	5.2	4.1	
Financial liabilities	24.5	73.6	
Other non-current liabilities	1.9	0.8	
Total non-current liabilities	31.7	78.5	-60
Current liabilities			
Trade and other payables	42.0	26.5	
Current tax liabilities	0.4	0.9	
Financial liabilities	17.3	14.4	
Total current liabilities	60.0	41.8	44
Total liabilities	91.7	120.3	-24
Total equity and liabilities	185.1	130.7	42

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 Jan 2014	0.0	31.0	6.2	1.1	38.3
Profit for the period			1.5	0.4	1.9
Total comprehensive income for the period			1.5	0.4	1.9
Share issue		3.7			3.7
Dividends paid			–3.4		–3.4
Repayment of capital		–29.6		–0.5	–30.1
Total transactions with the owners of the parent total		–25.9	–3.4		–29.2
Changes in non-controlling interests				0.0	0.0
Total equity 31 Dec 2014	0.0	5.1	4.3	1.0	10.4
Total equity, 1 Jan 2015	0.0	5.1	4.3	1.0	10.4
Profit for the period			0.5	0.8	1.2
Total comprehensive income for the period			0.5	0.8	1.2
Bonus issue	0.1	–0.1			
Share issue*		82.9			82.9
Dividends paid				–0.6	–0.6
Total transactions with the owners of the parent total		82.9			82.9
Changes in non-controlling interests resulting no change in control			–0.6	0.2	–0.5
Total equity 31 Dec 2015	0.1	87.9	4.1	1.3	93.5

* The emission costs EUR 2.6 million for the new shares and the related tax have been recorded in the reserve for invested unrestricted equity.

Consolidated statement of cash flows

EUR million	10–12/2015 3 mths	10–12/2014 3 mths	1–12/2015 12 mths	1–12/2014 12 mths
Cash flow from operating activities				
Cash receipts from sales	57.0	51.4	210.4	145.6
Cash receipts from other operating income	0.1	0.3	0.6	0.7
Operating expenses paid	–50.0	–46.6	–192.1	–135.6
Operating cash flow before financial items and taxes	7.1	5.0	18.9	10.7
Interest received	0.1	0.0	0.1	0.1
Taxes paid	–0.1	0.0	–1.3	–1.4
Net cash flow from operating activities	7.1	5.0	17.7	9.4
Cash flow from investing activities:				
Investments in property, plant and equipment and intangible assets	–2.0	–2.1	–7.8	–10.4
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.0		7.9	
Changes in other investments	0.0	0.0	0.4	0.0
Changes in loan receivables	2.0	–0.1	–0.1	–1.3
Dividends received			0.0	
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	–20.4	–0.9	–33.8	–5.1
Disposal of subsidiaries less cash and cash equivalents			1.3	–0.6
Net cash flow from investing activities	–20.4	–3.1	–32.1	–17.5
Cash flow from financing activities:				
Proceeds from issuing shares	25.0		82.3	3.7
Repayment of capital				–29.6
Changes in non-controlling interests	0.0		–0.5	
Proceeds from borrowings	0.0	2.4	31.1	69.7
Repayment of borrowings	–15.2	–0.2	–90.4	–29.2
Repayment of finance lease liabilities	–0.4	–0.1	–1.2	–0.6
Interest and other operational financial expenses	–0.4	–0.5	–2.0	–2.4
Dividends paid and other profit distribution	–0.1	0.0	–0.6	–3.8
Net cash flow from financing activities	9.0	1.6	18.8	7.7
Changes in cash and cash equivalents	–4.2	3.5	4.4	–0.4
Cash at the beginning of the financial period	19.6	7.4	11.0	11.3
Cash at the end of the financial period	15.3	11.0	15.3	11.0

Operating segments

EUR million	10–12/2015 3 mths	10–12/2014 3 mths	change %	1–12/2015 12 mths	1–12/2014 12 mths	change %
Revenue						
L & E	32.0	38.4	–17	119.5	92.9	29
P & S	31.4	15.3	105	96.8	57.9	67
Unallocated	0.0	0.0		0.0	0.0	
Eliminations	–0.7	–1.8		–2.9	–1.9	
Total consolidated revenue	62.6	51.9	21	213.3	148.9	43
EBITDA						
L & E	2.6	3.2	–17	9.2	11.2	–18
P&S	1.1	0.1	886	3.9	2.8	41
Unallocated	–0.3	–0.3		–1.5	–2.2	
Consolidated EBITDA	3.4	3.0	14	11.6	11.8	–2
EBITDA, % of revenue						
L & E	8.2	8.2	–1	7.7	12.1	–36
P&S	3.7	0.8	380	4.1	4.8	–15
Consolidated EBITDA % of revenue	5.5	5.8	–5	5.4	7.9	–32
Operating profit						
L&E	1.0	1.7	–41	2.8	6.3	–55
P&S	0.7	0.0	–2 027	2.3	1.9	19
Unallocated	–0.3	–0.3		–1.5	–2.2	
Consolidated operating profit	1.4	1.4	–1	3.6	6.0	–39
Operating profit, % of revenue						
L & E	3.2	4.5	–29	2.3	6.7	–65
P&S	2.1	–0.2	–1 038	2.4	3.3	–29
Consolidated operating profit, % of revenue	2.2	2.6	–18	1.7	4.0	–58
Reconciliation	10–12/2015	10–12/2014	change %	1–12/2015	1–12/2014	change %
Revenue						
Operating segments' revenue	63.4	53.7	18	216.2	150.8	43
Elimination of inter-segment revenue	–0.7	–1.8	–60	–2.9	–1.9	52
Total consolidated revenue	62.6	51.9	21	213.3	148.9	43
EBITDA						
Operating segments' EBITDA	3.8	3.3	15	13.1	14.0	–6
Items unallocated to the segments	–0.3	–0.3	16	–1.5	–2.2	–30
Consolidated EBITDA	3.4	3.0	14	11.6	11.8	–2
Operating profit						
Operating segments' operating profit	1.7	1.7	0	5.1	8.2	–38
Items unallocated to the segments	–0.3	–0.3	7	–1.5	–2.2	–34
Consolidated operating profit	1.4	1.4	–1	3.6	6.0	–39

Changes in property, plant and equipment

EUR million	12/2015	12/2014
Cost at the beginning of the period	45.1	29.6
Additions	15.6	9.6
Business combinations	10.5	7.8
Disposals	-8.4	-1.9
Cost at the end of the period	62.7	45.1
Accumulated depreciation at the beginning of the period	-9.7	-4.9
Depreciation in the period	-5.1	-3.5
Business combinations	0.0	-1.4
Accumulated depreciation on disposals	0.7	0.1
Accumulated amortisation at the end of the period	-14.0	-9.7
Carrying amount at the end of the period	48.6	35.3

Changes in intangible assets

EUR million	12/2015	12/2014
Cost at the beginning of the period	70.6	58.1
Additions	3.5	1.4
Business combinations	25.8	11.1
Disposals	-1.2	0.0
Cost at the end of the period	98.7	70.6
Accumulated depreciation at the beginning of the period	-4.7	-2.3
Depreciation in the period	-2.9	-2.3
Accumulated depreciation on disposals	0.0	0.0
Accumulated amortisation at the end of the period	-7.5	-4.6
Carrying amount at the end of the period	91.2	66.0

Contingent liabilities and commitments

EUR million	31 Dec 2015	31 Dec 2014
Collateral given on own behalf		
Pledged collateral notes	1.0	416.6
Properties	-	4.6
Other shares	-	2.5
Bank accounts and other receivables	-	5.1
Collateral given on behalf of associates		
Other contingent liabilities	4.0	2.3
Other contingent liabilities		
Lease commitments	19.2	15.9
Value added tax (VAT) adjustment liability on property investments	-	0.1

The Group's subsidiaries have provided a suretyship in the parent company's loan facility. The balance of the loan at the time of the financial statement was EUR 12.0 million.

Quarterly information

EUR million	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME								
Revenue	62.6	50.9	51.9	47.9	51.9	32.6	32.8	31.5
Other operating income	0.2	0.2	0.3	0.1	0.3	0.1	0.3	0.2
Materials and services	-24.0	-19.4	-20.3	-18.2	-27.5	-9.8	-11.0	-10.4
Employee benefit expenses	-29.2	-23.3	-23.6	-21.3	-17.5	-14.8	-15.6	-14.3
Other operating expenses	-6.2	-5.3	-6.2	-5.5	-4.2	-5.5	-3.6	-3.8
EBITDA	3.4	3.1	2.1	3.0	3.0	2.6	3.0	3.2
EBITDA excluding non-recurring items	3.4	2.9	3.0	3.1	3.6	3.8	3.5	3.2
Depreciation, amortisation and impairment	-2.1	-2.1	-2.0	-1.8	-1.6	-1.5	-1.4	-1.3
Operating profit (EBIT)	1.4	1.0	0.1	1.3	1.4	1.1	1.6	1.9
Operating profit (EBIT) excluding non-recurring items	1.4	0.9	1.0	1.3	1.9	2.3	2.0	1.9
Financial income	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.4	-0.6	-0.8	-0.7	-0.7	-0.9	-1.2	-0.5
Profit before tax	1.0	0.4	-0.7	0.6	0.7	0.2	0.4	1.5
Income taxes	-0.3	0.1	0.1	0.0	-0.2	-0.3	-0.1	-0.3
Profit for the period	0.7	0.5	-0.6	0.6	0.5	-0.1	0.3	1.1
Personnel at the end of the period	3,047	2,905	2,525	2,261	1,714	1,688	1,649	1,466
Change in personnel during the quarter	142	380	264	547	26	39	183	

Share-related information

EUR million	10-12/2015 3 mths	10-12/2014 3 mths	change %	1-12/2015 12 mths	1-12/2014 12 mths	change %
Earnings per share (EPS), EUR	0.03	0.06	-48	0.03	0.11	-75
Equity per share, EUR				4.47	0.70	540
Number of shares at period end, 1,000 shares				20,613	13,399	
Average number of shares, 1,000 shares				16,768	13,300	
Market value, EUR million				364.9	-	
PE number				640.0	-	
Maximum share rate, EUR	19.85			19.85	-	
Minimum share rate, EUR	13.50			11.38	-	
Average share rate for the period, EUR*	16.78			12.72	-	
Share rate at the end of the period, EUR	17.70			17.70	-	
Share swap, 1,000 shares	1,799			7,680	-	
Share swap, %	9.3			45.8	-	

* average rate weighted by trading level

Board of directors and management team ownerships

	Direct ownership		Holdings of Interest Parties	
	Number of shares	Percentage of shares and votes, %	Number of shares	Percentage of shares and votes, %
31 December 2015				
Board of Directors				
Mika Uotila	0			
Aarne Aktan	5,400	0.03		
Martti Ala-Härkönen (member of the Board of Directors from 1 June 2015 onward)	3,055	0.01		
Heikki Dunder	7,500	0.04		
Leena Niemistö ¹	680,000	3.30		
Veli-Matti Qvintus	0			
Marjatta Rytömaa	0			
Jari Sundström	0			
Management Team				
Mikko Wirén			2,167,060	10.51
Joni Aaltonen	66,920	0.32		
Virpi Holmqvist	4,261	0.02		
Terhi Kivinen			10,000	0.05
Juha Rautio	42,200	0.20		
Kimmo Saarinen	63,700	0.31		

¹ Leena Niemistö is the Deputy CEO of Pihlajalinna and a member of the Management Team

Largest shareholders

	Number of shares	Percentage of shares and votes, %
10 largest shareholders on 31 December 2015		
1 SENTICA BUYOUT III KY	3,384,016	16.4
2 MWW YHTIÖ OY	2,167,060	10.5
3 LÄHITAPIOLA GENERAL MUTUAL INSURANCE COMPANY	1,413,770	6.9
4 SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), HELSINKI BRANCH	1,071,186	5.2
5 LÄHITAPIOLA MUTUAL LIFE INSURANCE COMPANY	718,027	3.5
6 NIEMISTÖ LEENA KATRIINA	680,000	3.3
7 SVENSKA HANDELSBANKEN AB (PUBL) FILIAL VERKSAMHETEN I FINLAND	671,368	3.3
8 FONDITA NORDIC MICRO CAP PLACERINGSF	606,000	2.9
9 NORDEA PANKKI SUOMI OYJ	578,370	2.8
10 VARMA GENERAL MUTUAL INSURANCE COMPANY	545,500	2.6
10 largest, total	11,835,297	57.4
Other shareholders	8,777,849	42.6
Total	20,613,146	100.0

Business combinations

Acquisitions during the reporting period 2015, Koskiklinikka

Pihlajalinna acquired the entire share capital of Tampereen Lääkärikeskus Oy (Koskiklinikka) on 30.12.2015. The purchase included Koskiklinikka's 50 per cent ownership of the imaging service company Röntgentutka Oy.

The acquisition of Koskiklinikka's private clinic and four smaller clinics strengthen Pihlajalinna's growth to the leading social and healthcare company in Finland according to its strategy.

Transaction price was fully paid in cash.

EUR thousands	2015
Consideration transferred	
Cash	25,245
Total cost of combinations	25,245
At the date of acquisition, the values of assets acquired and liabilities assumed were as follows:	
Property, plant and equipment	9,683
Trade mark	1,885
Intangible assets	2,276
Associates	2,839
Deferred tax assets	79
Inventories	273
Available-for-sale financial assets	1
Trade receivables and other receivables	1,833
Cash and cash equivalents	5,130
Total assets	23,999
Deferred tax liability	-839
Financial liabilities	-6,037
Other liabilities	-3,309
Total liabilities	-10,185
Net assets	13,815
Goodwill generated in the acquisition	
Consideration transferred	25,245
Net identifiable assets of acquiree	-13,815
Goodwill	11,430
Transaction price paid in cash	25,245
Cash and cash equivalents of acquiree	-5,130
Effect on cash flow	20,115

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

The acquisition-related expenses, a total of EUR 490 thousand have been recorded under other operating expenses.

Had the business combination of Koskiklinikka during the financial year been consolidated since the beginning of the 2015 reporting period, consolidated revenues would have amounted to EUR 242,448 thousand and operating profit for the period would have amounted to EUR 5,072 thousand.

Financial reporting in 2016

The online annual report including financial statements for 2015 and the Board of Director's report will be available on the company website www.pihlajalinna-konserni.fi during week 11 of 2016 at the latest.

Pihlajalinna's Annual General Meeting is scheduled for Monday 4 April 2016 at 3.00 p.m., in Tampere, Finland. Pihlajalinna's Board of Directors will convene the AGM at a later date.

Pihlajalinna will publish three Interim Reports in 2016:

Report

Interim report January–March 2016
Interim report January–June 2016
Interim report January–September 2016

Publication date

Tuesday 10 May 2016
Wednesday 17 August 2016
Friday 11 November 2016

Helsinki, 18/02/2016

Pihlajalinna Oyj's Board of Directors

ANNOUNCEMENT EVENT AND TELECONFERENCE

Pihlajalinna Oyj will organise an announcement event for analysts and the media on Thursday 18 February 2016 at 9.30 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

An audio webcast and teleconference in English will be held on the same day starting at 13.30 p.m. EET. +44 20 3059 8125. Participant password: Pihlajalinna. The event can be followed live as an audio webcast at investors.
pihlajalinna-konserni.fi.

The event will be recorded and can be accessed on the website later the same day.

Registrations for the announcement event

Analysts and the media should register for the announcement event starting on 18 February at 9.30 a.m. via email: heidi.rainesalo@pihlajalinna.fi by Tuesday 16 February 2016.

Further information

Mikko Wirén, CEO, tel. +358 50 3220 927
Virpi Holmqvist, CFO, tel. +358 40 537 6133
Terhi Kivinen, SVP Communications, Marketing and IR, tel. +358 40 848 4001

Distribution

NASDAQ OMX Helsinki
Major media
www.pihlajalinna-konserni.fi

Calculation of key figures

Return on equity, % (ROE)	$\frac{\text{Profit for the period}}{\text{Equity (average)}} \times 100$
Return on capital employed (ROCE), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total statement of financial position – non-interest-bearing liabilities (average)}}$
Gearing, %	$\frac{\text{Interest-bearing net debt}}{\text{Equity}} \times 100$
Equity ratio, %	$\frac{\text{Equity}}{\text{Total statement of financial position – advances received}} \times 100$
Earnings per share (EPS), EUR	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Average number of shares during the period}}$
Equity per share, EUR	$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of shares at period end}}$
EBITDA	Operating result + depreciation, amortisation and impairment
EBITDA, %	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Net debt/Adjusted EBITDA Adjusted EBITDA (rolling 12 months)	$\frac{\text{Interest bearing net debt}}{\text{EBITDA excluding non-recurring items (rolling 12 months)}}$
Cash flow after investments	Cash flow from operating activities + Cash flow from investing activities

Pihlajalinna in brief

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The Company provides social and healthcare services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics and hospitals around Finland. Pihlajalinna provides general practitioner and specialised care services, including emergency and on-call services, a wide range

of surgical services, occupational healthcare and dental care services, in private clinics and hospitals operating under the Dextra brand. Under the Pihlajalinna brand the Company, 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.