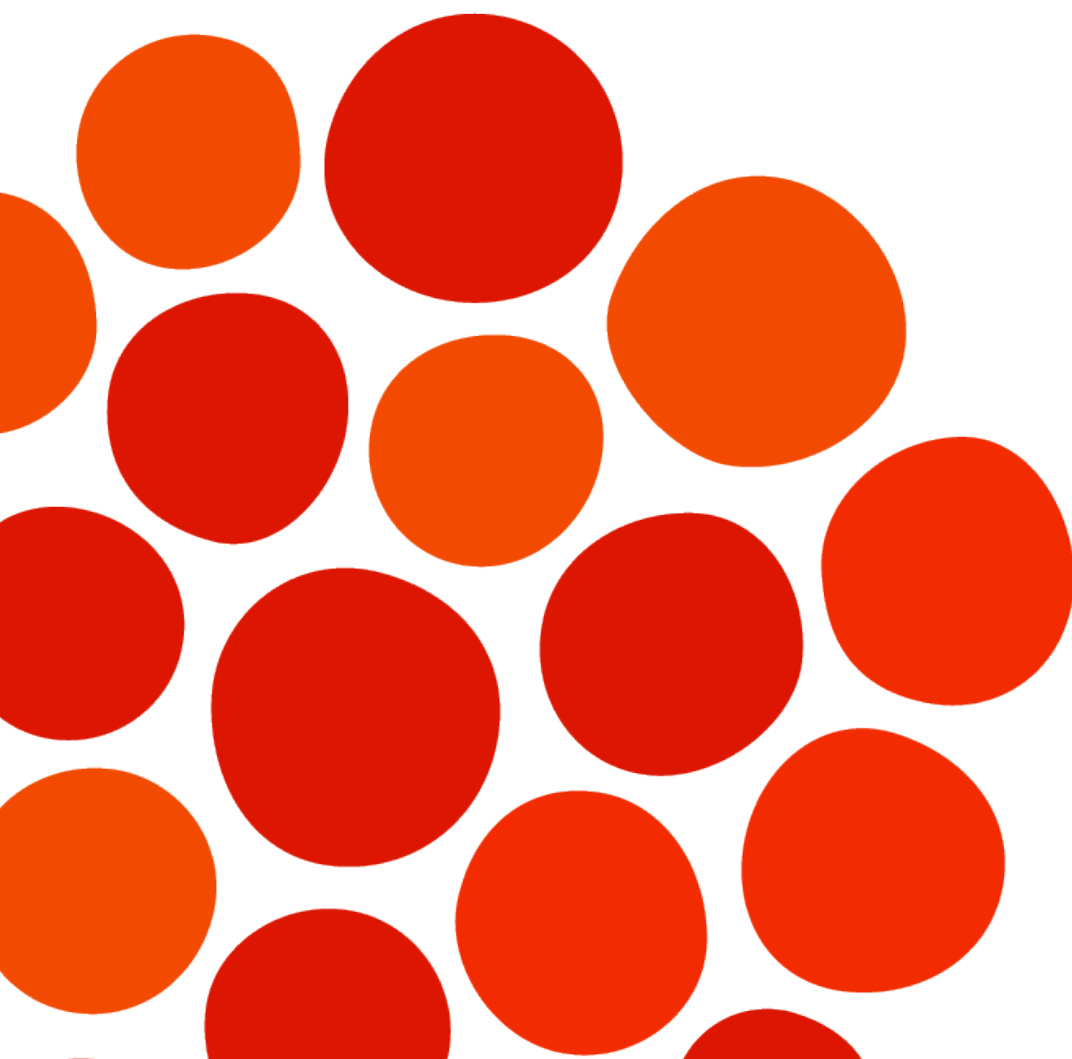


FINANCIAL STATEMENTS RELEASE
1 January–31 December 2017



Pihlajalinna Financial Statements Release 1 January–31 December 2017 (12 months)

Revenue and profitability for the financial year improved as expected

Brief look at October–December:

- Revenue amounted to EUR 107.9 (103.7) million – an increase of 4 per cent
- EBITDA amounted to EUR 8.1 (7.1) million
- Adjusted EBITDA amounted to EUR 8.5 (7.1) million – an increase of 20 per cent
- Operating profit (EBIT) was EUR 4.6 (3.9) million
- Adjusted operating profit (EBIT) was EUR 4.9 (3.9) million – an increase of 27 per cent
- Earnings per share (EPS) was EUR 0.12 (0.12)

Brief look at January–December:

- Revenue amounted to EUR 424.0 (399.1) million – an increase of 6 per cent
- EBITDA amounted to EUR 33.3 (27.9) million
- Adjusted EBITDA amounted to EUR 34.1 (28.9) million – an increase of 18 per cent
- Operating profit (EBIT) was EUR 19.1 (15.1) million
- Adjusted operating profit (EBIT) was EUR 20.0 (16.6) million – an increase of 20 per cent
- Number of personnel at the end of the financial year was 4,753 (4,407)
- Earnings per share (EPS) was EUR 0.46 (0.39)

KEY FIGURES AND RATIOS	10–12/2017 3 months	10–12/2016 3 months	1–12/2017 12 months	1–12/2016 12 months
INCOME STATEMENT				
Revenue, EUR million	107.9	103.7	424.0	399.1
EBITDA, EUR million	8.1	7.1	33.3	27.9
EBITDA, %	7.5	6.8	7.9	7.0
Adjusted EBITDA, EUR million*	8.5	7.1	34.1	28.9
Adjusted EBITDA, %*	7.9	6.8	8.0	7.2
Operating profit (EBIT), EUR million	4.6	3.9	19.1	15.1
Operating profit, %	4.2	3.7	4.5	3.8
Adjusted operating profit (EBIT), EUR million*	4.9	3.9	20.0	16.6
Adjusted operating profit, %*	4.6	3.7	4.7	4.2
Profit before tax (EBT), EUR million	4.1	3.5	17.4	13.7
SHARE-RELATED INFORMATION				
Earnings per share (EPS), EUR	0.12	0.12	0.46	0.39
Equity per share, EUR			4.87	4.74
Dividend per share, EUR (the Board of Directors' proposal)			0.16	0.15
OTHER INFORMATION				
Return on capital employed (ROCE), %			11.8	10.8
Return on equity (ROE), %			13.6	11.1
Equity ratio, %			41.8	46.5
Gearing, %			32.3	21.9
Interest-bearing net debt, EUR million			34.2	22.1
Net debt/adjusted EBITDA, 12 months*			1.0	0.8
Gross investments, EUR million**	9.8	5.4	30.4	27.3
Cash flow from operating activities, EUR million	16.5	13.2	34.9	32.3
Cash flow after investments, EUR million	12.7	7.1	16.4	6.8
Average number of personnel (FTE)***			3,879	3,526
Personnel at the end of the period (NOE)			4,753	4,407
Practitioners			992	942

* Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures and Group refinancing, impairment of assets and the remeasurement to fair value of pre-existing interest in acquiree, 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. Adjustments to EBITDA totalled EUR 0.4 (0.0) million for the quarter and EUR 0.7 (1.0) million for the financial year. Adjustments to operating profit (EBIT) totalled EUR 0.4 (0.0) million for the quarter and EUR 0.9 (1.5) million for the financial year.

** Finance leases are not included in the gross investments.

*** Pihlajalinna has started to report the number of personnel on average as full-time equivalents (FTEs) instead of the previous Average number of personnel indicator.

Pihlajalinna's outlook for 2018

Pihlajalinna's consolidated revenue is expected to increase clearly from 2017 level especially due to M&A transactions. Adjusted EBIT is expected to improve compared to 2017.

In the financial year 2017, revenue was EUR 424.0 million and the adjusted EBIT was EUR 20.0 million.

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna Group's revenue and profitability for 2017 developed as expected. While investments in digital development and brand revamp had a negative effect on the result for the year, I am confident that these investments will be reflected in improved profitability in the near future.

In the Primary and Social Care (P&S) segment, positive development continued in the final quarter. The profitability of complete outsourcings, in particular, improved substantially compared to the previous year. All in all, the segment's profitability has improved and reached our target level faster than we expected, which is something we can be very satisfied with.

In the Private Clinics and Specialised Care (C&S) segment, the fourth-quarter result was in line with expectations. Cost development in Public Specialised Care was expected. In accordance with the nature of Public Specialised Care, there is substantial variation between quarters. The segment's revenue developed well during the financial year, but profitability was weighed down by investments in digital development and brand revamp. The revenue and profitability of the acquisitions made during the financial year have developed as expected.

The national expansion we announced a year ago has progressed according to plan. The first new full-service business locations opened



at the turn of the year in Turku and Oulu, with Seinäjoki to follow. We plan to expand to five new regional capitals and substantially strengthen our network of business locations in the Helsinki Metropolitan Area. In addition to establishing new locations, we have made—and will continue to make—strategic acquisitions. These include the acquisitions of Salon Lääkintälaboratorio, Linnan Klinikka in Hämeenlinna and Kymijoen Työterveys Oy in Kymenlaakso, all of which were completed after the end of the financial year.

The postponement of the health and social services reform activated the municipal market in the final quarter. Due to the planned policies related to health and social services, municipalities are seeking solutions primarily on a property-driven basis. Pihlajalinna will assess projects on a case-by-case basis and pursue projects in which

we can leverage regional synergies. This is influenced by having a sufficient population base, the extent of service voucher usage and the opportunities for care and health services in the region in question.

After the reporting period, the Finnish government presented the most recent draft on the legislative proposal concerning the Act on Freedom of Choice, related to the health and social services reform. The latest version eliminates the regional governments' obligation to issue customer vouchers for specialised care except when the care guarantee is not realised. In our view, this will not have a major impact on the future market. As the population ages and the public sector cuts and centralises specialised care, there will be opportunities for the private sector to complement the public sector's services, particularly in basic-level specialised care and non-urgent spe-

cialised care. This will present private operator with the opportunity to increase their share of specialised care service production.

The acquisition of the Forever fitness centre chain, published after the financial year, expands Pihlajalinna's service offering to wellbeing services. The fitness centre operations will complete the preventive occupational healthcare services and rehabilitation services carried out after specialised care procedures. Furthermore, promoting wellbeing will increase its importance in the future as, due to the health and social services reform, an increasing proportion of the healthcare sector is moving from service-specific pricing towards a fixed-price business model. In this trend, Pihlajalinna is a forerunner since more than 60 per cent of our revenue comes from fixed-price business.

Consolidated revenue and result

October–December 2017

Pihlajalinna's revenue for the fourth quarter amounted to EUR 107.9 (103.7) million, an increase of EUR 4.2 million, or 4.0 per cent. Organic growth in revenue amounted to EUR 0.5 million, or 0.5 per cent, including the commencement of social and healthcare service production in Soini on 1 January 2017. Growth in revenue due to M&A transactions was EUR 3.6 million, or 3.5 per cent.

Fourth quarter EBITDA amounted to EUR 8.1 (7.1) million, an increase of EUR 1.1 million, or 15 per cent. Profitability improved particularly in Social and Healthcare Outsourcings. Public Specialised Care costs for the quarter were also below the previous year's level. Profitability was weighed down by the start-up costs of new business locations, investments in brand revamp and digitalisation, the write-downs of operating leases of Dental Care and Surgical Operations and the change of CEO. Transfer taxes and expert fees relating to M&A transactions amounted to EUR 0.3 (0.0) million.

Adjusted EBITDA amounted to EUR 8.5 (7.1) million, an increase of EUR 1.4 million, or 20 per cent. EBITDA adjustments for October–December totalled EUR 0.4 (0.0) million. To improve comparability between quarters, Pihlajalinna presents as adjustment items the remeasurement to fair value of pre-existing interest in acquiree, the write-downs of operating leases, and severance payments.

Adjusted EBITDA increased by EUR 0.6 million in the fourth quarter due to M&A transactions.

Depreciation, amortisation and impairment amounted to EUR 3.6 (3.2) million. Amortisation and impairment of intangible assets was EUR 1.4 (1.2) million, of which the purchase price allocation amortisation of intangible assets was EUR 1.0 (0.9) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.2 (2.0) million.

Pihlajalinna's operating profit was EUR 4.6 (3.9) million, an increase of EUR 0.7 million, or 18 per cent. The EBIT-to-revenue ratio (EBIT margin) for the quarter was 4.2 (3.7) per cent. Adjusted operating profit for the quarter amounted to EUR 4.9 (3.9) million, an increase of EUR 1.0 million, or 27 per cent. The adjusted EBIT margin was 4.6 (3.7) per cent. The adjusted operating profit was affected by the same adjustment items as adjusted EBITDA.

The Group's net financial expenses for the quarter totalled EUR -0.4 (-0.3) million. Profit before taxes for the reporting period amounted to EUR 4.1 (3.5) million, an increase of EUR 0.6 million, or 17 per cent. Taxes on income were EUR -0.6 (-0.5) million. Profit for the quarter was EUR 3.5 (3.0) million. Earnings per share (EPS) was EUR 0.12 (0.12).

January–December 2017

Pihlajalinna's revenue for the financial year amounted to EUR 424.0 (399.1) million, an increase of EUR 24.9 million, or 6.2 per cent. Organic growth in revenue amounted to EUR 10.1 million, or 2.5 per cent, including the commencement of social and healthcare service production in Soini on 1 January 2017. Growth in revenue due to M&A transactions was EUR 14.8 million, or 3.7 per cent.

EBITDA amounted to EUR 33.3 (27.9) million, an increase of EUR 5.4 million, or 19 per cent. EBITDA grew, mainly due to an improvement in the profitability of Social and Healthcare Outsourcings and staffing services. Profitability was weighed down by investments in digitalisation and brand revamp, the start-up costs of new business locations, the write-downs of operating leases of Dental Care and Surgical Operations and severance payments. Transfer taxes and expert fees relating to M&A transactions amounted to EUR 0.9 (0.6) million.

Adjusted EBITDA amounted to EUR 34.1 (28.9) million, an increase of EUR 5.1 million, or 18 per cent. EBITDA adjustments for the financial year totalled EUR 0.7 (1.0) million. To improve comparability between financial years, Pihlajalinna presents as adjustment items the remeasurement to fair value of pre-existing interest in acquiree, the write-downs of operating leases, severance payments and other items affecting comparability, such as compensation related to a production agreement of the Surgical Operations service area that expired in the previous financial year and had a negative effect on EBITDA in the comparison period EUR 0.9 million.

Adjusted EBITDA increased by EUR 2.3 million during the financial year due to M&A transactions.

Depreciation, amortisation and impairment amounted to EUR 14.2 (12.8) million. Amortisation and impairment of intangible assets was EUR 5.2 (4.5) million, of which the purchase price allocation amortisation of intangible assets was EUR 3.8 (3.4) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 9.0 (8.2) million.

The depreciation, amortisation and impairment includes an impairment loss of EUR 0.1 (0.5) million due to the closing down of Dental Care clinics and, in the comparison period, the closing down of Dental Care and Surgical Operations units. These items have been treated as an adjustment of operating profit to improve the comparability of business operations between the financial years.

Pihlajalinna's operating profit was EUR 19.1 (15.1) million, an increase of EUR 4.0 million, or 26 per cent. The EBIT-to-revenue ratio (EBIT margin) was 4.5 (3.8) per cent. The adjusted operating profit for the financial year was EUR 20.0 (16.6) million, an increase of EUR 3.4 million, or 20 per cent. The adjusted EBIT margin was 4.7 (4.2) per cent. The aforementioned operating profit adjustments for the financial year totalled EUR 0.9 (1.5) million.

The Group's net financial expenses for the financial year totalled EUR -1.7 (-1.4) million. Profit before taxes for the reporting period amounted to EUR 17.4 (13.7) million, an increase of EUR 3.7 million, or 27 per cent. Taxes on income were EUR -3.4 (-3.0) million. Profit for the financial year was EUR 14.1 (10.8) million. Earnings per share (EPS) was EUR 0.46 (0.39).

Strategic actions during the financial year

The focus areas of Pihlajalinna's strategy during the financial year included the expansion of the network of business locations, the digitalisation of healthcare services, Pihlajalinna's brand revamp and improvement of brand awareness, business intelligence, redesigning the website and booking service, and restructuring the Contact Center function.

The expansion of the network of business locations progressed according to plan. New full-service private clinics established by the Group started their operations at the beginning of the 2018 financial year in Oulu and Turku. During the reporting period, Pihlajalinna expanded to Kuopio, Leppävirta, Suonenjoki, Oulu, Raahe and Parainen through M&A transactions.

The Pihlajalinna mobile application was introduced for insurance and occupational healthcare customers during the financial year. The application's development and launch for new customer groups will continue at a rapid rate in the next financial year.

Pihlajalinna prepared for the future freedom of choice during the financial year by gathering all of its services under one brand, Pihlajalinna. The "Long live life!" launch campaign was very well received in the media and it significantly increased Pihlajalinna's brand awareness nationally.

Pihlajalinna revised its key strategic points as part of its preparation for the healthcare and social welfare reform. The main points are the company's mission, vision, values, service range and financial targets.

Mission We help Finns to live a better life

Vision We will be the most valued company in the healthcare and social services sector in Finland in 2020

Values Ethics, energy and open-mindedness

The company's business will continue to be based on an extensive service range that enables the company to grow in different operating environments, diversify risks and guarantee effective and smooth care chains to its customers. The long-term financial targets the company published earlier remain unaltered: operating profit (EBIT) at above seven per cent of revenue and net debt at less than three times EBITDA.

In conjunction with revising its strategy, Pihlajalinna announced it had assessed its operative structure in relation to the healthcare and social welfare reform and its effects on the operating environment. The company indicated that it had begun to plan a new structure because its existing structure did not fully meet the future needs of customers.

Market and legislation review

In January 2018, the Finnish government presented a revised draft of the legislative proposal concerning the Act on Freedom of Choice, related to the structural reform of healthcare and social services. Among other changes, the latest version eliminates the regional governments' obligation to issue customer vouchers for specialised care except when the care guarantee is not realised. In Pihlajalinna's view, as the population ages and the public sector cuts and centralises specialised care in a smaller number of units, there will be opportunities for the private sector to complement the public sector's services, particularly in basic-level specialised care and non-urgent specialised care. This will present private operators with the opportunity to increase their share of specialised care service production.

The government is due to submit the proposal regarding the customer's freedom of choice in social services and healthcare to the parliament in early March 2018. The aim is to have the parliament decide on all legislation pertaining to the reform of Finland's regional government, healthcare and social services in June 2018, and for the reforms to enter into effect on 1 January 2020. Personal budgets and service vouchers should be adopted no later than on 1 July 2020. The health and social services centres would begin operating on 1 January 2021 and dental care units on 1 January 2022.

According to an estimate by the Ministry of Social Affairs and Health published in January, the size of the freedom-of-choice market would be approximately EUR 5.4 billion (of which health and social services centres would account for roughly EUR 1.9 billion, service vouchers for roughly EUR 1.6 billion, personal budgets for roughly EUR 1.5 billion and dental care units for roughly EUR 0.4 billion).

The postponement of the health and social services reform activated the municipal market in the final quarter of 2017. Due to the planned policies related to health and social services, municipalities are seeking solutions primarily on a property-driven basis. Pihlajalinna will assess projects on a case-by-case basis and pursue projects in which the company can leverage regional synergies.

The municipality of Hattula selected Pihlajalinna as the municipality's primary care and occupational healthcare service partner on 15 January 2018. According to the tendering documentation, the annual value of the agreement is approximately EUR 3.5 million. The duration of the agreement is five years at the minimum and eight years at the maximum. The outsourcing involves approximately 20 per cent of the social and healthcare services that are the responsibility of the municipality or joint municipal authority, therefore, the value of the agreement does not exceed the 30 per cent limitation set by the legislation setting limits on outsourcing. The procurement decision has been appealed to the Market Court.

The municipal council of Nokia decided on 12 February 2018 to initiate an assessment of having the city of Nokia join the Mänttä-Vilppula social and healthcare partnership area. If the municipalities reach an agreement on Nokia joining the partnership area, the partnership area can demand Pihlajalinna alliance to produce social and healthcare services for the city of Nokia under the previously signed service production agreement with Mänttä-Vilppula. Nokia joining the partnership area is subject to approval by the municipal councils of Nokia, Mänttä-Vilppula and Juupajoki.

The market of the C&S segment is stable. The Occupational Healthcare market is expected to grow if municipalities and other public sector entities decide to divest the occupational healthcare providers they currently own, as the City of Kotka did with Kymijoen Työterveys Oy in January 2018. Demand among private individuals who pay for their services themselves fluctuates to some extent, which is visible in the weak demand for Dental Care services.

Operating segments

Performance of the segments

quarter	C&S		P&S	
	10–12/2017	10–12/2016	10–12/2017	10–12/2016
Revenue, EUR million	60.6	56.8	49.4	49.1
EBITDA, EUR million	3.0	4.2	5.3	3.1
EBITDA, %	5.0	7.4	10.8	6.2
Adjusted EBITDA, EUR million	3.4	4.2	5.3	3.1
Adjusted EBITDA, %	5.6	7.4	10.8	6.2
Operating profit (EBIT), EUR million	0.5	1.7	4.5	2.5
Operating profit, %	0.8	3.0	9.0	5.1
Adjusted operating profit (EBIT), EUR million	0.9	1.7	4.5	2.5
Adjusted operating profit, %	1.4	3.0	9.0	5.1
cumulative	1–12/2017	1–12/2016	1–12/2017	1–12/2016
Revenue, EUR million	234.1	215.6	197.6	189.8
EBITDA, EUR million	13.7	16.4	21.6	12.9
EBITDA, %	5.8	7.6	10.9	6.8
Adjusted EBITDA, EUR million	14.2	17.3	21.6	13.0
Adjusted EBITDA, %	6.1	8.0	10.9	6.9
Operating profit (EBIT), EUR million	3.6	6.2	17.9	10.9
Operating profit, %	1.5	2.9	9.1	5.7
Adjusted operating profit (EBIT), EUR million	4.3	7.5	17.9	11.0
Adjusted operating profit, %	1.8	3.5	9.1	5.8

Private Clinics and Specialised Care (C&S)

The Private Clinics and Specialised Care segment is divided into four service areas: Private Clinics, Surgical Operations and Public Specialised Care, Dental Care, and Occupational Healthcare.

October–December 2017

The C&S segment's revenue for the quarter amounted to EUR 60.6 (56.8) million, an increase of EUR 3.8 million, or 6.6 per cent. Growth in revenue due to M&A transactions was EUR 4.6 million, or 8.0 per cent. The organic growth rate for the quarter was negative. Revenue grew as a result of M&A transactions mainly in the Private Clinics and Occupational Healthcare service areas.

The C&S segment's EBITDA for the quarter amounted to EUR 3.0 (4.2) million. The segment's profitability was weighed down by investments in digitalisation and the brand revamp, as well as the start-up costs of

new business locations. Public Specialised Care costs for the quarter were below the previous year's level, which improved the segment's profitability.

Adjusted EBITDA was EUR 3.4 (4.2) million. EBITDA adjustments for the quarter totalled EUR 0.4 (0.0) million. The adjustments recognised to improve comparability between quarters were related to the write-downs of operating leases in Dental Care and Surgical Operations.

The C&S segment's depreciation, amortisation and impairment for the quarter totalled EUR 2.5 (2.5) million. Purchase price allocation amortisation of intangible assets totalled EUR 0.8 (0.8) million. Other depreciation, amortisation and impairment totalled EUR 1.7 (1.7) million.

The C&S segment's operating profit for the past quarter amounted to EUR 0.5 (1.7) million and adjusted operating profit to EUR 0.9 (1.7) million.

The C&S segment's revenue includes EUR 20.8 million of revenue from Public Specialised Care. The EBITDA and operating profit of Public Specialised Care for the quarter was EUR 0.0 million and EUR -0.1 million, respectively.

January–December 2017

The C&S segment's revenue for the financial year amounted to EUR 234.1 (215.6) million, an increase of EUR 18.4 million, or 8.6 per cent. Growth in revenue due to M&A transactions was EUR 12.7 million, or 5.9 per cent. Organic growth in revenue amounted to EUR 5.7 million, or 2.7 per cent. Revenue was increased by Occupational Healthcare, Private Clinics and Public Specialised Care.

The C&S segment's EBITDA for the financial year amounted to EUR 13.7 (16.4) million. The segment's profitability was weighed down by investments in digitalisation, the brand revamp and marketing, the start-up costs of new business locations and write-downs of operating leases in Dental Care and Surgical Operations. The profitability of the Private Clinics service area declined year-on-year.

Adjusted EBITDA was EUR 14.2 (17.3) million. EBITDA adjustments for the financial year totalled EUR 0.5 (0.9) million. The adjustments recognised during the financial year to improve comparability between financial periods were related to the write-downs of operating leases in Dental Care and Surgical Operations, as well as severance payments. The EBITDA of the comparison year was weakened by the EUR 0.9 million compensation related to a production agreement of the Surgical Operations service area that ended in the previous year and has been treated as an adjustment item.

The C&S segment's depreciation, amortisation and impairment for the financial year totalled EUR 10.0 (10.2) million. Purchase price allocation amortisation of intangible assets totalled EUR 3.3 (3.3) million. Other depreciation, amortisation and impairment totalled EUR 6.8 (7.0) million.

The depreciation, amortisation and impairment includes an impairment loss of EUR 0.1 (0.5) million due to the closing down of Dental Care clinics and, in the comparison period, the closing down of Dental Care and Surgical Operations units. These items have been treated as an adjustment of operating profit to improve the comparability of business operations between the financial years.

The C&S segment's operating profit for the financial year amounted to EUR 3.6 (6.2) million and adjusted operating profit to EUR 4.3 (7.5) million. The aforementioned operating profit adjustments for the financial year totalled EUR 0.6 (1.4) million.

The C&S segment's revenue includes EUR 84.3 million of revenue from Public Specialised Care. The EBITDA and operating profit of Public Specialised Care amounted to EUR 0.9 million and EUR 0.7 million, respectively. The cost accumulation of Public Specialised Care involves random fluctuation. Individual cases falling

under the scope of the hospital districts' pooling system for high-cost care may impact the total costs of specialised care considerably during the financial year and between the financial years in Pihlajalinna's municipal joint ventures.

Primary and Social Care (P&S)

The Primary and Social Care segment is divided into two service areas: Social and Healthcare Outsourcings and Other Business Operations, which includes health centre outsourcings, staffing services and residential services (including reception centres for asylum seekers).

October–December 2017

The P&S segment's revenue during the quarter amounted to EUR 49.4 (49.1) million, an increase of EUR 0.3 million, or 0.6 per cent. Growth in revenue due to M&A transactions was EUR 0.4 million, or 0.8 per cent. Organic revenue growth was negative in spite of the start of service production in Soini on 1 January 2017 and the increased sales of staffing services. The reason for the negative organic revenue development was the closure of two of Pihlajalinna's five reception centres during the financial year. New agreements were signed during the financial year for the reception centres that remain operational. Pihlajalinna is a framework agreement supplier for the Finnish Immigration Service.

The P&S segment's EBITDA for the quarter amounted to EUR 5.3 (3.1) million, an increase of EUR 2.3 million, or 75 per cent. Social and Healthcare Outsourcings improved profitability.

The P&S segment's depreciation, amortisation and impairment for the financial year totalled EUR 0.9 (0.5) million. Purchase price allocation amortisation of intangible assets totalled EUR 0.1 (0.1) million. Other depreciation, amortisation and impairment totalled EUR 0.8 (0.5) million.

The P&S segment's operating profit for the quarter amounted to EUR 4.5 (2.5) million, an increase of EUR 1.9 million, or 77 per cent.

January–December 2017

The P&S segment's revenue during the financial year amounted to EUR 197.6 (189.8) million, an increase of EUR 7.8 million, or 4.1 per cent. Organic growth in revenue amounted to EUR 5.8 million, or 3.1 per cent, mainly as a result of the start of service production in Soini on 1 January 2017. Growth in revenue due to M&A transactions was EUR 2.0 million, or 1.0 per cent.

The P&S segment's EBITDA for the reporting period was EUR 21.6 (12.9) million. Profitability improved due to Social and Healthcare Outsourcings as well as staffing services.

Adjusted EBITDA for the financial year amounted to EUR 21.6 (13.0) million, an increase of EUR 8.5 million, or 65 per cent. EBITDA adjustments for the financial year totalled EUR 0.0 (0.1) million. The adjustment recognised in the previous financial year to improve comparability between financial periods was related to severance payments.

The P&S segment's depreciation, amortisation and impairment for the financial year totalled EUR 3.7 (2.0) million. Purchase price allocation amortisation of intangible assets totalled EUR 0.5 (0.2) million. Other depreciation, amortisation and impairment totalled EUR 3.1 (1.8) million.

The P&S segment's operating profit for the financial year was EUR 17.9 (10.9) million. The adjusted operating profit was EUR 17.9 (11.0) million, an increase of EUR 6.9 million, or 63 per cent.

Consolidated cash flow and statement of financial position

At the end of the financial year, Pihlajalinna Group's total statement of financial position was EUR 253.6 (217.7) million. Consolidated cash and cash equivalents stood at EUR 37.1 (27.5) million.

The Group's net cash flow from operating activities during the financial year amounted to EUR 34.9 (32.3) million. A total of EUR 6.6 (7.6) million in working capital was released during the financial year. The Group's working capital requirements vary through the year, following a seasonal pattern. Working capital is typically released towards the end of the year. During the summer holiday season, working capital is committed, particularly due to the payment of holiday pay and holiday bonuses. Significant TyEL employees' pension insurance advances also affect the commitment of working capital during the financial year.

Net cash flow from investing activities totalled EUR -18.5 (-25.5) million. Subsidiary acquisitions had an impact of EUR -8.9 (-21.1) million on net cash flow from investing activities during the financial year. Investments in property, plant and equipment and intangible assets during the financial year totalled EUR -10.1 (-4.9) million, and proceeds from the disposals of property, plant and equipment totalled EUR 0.2 (0.3) million. Dividends received amounted to EUR 0.1 (0.3) million.

The Group's cash flow after investments (free cash flow) was EUR 16.4 (6.8) million.

Net cash flow from financing activities totalled EUR -6.9 (5.4) million. During the financial year, the Group withdrew EUR 14.5 (14.9) million of new loans within its credit facility and repaid its financial liabilities, including changes in credit limits, by a total of EUR 6.4 (3.6) million. The Group's parent company distributed EUR 3.1 million in dividends during the financial year. In addition, EUR 2.8 (1.0) million in dividends was distributed to non-controlling interests during the financial year. Repayments of financial lease liabilities totalled EUR 3.2 (2.4) million and interest paid and other financial expenses amounted to EUR 1.8 (1.4) million. During the financial year, Pihlajalinna increased its holding in Mäntänvuoren Terveys Oy by purchasing, in accordance with its commitment, 15 per cent of the company's share capital. The Group also increased its holding in Kolmostien Terveys Oy during the financial year by purchasing, in accordance with its commitment, 10 per cent of the company's share capital, as in the previous year. Changes in non-controlling interests had an effect of EUR -4.0 (-1.1) million on cash flow.

The Group's gearing was 32.3 (21.9) per cent at the end of the financial year. Interest-bearing net debt amounted to EUR 34.2 (22.1) million. For the financial year 2016, the facility leases of three care homes in Southwest Finland were reported as operating leases. The Group's gearing for the financial year is increased by the replacement of said leases by new 15-year leases, which are interpreted as finance leases. The current value of these finance leases at the beginning of the financial year was EUR 12.5 million.

In the financial year, return on capital employed was 11.8 (10.8) per cent and return on equity was 13.6 (11.1) per cent.

Pihlajalinna has a revolving credit facility worth EUR 60 million valid until 2020 and credit limit agreements worth a total of EUR 10 million valid until further notice. The facility includes a financial covenant based on the ratio of net debt to pro forma EBITDA (leverage). The Group met the set covenants on 31 December 2017.

At the end of the financial year, Pihlajalinna had EUR 34.8 million in unused credit limits.

Capital expenditure and acquisitions

On 31 December 2017, Pihlajalinna exercised its right to convert a proportion of a convertible bond issued by Dextra Lapsettomuusklinikka Oy into new shares in the company in accordance with the terms of the bond. Pihlajalinna consolidates Dextra Lapsettomuusklinikka Oy as an acquisition achieved in stages. The

pre-existing interest in acquiree was remeasured to fair value and the gains were recognised through profit and loss. Following the conversion of the bond, Pihlajalinna's ownership in the company is approximately 51 %.

In December, Pihlajalinna increased its ownership in Kolmostien Terveys Oy by acquiring 10 per cent of the company's share capital from the City of Parkano in accordance with Pihlajalinna's commitment. After the transaction, the Group owns 71 per cent of the company.

On the balance sheet date, 31 December 2017, Pihlajalinna's holdings in municipal joint ventures were as follows:

Company	Pihlajalinna's holding, %
Jokilaakson Terveys Oy	51%
Jämsän Terveys Oy	51%
Kuusiolinna Terveys Oy	51%
Mäntänvuoren Terveys Oy	66%
Kolmostien Terveys Oy	71%

Pihlajalinna acquired Paraisten Lääkärikeskus Oy on 4 December 2017.

On 3 August 2017, Pihlajalinna acquired the Oulu-based Caritas Lääkärit Oy. At the same time, the company's name was changed to Pihlajalinna Madetojanpuisto Oy.

On 6 July 2017, Pihlajalinna acquired the entire share capitals of Kuopio-based Sataman Röntgen Oy and Joensuu-based Joen Magneetti Oy.

Pihlajalinna increased its holding in Mäntänvuoren Terveys Oy by purchasing, in accordance with its commitment, 15 per cent of the company's share capital from the City of Mänttä-Vilppula at the beginning of July 2017. After the transaction, the Group owns 66 per cent of the company.

Insta Care Oy, a former joint venture, became a wholly-owned subsidiary of Pihlajalinna as of 1 June 2017. At the same time, the company's name was changed to Pihlajalinna Solutions Oy. Pihlajalinna consolidates the company as an acquisition achieved in stages. The pre-existing interest in acquiree was remeasured to fair value and the gains were recognised through profit and loss.

On 2 January 2017, Pihlajalinna acquired the entire share capital of Itä-Suomen Lääkäritalo Oy, which operates in the Kuopio region. Itä-Suomen Lääkäritalo has, under the name Lääkärikeskus ITE, worked in close cooperation with Itä-Suomen Lääkärikeskus Oy, which Pihlajalinna acquired on 1 February 2016.

A summary of the acquisitions made during the financial year is presented in the tables of the financial statements release page 29.

Gross investments, including acquisitions, in the financial year totalled EUR 30.4 (27.3) 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 8.3 (5.5) million during the financial year. Capital expenditure relating to the opening of new units totalled EUR 5.1 (0.1) million. Gross investments associated with M&A transactions totalled EUR 17.0 (21.6) million.

The Group's investment commitments related to development, additional and replacement investments and the opening of new units amount to approximately EUR 10.4 million. The investment commitment to

build a welfare centre in Hattula became void in summer 2017 when the Market Court annulled the procurement decision on health and social services made by Hattula on 14 December 2016. Following a new round of tendering, Hattula selected Pihlajalinna as its primary care and occupational healthcare service provider. The agreement does not include any investment commitments.

The expansion of Pihlajalinna will continue in spite of the postponement of the health and social services reform until 2020. During the financial year, Pihlajalinna informed that it plans to open ten new locations by 2020. In addition, the company may expedite the pace of expansion with acquisitions. New greenfield locations will operate as separate limited liability companies so that the local staff and doctors can be offered the possibility to become shareholders. The Oulu and Turku clinics opened at the beginning of 2018 and the Seinäjoki clinic will open in spring 2018. The company estimates that the greenfield investments required for the new clinics will remain under EUR 40 million.

Research and development

Pihlajalinna's research and development activities during the financial year were focused on the digitalisation of healthcare services, business intelligence and the continued development of insurance company reporting and referral coordination. Digital healthcare services expand Pihlajalinna's service channels, improve the customer experience and increase the efficiency of the service process. The Pihlajalinna mobile application was introduced during the financial year to insurance and occupational healthcare customers. The mobile application makes it possible to provide a quick and easy AI-assisted remote doctor service via chat and video. Online services support the brand revamp and enable the booking and access to personal health information for private customers, insurance customers and occupational healthcare customers.

Development costs that fulfilled the criteria for capitalisation amounted to EUR 1.2 million during the financial year. There were no capitalised development costs in financial year 2016.

In financial year 2018, development activities will focus on the continued development of digital services and mobile services and their deployment across all customer groups. Further focus areas in development include the development of the customer relationship programme, business intelligence and preparations for the EU General Data Protection Regulation.

Changes in Group structure

As part of Pihlajalinna's brand revamp, the company names of the following Group companies were changed during the financial year: Dextra Oy became Pihlajalinna Lääkärikeskukset Oy, Tampereen Lääkärikeskus Oy became Pihlajalinna Tampere Oy, Hoivakoti Johanna Oy became Ikipihlaja Johanna Oy, Kuusama-Koti Oy became Ikipihlaja Kuusama Oy, Hoitokoti Matinkartano Oy became Ikipihlaja Matinkartano Oy, Hoitokoti Setälänpiha became Ikipihlaja Setälänpiha Oy and Raison Oiva Oy became Ikipihlaja Oiva Oy.

The following subsidiary mergers were implemented during the financial year: Sataman Röntgen Oy and Joen Magneetti Oy merged with Pihlajalinna Lääkärikeskukset Oy at the end of the year; Suomen Keinojuuriklinikka Oy merged with Pihlajalinna Lääkärikeskukset Oy on 1 November 2017; Jämsän Lääkärikeskus Oy merged with Pihlajalinna Lääkärikeskukset Oy on 1 September 2017; Itä-Suomen Lääkäritalo merged with Pihlajalinna Lääkärikeskukset Oy on 1 June 2017; Dextra Medical Spa, Plastiikkakirurginen sairaala Oy and Itä-Suomen Lääkärikeskus Oy merged with Pihlajalinna Lääkärikeskukset Oy on 1 May 2017; Laser Tilkka Oy merged with Pihlajalinna Lääkärikeskukset Oy on 1 March 2017; and Oikare Oy merged with Ikipihlaja Setälänpiha Oy on 1 March 2017.

During the financial year, Pihlajalinna established the companies Pihlajalinna Oulu Oy, Pihlajalinna Seinäjoki Oy, Pihlajalinna Turku Oy and Pihlajalinna Erityisasumispalvelut Oy. The business operations of these companies will begin in financial year 2018.

The business operations of Gyne-Praxis Oy were transferred to Pihlajalinna Lääkärikeskukset Oy in an asset deal on 31 May 2017. The company was dissolved on 31 October 2017.

Koskisairaala Oy was dissolved on 1 January 2017.

Personnel

At the end of the financial year, the number of personnel was 4,753 (4,407), an increase of 346 persons or 8 per cent. The Group's personnel averaged 3,879 (3,526) persons as full-time equivalents, an increase of 353 persons or 10 per cent. During the financial year, the Group's employee benefit expenses totalled EUR 175.4 (167.2) million, an increase of EUR 8.2 million or 5 per cent.

At the end of the financial year, the number of contractual practitioners stood at 992 (942), an increase of 50 persons or 5 per cent.

Management changes

Pihlajalinna appointed General Counsel Pauliina Rannikko as the acting Head of HR in December in December 2017. Head of HR and General Counsel Pauliina Rannikko is a member of the Management Team.

The Board of Directors of Pihlajalinna and CEO Aarne Aktan agreed on Aktan leaving his position as CEO effective from 11 December 2017. The Board of Directors appointed Joni Aaltonen, SVP, P&S segment as the new CEO. The appointment became effective immediately.

Ville Lehtonen was appointed Chief Financial Officer of Pihlajalinna. He started in his role and joined the Group Management Team on 1 December 2017.

Perttu Monthan was appointed Pihlajalinna's CDO on 19 June 2017. Monthan is a member of the Extended Management Team.

Pauliina Rannikko was appointed General Counsel of Pihlajalinna. She started in her role and joined the Group's Management Team on 18 April 2017.

Pauli Waroma was appointed Head of Marketing of Pihlajalinna. He started in his role and joined the Extended Management Team on 1 March 2017.

Joni Aaltonen, Pihlajalinna's Head of Mergers and Acquisitions, was appointed as SVP of Pihlajalinna Group's Primary and Social Care (P&S) segment on 17 February 2017. He started in his role and joined the Group Management Team on 20 February 2017.

Management Team

The Group Management Team consisted of the following four (4) members at the end of the financial year: Joni Aaltonen, CEO; Juha Rautio, Deputy CEO and Head of Group Projects; Ville Lehtonen, CFO; and Pauliina Rannikko, Head of HR and General Counsel.

In addition to the Management Team members, the Extended Management Team included the following four (4) members at the end of the financial year: Siri Markula, Head of Communications and IR; Perttu Monthan, CDO; Pauli Waroma, CMO; and Kimmo Saarinen, Medical Director.

The main responsibilities of the Extended Management Team include support for the CEO and the Management Team in major projects and the Group's shared services.

Board of Directors

The Annual General Meeting held on 4 April 2017 decided that the Board of Directors will be composed of six (6) members at a time. Mr Jari Eklund, Mr Timo Everi, Ms Leena Niemistö, Mr Jari Sundström, Ms Seija Turunen and Mr Mikko Wirén were re-elected to the Board of Directors for a term concluding at the end of the next Annual General Meeting.

At its organisation meeting on 4 April 2017, Pihlajalinna Plc's Board of Directors elected Mikko Wirén as its Chairperson and Leena Niemistö as its Deputy Chairperson.

Shareholders' Nomination Board

The Annual General Meeting held on 4 April 2017 resolved to establish a Shareholders' Nomination Board, tasked with preparing future proposals on the election and remuneration of the members of the Board of Directors to the General Meetings.

On 11 September 2017, the four biggest registered shareholders of Pihlajalinna Plc appointed the following representatives to the Shareholders' Nomination Board:

Erkki Moisander, Chairman of the Board, CEO, LocalTapiola Group
Mikko Wirén, Managing Director, MWW Yhtiö Oy
Minna Kohmo, Managing Director, LocalTapiola Mutual Life Insurance Company
Hanna Hiidenpalo, Director, Chief Investment Officer, Elo Mutual Pension Insurance Company

The Shareholders' Nomination Board will choose a Chairman from amongst its members.

Committees nominated by the Board

Audit Committee: Seija Turunen (Chairman), Jari Eklund and Leena Niemistö.

Remuneration Committee: Mikko Wirén (Chairman), Timo Everi and Jari Sundström.

Remuneration of the members of the Board of Directors

The Annual General Meeting of 4 April 2017 decided that remuneration shall be paid to the members of the Board of Directors as follows: to the Chairperson EUR 250,000 per year, to the Deputy Chairperson EUR 48,000 per year and to the other members of the Board of Directors EUR 24,000 per year.

In addition, the General Meeting decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting and that reasonable travel compensation will be paid to the Board members according to the company's travel policy.

Shares and shareholders

At the end of the financial year, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of shares outstanding was 20,613,146. The company has one share series, with each share entitling its holder to one vote at the Annual General Meeting. 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 12,489 (9,172) shareholders. The company does not hold any treasury shares. 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, and Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

Share-related information	10– 12/2017	10– 12/2016	1– 12/2017	1– 12/2016
No. of shares outstanding at the end of the period	20,613,146	20,613,146	20,613,146	20,613,146
Average no. of shares outstanding during the period	20,613,146	20,613,146	20,613,146	20,613,146
Highest price, EUR	16.40	18.85	18.42	18.87
Lowest price, EUR	12.60	14.60	12.60	12.90
Average price, EUR*	14.45	16.30	16.30	16.38
Closing price, EUR	13.34	18.42	13.34	18.42
Share turnover, 1,000 shares	1,617	1,357	5,189	8,196
Share turnover, %	7.9	6.6	25.2	39.8
Market capitalisation at the end of the period, EUR million			274.0	379.7

* average share price weighted by trading volume

Auditing

At Pihlajalinna's Annual General Meeting of 4 April 2017, KPMG Oy Ab, a firm of authorised public accountants, was elected the company's auditor until the end of the next Annual General Meeting. Ms Lotta Nurminen, APA, will be the principal auditor.

Amendments to the Articles of Association

The General Meeting of 4 April 2017 resolved that Articles 4 and 8 of the Articles of Association be amended to read as follows:

4 §: The Company has a Board of Directors which consists of no fewer than four (4) and no more than ten (10) members.

The General Meeting shall elect the Chairperson and Deputy Chairperson of the Board of Directors. The term of office of a member of the Board of Directors shall expire at the close of the first Annual General Meeting following the election. In case the Chairperson and Deputy Chairperson of the Board of Directors resign or become otherwise unable to act as chairperson during their term of office, the Board of Directors may elect a new Chairperson from among its members for the remaining term of office.

8 §: The Company shall have one (1) Auditor that shall be a firm of authorised public accountants with an APA-certified Auditor acting as the Auditor with principal responsibility.

Authorisation for the repurchase of the company's own shares

The Annual General Meeting of 4 April 2017 decided to authorise the Board of Directors to resolve on the repurchase of an aggregate maximum of 2,061,314 of the company's own shares. The authorisation revokes the authorisation given by the Annual General Meeting on 4 April 2016 to decide on the repurchase of the company's own shares. The authorisation will remain in force until the end of the next Annual General Meeting, but nevertheless no longer than until 30 June 2018.

Own shares may be repurchased on the basis of the authorisation only by using non-restricted equity. Own shares may be repurchased at a price formed in public trading on the date of the repurchase, or otherwise at a price formed on the market. Own shares may be repurchased using, inter alia, derivatives. The Board of

Directors resolves how shares are repurchased. Own shares may be repurchased otherwise than in proportion to the shares held by the shareholders (directed repurchase), provided that there is a weighty financial reason for the company to do so.

Authorisation to decide on a share issue

The Annual General Meeting of 4 April 2017 decided to authorise the Board of Directors to resolve on the issuance of shares and other special rights conveying entitlement to shares as referred to in the Chapter 10, section 1 of the Limited Liability Companies Act. The authorisation revokes the authorisation given by the Annual General Meeting on 4 April 2016 to decide on share issues and special rights conveying entitlement to shares. The authorisation will remain in force until the end of the next Annual General Meeting, but nevertheless no longer than until 30 June 2018.

The number of shares issued pursuant to the authorisation may not exceed 4,122,629 shares, which corresponds to approximately 20 per cent of all the existing shares in the company. The authorisation concerns both the issuance of new shares as well as the transfer of the company's own shares.

The Board of Directors decides on all other terms and conditions applicable to the issuance of shares and other special rights conveying entitlement to shares. The authorisation includes a right to deviate from the shareholders pre-emptive right to subscription (directed issue), provided that there is a weighty financial reason for the company to do. The authorisation may be used, for example, to finance acquisitions or other business arrangements and investments or the implementation of the company's share-based incentive schemes, as well as other purposes determined by the company's Board of Directors.

Risks and uncertainties in business operations

During the first quarter, Pihlajalinna conducted a comprehensive survey of its risks in cooperation with an external expert. The Group's key personnel took part in the survey. At the same time, the Group adopted a new risk management tool for the active assessment, management and monitoring of risks. The main objective is the minimisation and better anticipation of identified risks.

Political decision-making and structural reforms in the public sector also affect social and healthcare services, and may directly or indirectly impact the Group's business and growth opportunities. The future overall effects of the health and social services reform and any other possible changes in the arrangement of social and healthcare services are difficult to predict. Reforms may hamper the Group's operations in some areas of social and healthcare services but, on the other hand, the Group's extensive operations in different operating areas may partially balance out the effects of reforms.

In addition to the aforementioned factors, public contracts involve the risk of possible appeals and trials. Furthermore, the continuity of key existing customer relationships and contracts involves risks, especially in the long term.

The Group closely monitors political decision-making processes. For instance, forecasting the reception centre business is challenging due to possible changes in the asylum seeker situation, which are difficult to predict.

The annual profitability of the Group's 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 or an interim report.

In addition, the most essential risks and uncertainties affecting the Group's operations are connected to the success of opening new locations, acquisitions, product development and information system projects, tax-related risks and the commitment and recruitment of competent management.

A tax audit of the Group's main companies began in spring 2017, and it is still underway.

The Group's trade receivables include EUR 2.5 (1.2) million in substantially delayed payments from a significant customer. The matter concerns a contractual dispute under civil law with the municipality in question. According to the assessment of Pihlajalinna's management, the municipality has no grounds for withholding payment. Pihlajalinna's management further expects that the customer will pay the receivables in full.

More information on Pihlajalinna's risks and risk management will be provided in the Corporate Governance Statement and the Statement of Non-financial Information, scheduled to be published during week 11. More information on financial risks and their management is provided in the consolidated financial statements note 25 Financial risk management. The Financial statements included in the Annual report will be published on the company's investor website at investors.pihlajalinna.fi during week 11.

Risk management

In its risk management, Pihlajalinna's aim is to operate as systematically as possible and incorporate risk management in normal business processes. Furthermore, the Group invests in quality management systems and the management of occupational safety and health risks. Pihlajalinna's Risk Management Policy defines and categorises the Group's risks and describes the goals of risk management. In addition, it defines risk management principles, operating methods and responsibilities.

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

During the financial year, an Enterprise Risk Management process was implemented in Pihlajalinna's risk management. Risks are categorised into strategic, operational, financial and damage risks.

Strategic risks refers to uncertainty related to the implementation of the Group's short-term and long-term strategy. An example is structural changes in society.

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

Financial risks refers to risks that are related to the Group's financial position, such as profitability, the functionality of financing processes and taxation.

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

A factor that links all risk categories together is the reputational risk that may affect the reputation of the Group's brands or the entire Group.

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

The Group and operative management are responsible for risk management according to reporting responsibilities. In addition, risk management specialists guide and develop the Group's risk management. Everyone working at Pihlajalinna must also know and manage risks related to their responsibilities.

Flagging notifications

Pihlajalinna did not receive any flagging notifications during the financial year.

Current incentive schemes

On the balance sheet date, the company did not have any share-based incentive schemes for the CEO, the other members of the Management Team or the Board of Directors.

The Board of Directors' proposal for profit distribution

The Board of Directors proposes that a dividend of EUR 0.16 per share be paid for the financial year that ended on 31 December 2017.

Calculation of the parent company's distributable funds:

EUR	31 December 2017
Retained earnings	5,535,096.36
Profit for the financial year	22,210,058.70
Reserve for invested unrestricted equity	153,085,483.50
Capitalised development costs	-1,102,962.26
Total	179,727,676.30

On the balance sheet date, the number of shares entitling their holder to dividend was 20,613,146, and consequently, the total dividend amount would be EUR 3,298,103.36. No material changes have taken place in the company's financial position after the end of the financial year. The company's liquidity position is good and, in the view of the Board of Directors, the proposed distribution does not jeopardise the company's ability to fulfil its obligations.

Earnings per share for the financial year was EUR 0.46. The proposed dividend of EUR 0.16 is 34.7 per cent of earnings per share.

Pihlajalinna Plc's Annual General Meeting is scheduled for 5 April 2018 in Tampere, Finland. The Board of Directors will decide on the notice of the General Meeting and included proposals at a later date.

The Annual report for 2017, including the Report by the Board of Directors and the Financial statements, will be published on the company's investor website at investors.pihlajalinna.fi during week 11.

Events after the balance sheet date

The municipal council of Nokia decided on 12 February 2018 to initiate an assessment of having the city of Nokia join the Mänttä-Vilppula social and healthcare partnership area. If the municipalities reach an agreement on Nokia joining the partnership area, the partnership area can demand Pihlajalinna alliance to produce social and healthcare services for the city of Nokia under the previously signed service production agreement with Mänttä-Vilppula. Nokia joining the partnership area is subject to approval by the municipal councils of Nokia, Mänttä-Vilppula and Juupajoki.

The acquisition of the Forever fitness centre chain, published after the financial year, expands Pihlajalinna's service offering to wellbeing services. The fitness centre operations will complete the preventive occupational healthcare services and rehabilitation services carried out after specialised care procedures.

On 1 February 2018 Pihlajalinna Plc's Shareholders' Nomination Board submitted its proposals to the company's Board of Directors, to be presented to the Annual General Meeting of 2018 on. The Nomination

Board proposes to the Annual General Meeting of Pihlajalinna Plc, scheduled to be held on 5 April 2018, that the number of the members of the Board be confirmed to be seven.

The Nomination Board proposes that Timo Everi, Leena Niemistö, Jari Sundström, Seija Turunen and Mikko Wirén, currently members of the Board of Directors, be re-elected as members of the Board of Directors.

Jari Eklund has notified that he is no longer available for re-election. The Nomination Board proposes that Matti Bergendahl and Kati Sulin be elected as new members of the Board. The Nomination Board proposes that the Annual General Meeting elects Mikko Wirén as the Chairman of the Board and Matti Bergendahl as Vice-Chairman.

The Shareholders' Nomination Board proposes that the remuneration of the Board of Directors be kept unchanged, and that the following annual remuneration 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 2019: to the full-time Chairman of the Board of Directors EUR 250,000 per year; to the Vice-Chairman EUR 48,000 per year, and to members EUR 24,000 per year.

Additionally, the Nomination Board proposes that each Member of the Board will be paid EUR 500 per meeting of the Board and of a Committee. In addition, reasonable travelling expenses would be paid according to the Company travel rules.

On 30 January 2018, Pihlajalinna acquired the entire share capital of Kymijoen Työterveys Oy from the City of Kotka. Kymijoen Työterveys has clinics in Kouvola, Kotka, Karhula and Hamina. Furthermore, the company has an occupational health care clinic in the Miehekkälä and Vironlahti health centres.

On 2 February 2018, Pihlajalinna acquired the Hämeenlinna-based Linnan Klinikka Oy. Linnan Klinikka's private clinic and hospital support Pihlajalinna's current operations in the region. Pihlajalinna expands the healthcare service production in the municipality of Hattula during the spring 2018.

On 19 January 2018, Pihlajalinna announced it will commence codetermination negotiations in relation to restructuring measures. The company is considering changing its operating model from a business-based structure to a geographical structure. The change is aimed at improving the company's operating conditions and competitive position. Pihlajalinna's current organisational structure is based on two business segments: Private Clinics and Specialised Care, and Primary and Social Care. Both segments are divided into service areas. The view of the company is that the current operating structure does not fully meet the future needs of customers.

Pihlajalinna is considering changing to an organisational model based on four geographical areas (Southern Finland, Central Finland, Ostrobothnia and Other Areas). The area director would be responsible for the area's service production for both the private and public sectors. Pihlajalinna will announce its new operating structure in early 2018.

In relation to the planned changes to the Group's structure, Pihlajalinna will start codetermination negotiations for production-related reasons and due to the restructuring of business operations. The negotiations will concern Pihlajalinna Plc's subsidiaries Pihlajalinna Lääkärikeskukset Oy, Pihlajalinna Terveys Oy and Pihlajalinna Tampere Oy and mainly the administrative, managerial and executive level positions in these companies. According to the negotiation proposal, the restructuring could lead to personnel reductions of up to 50 people. The codetermination negotiations concern about 240 employees. Pihlajalinna Group employs some 4,800 people in total.

The municipal council of Hattula selected Pihlajalinna as the municipality's primary care and occupational healthcare service partner on 15 January 2018. The service production begins on 1 April 2018. The subject

matter of the procurement consists of the following services: outpatient healthcare (including mental well-being, school healthcare and maternity and child health clinics), dental care, inpatient healthcare, occupational healthcare, medical specialist services and support services. According to the tendering documentation, the annual value of the agreement is approximately EUR 3.5 million. The duration of the agreement is five years at the minimum and eight years at the maximum. The outsourcing involves approximately 20 per cent of the social and healthcare services that are the responsibility of the municipality or joint municipal authority, therefore, the value of the agreement does not exceed the 30 per cent limitation set by the legislation setting limits on outsourcing. The procurement decision has been appealed to the Market Court.

Currently, Pihlajalinna produces the outpatient and inpatient health care services for the municipality of Hattula. The current agreement will end on 31 March 2018.

On 9 January 2018, Pihlajalinna announced it had agreed to acquire the remaining half of the share capital of its joint venture company Röntgentutka Oy. Prior to the acquisition, Pihlajalinna held 50 % of the shares in the company. Pihlajalinna now holds the entire share capital of Röntgentutka Oy. It is estimated that the transaction will be completed on 15 February 2018. Röntgentutka operates under the names Koskiröntgen and Koskimagneetti in the same premises as Pihlajalinna Koskiklinikka at Koskikeskus in Tampere. The operations will be integrated into those of Pihlajalinna Koskiklinikka.

On 2 January 2018, Pihlajalinna acquired the entire share capital of Salon Lääkintälaboratorio Oy, which operates under the name Lääkäriasema Sallab and its sister company Someron Lääkärikeskus Oy.

Accounting policies

This audited Financial Statements Release has been prepared in compliance with the IFRS, applying the same accounting policies and calculation methods as in the financial statements for 2016, and the requirements of IAS 34 (Interim Financial reporting) were complied with. All figures have been rounded, due to which the actual total of individual figures may differ from the total presented. Key figures and changes have been calculated using exact figures.

As of the beginning of 2017, the Group has applied new standards and interpretations, including the IASB's amendments to IAS 12 Income Taxes and IAS 7 Statement of Cash Flows. The amendments to the Statement of Cash Flows standard have affected the notes to the consolidated financial statements. The amendment to the Income Taxes standard has not affected the consolidated financial statements.

The preparation of interim reports 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.

Adoption of IFRS standards applicable in future

The Group has not yet applied the following new, revised or amended standards and interpretations already published by the IASB. The Group will adopt them as from the effective date of each standard and interpretation, or if the effective date is some date other than the first day of the financial year, as from the beginning of the financial year that first follows the effective date.

- **IFRS 15 Revenue from Contracts with Customers** (effective for annual periods beginning on or after 1 January 2018). The new standard replaces the current IAS 18 and IAS 11 standards and related interpretations. IFRS 15 includes a five-step model for recognising revenue from contracts with customers:

when to recognise revenue, and at what amount. Revenue can be recognised over time or at a point in time, and the passing of control is a key criterion. The standard also increases the amount of notes to be disclosed.

Pihlajalinna launched a detailed contract-specific IFRS 15 adoption project concerning revenue recognition in autumn 2016, surveying the services sold and provided by segment. During the adoption project, Pihlajalinna surveyed the Group's significant customer agreements, covering approximately 65% of the Group's revenue. According to Pihlajalinna's assessment, approximately 66% of the Group's revenue for financial year 2017 was recognised over time and 34% of the revenue was recognised at a point of time.

Pihlajalinna has identified the following major performance obligations by segment:

Primary and Social Care (P&S)

Social and healthcare outsourcing

- statutory social and healthcare services of a municipality's residents separately described in the contracts with customers
- individual social and health service visits by residents of other municipalities

Residential services (including asylum seeker reception centres)

- statutory social and healthcare services separately described in the contracts with customers
- capacities of reception centres on each day covered by the agreement
- elderly care home services on each day covered by the agreement
- individual separately charged additional services or health centre visits

Private Clinics and Specialised Care (C&S)

Private Clinics and Dental Care

- individual customer visits to healthcare services

Surgical operations and public specialised care

- statutory social and healthcare services of a municipality's residents separately described in the contracts with customers
- individual social and health service visits by residents of other municipalities
- other individual visits (e.g., through insurance companies)

Occupational healthcare

- individual occupational healthcare customer visits (e.g. appointments with occupational healthcare nurses and doctors, laboratory tests)
- preventive and health-promoting separately agreed services (e.g., occupational health check-ups, workplace-specific occupational health surveys)
- other additional services agreed upon with the customer (e.g., first aid courses)

The transaction price is primarily comprised of individual visits according to the price list or annual, daily or hourly rates based on customer agreements. In most cases, the price concerns an individual performance obligation. In some cases, the price includes a variable element of consideration (e.g. discount, penalty charge), which is allocated to one or more performance obligations. The performance obligations are primarily fulfilled either over time (e.g. outsourcings, residential services) or at a point in time (e.g. occupational healthcare services, individual customer visits, additional services).

The performance obligation in social and healthcare outsourcings is the municipality's statutory social and healthcare service operations described in the customer agreement. The outsourcings are primarily based on a fixed annual price, and they are recognised as revenue over time.

Pihlajalinna will adopt IFRS 15 starting from the financial year beginning on 1 January 2018. *The adoption of the standard will not have an impact on the Group's equity or the revenue recognition principles applied by Pihlajalinna in financial year 2017.* The standard increases the amount of notes to be disclosed. Pihlajalinna

will present a breakdown of the Group's revenue by customer group and will consider presenting a breakdown of revenue by geographical area, in accordance with the upcoming changes in the Group's structure.

The Group's corporate customer group consists of Pihlajalinna's occupational healthcare customers, insurance company customers and other corporate contract customers with the exception of public sector occupational healthcare customers (municipalities, joint municipal authorities, churches, public administration and hospital districts).

The Group's private customers are private individuals and privately insured customers.

The Group's public sector customer group consists of public sector organisations in Finland, such as municipalities, joint municipal authorities, hospital district and the public administration when purchasing social and healthcare outsourcing services, residential services, occupational healthcare services and staffing services.

Breakdown of the Group's revenue by customer group in financial year 2017:

EUR million	2017	
Corporate customers	63.0	14.9%
Private customers	68.0	16.0%
Public sector customers	293.1	69.1%
Total revenue	424.0	

- **IFRS 9 Financial Instruments** and amendments to it (effective for annual periods beginning on or after 1 January 2018). In accordance with the standard, financial assets are measured at fair value, unless certain conditions are met, in which case they are measured at amortised cost. The measurement methods have also been simplified. The new standard will result in changes in hedge accounting and provide a new model for the assessment of impairment, in accordance with which expected credit losses are measured already at the beginning of a contract. *The Group does not apply hedge accounting, and the changes in the classification of financial instruments and impairment model are not estimated to have a material effect on Pihlajalinna's financial statements.*
- **IFRS 16 Leases** (effective for annual periods beginning on or after 1 January 2019). The new standard replaces IAS 17 and related interpretations. All of a lessee's leases will be recognised as right-of-use assets on the balance sheet unless the lease term is 12 months or less or the underlying asset has a low value (USD 5,000 at maximum). At the end of the financial year, the Group's operating leases totalled EUR 50.1 million. In accordance with the standard, the rent liabilities concerning operating premises presented in the Group's operating leases have to be recognised as a right-of-use asset and lease liability in the statement of financial position. However, the concepts of agreements recognised as liabilities and leases pursuant to IFRS 16 differ, and therefore the amount of agreements recognised on the balance sheet may differ from the amount of other liabilities. The amendment will have significant impacts on Pihlajalinna's financial statements. The amendment will also have effects on balance sheet-based indicators, such as gearing. IAS 17 does not require any significant changes in the accounting practices applied by lessors.

Other new or amended standards and interpretations effective in future financial years are not expected to have a significant impact on Pihlajalinna's financial statements.

Tables

1 January–31 December 2017

Consolidated statement of comprehensive income

EUR million	10– 12/2017 3 months	10– 12/2016 3 months	1– 12/201 7 12 months	1– 12/201 6 12 months
Revenue	107.9	103.7	424.0	399.1
Other operating income	1.2	0.3	2.3	1.5
Materials and services	-43.4	-43.6	-175.5	-168.0
Employee benefit expenses	-44.9	-42.8	-175.4	-167.2
Other operating expenses	-12.7	-10.6	-42.3	-37.7
Share of profit in associated companies and joint ventures	0.1	0.0	0.3	0.2
EBITDA	8.1	7.1	33.3	27.9
EBITDA adjustment items total*	0.4	0.0	0.7	1.0
Adjusted EBITDA*	8.5	7.1	34.1	28.9
Depreciation, amortisation and impairment	-3.6	-3.2	-14.2	-12.8
Operating profit (EBIT)	4.6	3.9	19.1	15.1
Operating profit adjustment items total*	0.4	0.0	0.9	1.5
Adjusted operating profit (EBIT)*	4.9	3.9	20.0	16.6
Financial income	0.0	0.0	0.2	0.1
Financial expenses	-0.5	-0.3	-1.9	-1.5
Profit before tax	4.1	3.5	17.4	13.7
Income tax	-0.6	-0.5	-3.4	-3.0
Profit for the period**	3.5	3.0	14.1	10.8
Total comprehensive income for the period	3.5	3.0	14.1	10.8
Total comprehensive income for the period attributable:				
To the owners of the parent company	2.4	2.4	9.5	8.0
To non-controlling interests	1.1	0.6	4.6	2.7
Earnings per share calculated on the basis of the profit for the period attributable to the owners of the parent company (EUR)				
Basic and diluted	0.12	0.12	0.46	0.39

* Significant valuation items that are not part of the normal course of business, are infrequently occurring or do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures and Group refinancing, impairment of assets and the remeasurement to fair value of pre-existing interest in acquiree, 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. Adjustments to EBITDA totalled EUR 0.4 (0.0) million for the quarter and EUR 0.7 (1.0) million for the financial year. Adjustments to operating profit totalled EUR 0.4 (0.0) million for the quarter and EUR 0.9 (1.5) million for the financial year.

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

Consolidated statement of financial position

EUR million	12/2017	12/2016
ASSETS		
Non-current assets		
Property, plant and equipment	61.9	45.5
Goodwill	103.9	92.3
Other intangible assets	16.6	16.3
Interests in associates	3.0	2.8
Available-for-sale financial assets	0.1	0.0
Other receivables	1.6	2.8
Deferred tax assets	2.2	1.6
Total non-current assets	189.3	161.3
Current assets		
Inventories	2.2	2.0
Trade and other receivables	24.0	26.1
Current tax assets	1.1	0.8
Cash and cash equivalents	37.1	27.5
Total current assets	64.3	56.4
Total assets	253.6	217.7
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company		
Share capital	0.1	0.1
Reserve for invested unrestricted equity	87.9	87.9
Retained earnings	2.8	1.7
Result for the financial year	9.5	8.0
	100.3	97.8
Non-controlling interests	5.6	3.2
Total equity	105.9	101.0
Non-current liabilities		
Deferred tax liabilities	5.5	5.5
Financial liabilities	66.3	48.3
Other non-current liabilities	1.7	1.9
Non-current provisions	0.8	0.8
Total non-current liabilities	74.3	56.7
Current liabilities		
Trade and other payables	61.8	55.0
Current tax liabilities	1.3	1.3
Financial liabilities	10.3	3.7
Total current liabilities	73.4	60.1
Total liabilities	147.7	116.7
Total equity and liabilities	253.6	217.7

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company				
	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Equity Total
Total equity, 1 Jan. 2016	0.1	87.9	4.1	1.3	93.5
Result for the financial year			8.0	2.7	10.8
Total comprehensive income for the period			8.0	2.7	10.8
Dividends paid				-2.2	-2.2
Total transactions with owners				-2.2	-2.2
Changes in non-controlling interests that have not resulted in a change in control			-1.1		-1.1
Investment (without consideration) in reserve for invested unrestricted equity to the benefit of non-controlling interests			-1.4	1.4	
Total changes in subsidiary holdings					
Total equity, 31 Dec. 2016	0.1	87.9	9.7	3.2	101.0
Total equity, 1 Jan. 2017	0.1	87.9	9.7	3.2	101.0
Result for the financial year			9.5	4.6	14.1
Total comprehensive income for the period			9.5	4.6	14.1
Dividends paid			-3.2	-1.7	-4.8
Total transactions with owners			-3.2	-1.7	-4.8
Changes in non-controlling interests that have not resulted in a change in control			-3.8	-0.2	-4.0
Changes in non-controlling interests that have resulted in a change in control				-0.4	-0.4
Total changes in subsidiary holdings			-3.8	-0.6	-4.4
Total equity, 31 Dec. 2017	0.1	87.9	12.3	5.6	105.9

Consolidated statement of cash flows

EUR million	10–12/2017 3 months	10–12/2016 3 months	1–12/2017 12 months	1–12/2016 12 months
Cash flow from operating activities				
Cash receipts from sales	105.4	103.4	423.8	400.5
Cash receipts from other operating income	0.8	0.4	1.5	1.4
Operating expenses paid	-89.0	-90.4	-386.0	-367.3
Cash flows from operating activities before financial items and taxes	17.3	13.4	39.3	34.6
Interest received	0.0	0.0	0.2	0.1
Taxes paid	-0.8	-0.2	-4.6	-2.4
Net cash flow from operating activities	16.5	13.2	34.9	32.3
Cash flow from investing activities				
Investments in tangible and intangible assets	-4.2	-1.7	-10.1	-4.9
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.1	0.2	0.3
Changes in other investments	-0.1	0.0	-0.1	0.0
Changes in loan receivables	0.3		0.3	0.0
Dividends received		0.0	0.1	0.3
Acquisition of subsidiaries less cash and cash equivalents at the date of acquisition	0.1	-4.5	-8.9	-21.1
Net cash flow from investing activities	-3.8	-6.0	-18.5	-25.5
Cash flow from financing activities				
Proceeds from share issue				0.0
Acquisitions of non-controlling interests	-1.1	-1.1	-4.0	-1.1
Proceeds from borrowings		0.3	14.5	14.9
Repayment of borrowings including changes in credit limits	-1.1	-0.5	-6.4	-3.6
Repayment of financial lease liabilities	-0.8	-0.6	-3.2	-2.4
Interest and other operational financial expenses	-0.4	-0.3	-1.8	-1.4
Dividends paid and other profit distribution		-0.7	-5.9	-1.0
Net cash flow from financing activities	-3.4	-2.8	-6.9	5.4
Changes in cash and cash equivalents	9.3	4.4	9.5	12.2
Cash at the beginning of the review period	27.8	23.2	27.5	15.3
Cash at the end of the review period	37.1	27.5	37.1	27.5

Operating segments

EUR million	10–12/2017 3 months	10–12/2016 3 months	1–12/2017 12 months	1–12/2016 12 months
Revenue				
C&S	60.6	56.8	234.1	215.6
P&S	49.4	49.1	197.6	189.8
Unallocated	0.1	0.2	0.3	0.4
Eliminations	-2.2	-2.4	-7.9	-6.7
Total consolidated revenue	107.9	103.7	424.0	399.1
EBITDA				
C&S	3.0	4.2	13.7	16.4
P&S	5.3	3.1	21.6	12.9
Unallocated	-0.2	-0.2	-1.9	-1.4
Consolidated EBITDA	8.1	7.1	33.3	27.9
Adjusted EBITDA				
C&S	3.4	4.2	14.2	17.3
P&S	5.3	3.1	21.6	13.0
Unallocated	-0.3	-0.2	-1.7	-1.4
Consolidated adjusted EBITDA	8.5	7.1	34.1	28.9
Adjustment items	-0.4	0.0	-0.7	-1.0
Consolidated EBITDA	8.1	7.1	33.3	27.9
Adjusted EBITDA, % of revenue				
C&S	5.6 %	7.4 %	6.1 %	8.0 %
P&S	10.8 %	6.2 %	10.9 %	6.9 %
Consolidated adjusted EBITDA, % of revenue	7.9 %	6.8 %	8.0 %	7.2 %
Consolidated EBITDA, % of revenue	7.5 %	6.8 %	7.9 %	7.0 %
Operating profit				
C&S	0.5	1.7	3.6	6.2
P&S	4.5	2.5	17.9	10.9
Unallocated	-0.4	-0.3	-2.4	-1.9
Consolidated operating profit	4.6	3.9	19.1	15.1
Adjusted operating profit				
C&S	0.9	1.7	4.3	7.5
P&S	4.5	2.5	17.9	11.0
Unallocated	-0.4	-0.3	-2.2	-1.9
Consolidated adjusted operating profit	4.9	3.9	20.0	16.6
Adjustment items	-0.4	0.0	-0.9	-1.5
Consolidated operating profit	4.6	3.9	19.1	15.1
Adjusted operating profit, % of revenue				
C&S	1.4 %	3.0 %	1.8 %	3.5 %
P&S	9.0 %	5.1 %	9.1 %	5.8 %

Consolidated adjusted operating profit, % of revenue	4.6 %	3.7 %	4.7 %	4.2%
Consolidated operating profit, % of revenue	4.2 %	3.7 %	4.5 %	3.8%

Contingent liabilities and commitments

EUR million	12/2017	12/2016
Collateral given on own behalf		
Pledged collateral notes	1.3	1.1
Sureties	3.1	0.3
Collateral given on behalf of associated companies		
Sureties		3.4
Other contingent liabilities		
Lease commitments	50.1	30.6

The Group's material subsidiaries as specified in the loan agreement have provided a suretyship in the parent company's loan facility. The balance of the loan at the balance sheet date was EUR 34.0 million.

If certain criteria are met, the Group has committed to redeeming an additional 10% of the shares in Kolmostien Terveys Oy and 15 % of the shares in Mäntänvuoren Terveys Oy in 2018.

The Group's investment commitments related to development, additional and replacement investments and the opening of new units amount to approximately EUR 10.4 million.

Related party transactions

EUR million	12/2017	12/2016
Key management personnel		
Rents paid	1.1	0.8
Services procured	1.3	1.6
Trade payables	0.1	0.2
Other liabilities		0.2
Associated companies and joint ventures		
Services sold	0.0	0.1
Services procured	1.0	1.3
Rents received	0.2	0.3
Interest and commissions received	0.1	0.0
Dividends received	0.1	0.3
Trade payables	0.1	0.1
Other liabilities		0.1
Trade receivables		0.0
Interest and provision receivables		0.1
Loan receivables		1.5

Changes in property, plant and equipment

EUR million	1–12/2017	1–12/2016
Acquisition cost at the beginning of the period	69.6	62.7
Additions	22.8	4.4
Acquired business operations	2.9	1.3

Transfers between items	0.3	2.1
Disposals	-2.4	-0.8
Acquisition cost at the end of the period	93.1	69.6
Accumulated depreciation at the beginning of the period	-24.1	-14.0
Depreciation and amortisation for the financial year	-9.0	-8.2
Transfers between items	-0.3	-2.4
Accumulated depreciation on disposals	2.1	0.5
Accumulated depreciation at the end of the period	-31.2	-24.1
Carrying amount at the end of the period	61.9	45.5

Changes in intangible assets

EUR million	1–12/2017	1–12/2016
Acquisition cost at the beginning of the period	120.7	98.7
Additions	3.0	1.3
Acquired business operations	14.1	20.4
Transfers between items		0.3
Acquisition cost at the end of the period	137.8	120.7
Accumulated depreciation at the beginning of the period	-12.1	-7.5
Depreciation and amortisation for the financial year	-5.2	-4.5
Accumulated depreciation at the end of the period	-17.3	-12.1
Carrying amount at the end of the period	120.5	108.6

Acquired business operations, total

The acquisitions made during financial year 2017 (Itä-Suomen Lääkäritalo Oy, 50 per cent of the former joint venture Insta Care Oy, Joen Magneetti Oy, Satama Röntgen Oy, Caritas Lääkäripalvelut Oy, Paraisten Lääkärikeskus Oy and approximately 2% of the former joint venture Dextra Lapsettomuuskeskus Oy) and the update of acquisition costs previously presented as preliminary are presented in total in the table below as they are not material in terms of individual review.

EUR million	1–12/2017
Preliminary consideration transferred:	
Cash	10.1
Contingent consideration	3.4
Total acquisition cost	13.5
At the date of acquisition, the preliminary values of assets acquired and liabilities assumed were as follows:	
Property, plant and equipment	2.9
Intangible assets	2.5
Deferred tax asset	0.3
Inventories	0.2
Trade and other receivables	1.4
Cash and cash equivalents	1.6
Total assets	8.9
Deferred tax liabilities	-0.4
Financial liabilities	-3.3
Other liabilities	-3.3
Total liabilities	-7.1

Preliminary net assets	1.8
Goodwill generated in the acquisition:	
Consideration transferred	13.5
The pre-existing interest in acquiree remeasured at fair value	0.3
Share of the acquisition allocated to non-controlling interests	-0.4
Net identifiable assets of acquirees	-1.8
Preliminary goodwill	11.6
Transaction price paid in cash:	10.1
Cash and cash equivalents of acquirees	-1.6
Preliminary effect on cash flow*	8.4
*The line item Acquisition of subsidiaries less cash and cash equivalents on date of acquisition in the consolidated statement of cash flows presents the following items as a net amount:	
Acquisitions in the financial year, effect on cash flow	8.4
Contingent consideration paid during the financial year	0.5
Total	8.9
The acquisition-related expenses, a total of EUR 0.4 million, have been recorded under other operating expenses.	

The revenue and results for the acquired business operations beginning from the date of acquisition (total revenue EUR 8.8 million and total operating profit of EUR 0.4 million) are included in the consolidated statement of comprehensive income. Had the acquisitions of 2017 been consolidated since the beginning of the financial year 2017, consolidated revenue would have amounted to EUR 433.7 million and operating profit for the period would have amounted to EUR 19.7 million.

Quarterly information

EUR million	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
INCOME STATEMENT								
Revenue	107.9	99.4	106.7	110.0	103.7	93.9	101.4	100.1
EBITDA	8.1	9.1	7.1	8.9	7.1	6.8	7.0	7.0
Adjusted EBITDA	8.5	9.0	7.4	9.1	7.1	7.8	7.0	7.0
Adjusted EBITDA, %	7.9	9.1	6.9	8.3	6.8	8.3	6.9	7.0
Depreciation and amortisation	-3.6	-3.7	-3.4	-3.5	-3.2	-3.2	-3.5	-2.9
Operating profit (EBIT)	4.6	5.5	3.7	5.4	3.9	3.6	3.5	4.2
Adjusted operating profit (EBIT)	4.9	5.4	4.0	5.7	3.9	4.7	3.9	4.2
Adjusted operating profit (EBIT), %	4.6	5.4	3.7	5.2	3.7	5.0	3.9	4.2
Financial income	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0
Financial expenses	-0.5	-0.5	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4
Profit before tax	4.1	5.0	3.3	5.0	3.5	3.3	3.1	3.8
Income tax	-0.6	-1.0	-0.7	-1.1	-0.5	-0.9	-0.5	-1.0
Result for the financial year	3.5	4.0	2.7	3.9	3.0	2.4	2.6	2.7

Share of the result for the financial year attributable to owners of the parent company	2.4	1.9	2.0	3.2	2.4	1.7	2.0	2.0
Share of the result for the financial year attributable to non-controlling interests	1.1	2.1	0.7	0.7	0.6	0.7	0.6	0.8
EPS	0.12	0.09	0.10	0.15	0.12	0.08	0.10	0.10
Personnel at the end of the period (NOE)	4 753	4,767	4,898	4,519	4,407	4,470	4,589	4,228
Change in personnel during the quarter	-14	-131	380	112	-63	-119	361	1,181

EUR million	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
C&S segment								
Revenue	60.6	51.8	59.0	62.7	56.8	48.6	56.1	54.1
EBITDA	3.0	2.2	3.3	5.2	4.2	2.5	4.6	5.1
Adjusted EBITDA	3.4	2.2	3.4	5.2	4.2	3.4	4.6	5.1
Operating profit (EBIT)	0.5	-0.4	0.9	2.7	1.7	-0.2	1.7	2.9
Adjusted operating profit (EBIT)	0.9	-0.4	1.0	2.8	1.7	0.8	2.1	2.9
P&S segment								
Revenue	49.4	49.1	49.6	49.5	49.1	46.9	47.0	46.8
EBITDA	5.3	7.4	4.4	4.4	3.1	4.9	2.6	2.3
Adjusted EBITDA	5.3	7.4	4.4	4.4	3.1	5.1	2.6	2.3
Operating profit (EBIT)	4.5	6.4	3.5	3.5	2.5	4.4	2.1	1.8
Adjusted operating profit (EBIT)	4.5	6.4	3.5	3.5	2.5	4.6	2.1	1.8
Unallocated								
Revenue	0.1	0.1	0.1	0.0	0.2	0.0	0.1	0.1
EBITDA	-0.2	-0.4	-0.6	-0.7	-0.2	-0.6	-0.3	-0.4
Adjusted EBITDA	-0.3	-0.5	-0.4	-0.5	-0.2	-0.6	-0.3	-0.4
Operating profit (EBIT)	-0.4	-0.5	-0.7	-0.8	-0.3	-0.7	-0.3	-0.5
Adjusted operating profit (EBIT)	-0.4	-0.6	-0.5	-0.6	-0.3	-0.7	-0.3	-0.5

Tax footprint

EUR million	2017	2016
Direct tax payable for the period		
Income tax (business income tax)	4.3	2.5
Employer's pension contribution	25.7	24.6
Social security contributions	1.6	2.9
Employer's unemployment insurance contribution	4.0	4.3
Contribution to accident insurance and group life insurance	0.9	0.9
Employer contributions, total	32.1	32.7
Property taxes	0.1	0.0
Transfer tax	0.4	0.7

Direct tax payable for the period, total	36.8	36.0
Value added tax of acquisitions payable by the company		
Value added taxes, estimate	9.0	10.4
Tax for the period		
Withholding taxes	35.3	33.6
Employee's pension contributions, notional	9.5	7.7
Employee's unemployment insurance contributions, notional	2.3	1.5
Payroll tax, total	47.1	42.8
Net value added tax	1.8	0.5
Total tax for the period	48.9	43.3
Revenue, EUR million	424.0	399.1
Result before taxes, EUR million	17.4	13.7
Average number of personnel (FTE)	3,879	3,526
Public subsidies, EUR million	0.8	0.7

Calculation of key financial figures and alternative performance measures

Key figures		
Earnings per share (EPS)	$\frac{\text{Profit for the financial year attributable to owners of the parent company}}{\text{Average number of shares during the financial year}}$	
Alternative performance measures		
Equity per share	$\frac{\text{Equity attributable to owners of the parent company}}{\text{Number of shares at the end of the financial year}}$	
Dividend per share	$\frac{\text{Dividend distribution for the financial year (or proposal)}}{\text{Number of shares at the end of the financial year}}$	
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), %	$\frac{\text{Profit for the period (rolling 12 mths)}}{\text{Equity (average)}}$	x 100
Return on capital employed, % (ROCE)	$\frac{\text{Profit before taxes (rolling 12 mths) + financial expenses (rolling 12 mths)}}{\text{Capital employed (average)}}$	x 100

	Total statement of financial position – non-interest-bearing liabilities (average)	
Equity ratio, %	Equity	
	Total statement of financial position – advances received	x 100
Gearing, %	Interest-bearing net debt - cash and cash equivalents	
	Equity	x 100
EBITDA	Operating profit + depreciation, amortisation and impairment	
EBITDA, %	Operating profit + depreciation, amortisation and impairment	
	Revenue	x 100
Adjusted EBITDA*	Operating profit + depreciation, amortisation and impairment + adjustment items	
Adjusted EBITDA, %*	Operating profit + depreciation, amortisation and impairment + adjustment items	
	Revenue	x 100
Net debt/Adjusted EBITDA*, rolling 12 mths	Interest-bearing debt - cash and cash equivalents	
	Adjusted EBITDA (rolling 12 mths)	
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities	
Adjusted operating profit (EBIT)*	Operating profit + adjustment items	
Adjusted operating profit, %*	Adjusted operating profit (EBIT)	
	Revenue	x 100
Profit before taxes	Profit for the financial year + income tax	
Gross investments	Increase in property, plant and equipment and intangible assets excluding finance leases	
Organic revenue growth, %	Revenue for the period - revenue from M&A transactions for the period - revenue for the previous period	
	Revenue for the previous period	x 100

* Significant valuation items that are not part of the normal course of business, are infrequently occurring or do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures and Group refinancing, impairment of assets and the remeasurement to fair value of pre-existing interest in acquiree, 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.

Reconciliations of alternative performance measures

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.

Symbols used:

/ divide by the next number/numbers
- deduct the next number/numbers
+ add the next number/numbers

EUR million, unless otherwise specified	10– 12/2017 3 months	10– 12/2016 3 months	1–12/2017 12 months	1–12/2016 12 months
Return on equity (ROE), %				
Result for the period (rolling 12 mths) /			14.1	10.8
Equity in the beginning of the period			101.0	93.5
Equity at the end of the period			105.9	101.0
Equity (average) x 100			103.4	97.2
Return on equity (ROE), %			13.6	11.1

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

Return on capital employed (ROCE), %				
Profit before taxes (rolling 12 mths) +			17.4	13.7
Financial expenses (rolling 12 mths)			1.9	1.5
/			19.3	15.3
Total statement of financial position in the beginning of the period -			217.7	185.1
non-interest-bearing liabilities in the beginning of the period			67.1	52.8
			150.7	132.3
Total statement of financial position at the end of the period -			253.6	217.7
Non-interest-bearing liabilities at the end of the period			76.5	67.1
			177.1	150.7
Average x 100			163.9	141.5
Return on capital employed (ROCE), %			11.8	10.8

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.

Equity ratio, %				
Equity /			105.9	101.0
Total statement of financial position -			253.6	217.7
Advances received x 100			0.4	0.3
Equity ratio, %			41.8	46.5

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

Gearing, %				
Interest-bearing financial liabilities -			71.2	49.7

Cash and cash equivalents /			37.1	27.5
Equity x 100			105.9	101.0
Gearing, %			32.3	21.9

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

Net debt / adjusted EBITDA, rolling 12 mths				
Interest-bearing financial liabilities -			71.2	49.7
Cash and cash equivalents			37.1	27.5
Net debt /			34.2	22.1
Adjusted EBITDA (rolling 12 mths)			34.1	28.9
Net debt / adjusted EBITDA, rolling 12 mths			1.0	0.8

This figure indicates how quickly the company could pay back its debt at the current level of profits, if it were to use its entire EBITDA to pay back debt and no investments would be made and no dividends paid, for example. The financial covenant linked to the Group's revolving credit facility is based on the ratio of the Group's net debt to pro forma EBITDA. The maximum value of the covenant linked to the revolving credit facility is 3.75. The closer the value of the covenant is to the maximum value, the higher the loan margin. The Group's management and Board of Directors monitor the fulfilment of the covenant on a monthly basis and the covenant is reported to the lenders on a quarterly basis. The covenant calculations are also updated with forecasts whenever the Group is about to carry out a Material acquisition.

EBITDA and Adjusted EBITDA				
Result for the period	3.5	3.0	14.1	10.8
Income tax	-0.6	-0.5	-3.4	-3.0
Financial expenses	-0.5	-0.3	-1.9	-1.5
Financial income	0.0	0.0	0.2	0.1
Depreciation, amortisation and impairment	-3.6	-3.2	-14.2	-12.8
EBITDA	8.1	7.1	33.3	27.9
Total EBITDA adjustments*	0.4	0.0	0.7	1.0
Adjusted EBITDA	8.5	7.1	34.1	28.9

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

The Group Management Team and operative management monitor and forecast adjusted EBITDA on a monthly basis.

EBITDA, %				
EBITDA /	8.1	7.1	33.3	27.9
Revenue x 100	107.9	103.7	424.0	399.1
EBITDA, %	7.5	6.8	7.9	7.0
Adjusted EBITDA, %				
Adjusted EBITDA /	8.5	7.1	34.1	28.9
Revenue x 100	107.9	103.7	424.0	399.1
Adjusted EBITDA, %	7.9	6.8	8.0	7.2
Operating profit (EBIT) and Adjusted operating profit (EBIT)				

Result for the period	3.5	3.0	14.1	10.8
Income tax	-0.6	-0.5	-3.4	-3.0
Financial expenses	-0.5	-0.3	-1.9	-1.5
Financial income	0.0	0.0	0.2	0.1
Operating profit	4.6	3.9	19.1	15.1
Total adjustments of depreciation, amortisation and impairment**	0.0	0.0	0.1	0.5
Total EBITDA adjustments*	0.4	0.0	0.7	1.0
Total adjustments of operating profit	0.4	0.0	0.9	1.5
Adjusted operating profit (EBIT)	4.9	3.9	20.0	16.6

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.

Operating profit (EBIT), %				
Operating profit /	4.6	3.9	19.1	15.1
Revenue x 100	107.9	103.7	424.0	399.1
Operating profit (EBIT), %	4.2	3.7	4.5	3.8
Adjusted operating profit (EBIT), %				
Adjusted operating profit /	4.9	3.9	20.0	16.6
Revenue x 100	107.9	103.7	424.0	399.1
Adjusted operating profit (EBIT), %	4.6	3.7	4.7	4.2
Cash flow after investments				
Net cash flow from operating activities	16.5	13.2	34.9	32.3
Net cash flow from investing activities	-3.8	-6.0	-18.5	-25.5
Cash flow after investments	12.7	7.1	16.4	6.8

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

Profit before taxes				
Result for the period	3.5	3.0	14.1	10.8
Income tax	-0.6	-0.5	-3.4	-3.0
Profit before taxes	4.1	3.5	17.4	13.7
Gross investments				
Property, plant and equipment at the end of the period	61.9	45.5	61.9	45.5
Other intangible assets at the end of the period	16.6	16.3	16.6	16.3
Goodwill at the end of the period	103.9	92.3	103.9	92.3
Add depreciation, amortisation and impairment	3.6	3.2	14.2	12.8
-				
Property, plant and equipment in the beginning of the period	57.7	46.1	45.5	48.6

Other intangible assets in the beginning of the period	16.7	16.2	16.3	15.1
Goodwill at the beginning of the period	101.9	89.6	92.3	76.056
Change in financial leases during the period			12.5	
Proceeds from the sale of property, plant and equipment during the period	-0.2	-0.1	-0.3	-0.3
Gross investments	9.8	5.4	30.4	27.3

Gross investments refers to the acquisition of long-term factors of production, including M&A transactions. Divestments and proceeds from the sale of property, plant and equipment are not deducted from investments. Investments are also presented on a cash flow basis in the cash flow statement.

Organic revenue growth, %				
Revenue for the period -	107.9	103.7	424.0	399.1
Revenue from M&A transactions during the period (rolling 12 mths) -	3.6	15.0	14.8	51.3
Revenue for the previous period	103.7	62.6	399.1	213.3
Organic revenue growth /	0.5	26.1	10.1	134.5
Revenue for the previous period x 100	103.7	62.6	399.1	213.3
Organic revenue growth, %	0.5	41.6	2.5	63.0

Organic revenue growth is the growth of existing business, not acquired through M&A transactions. Organic growth can be achieved through increasing the service offering, new customer acquisition, growth in the number of visits by existing customers, price increases and digitalisation. Social and healthcare outsourcing contracts won through public competitive bidding and greenfield locations are included in organic growth.

Description of adjustment items applied to adjusted EBITDA and adjusted operating profit (EBIT) for the period

EUR million	10– 12/2017 3 months	10– 12/2016 3 months	1– 12/2017 12 months	1– 12/2016 12 months
EBITDA	8.1	7.1	33.3	27.9
Adjustments to EBITDA				
Closing down of dental clinics	0.3		0.3	
Closing down of Surgical Operations clinic	0.1		0.1	
Remeasurement to fair value of pre-existing interest in acquiree	-0.2		-0.3	
Conciliation agreement concerning the Group's facility expenses			0.2	
Costs arising from the integration of Care Services				0.1
Dismissal-related expenses	0.2		0.4	
Compensation related to a production agreement of the Surgical Operations service area that ended in the previous financial year				0.9
Adjustments to EBITDA in total	0.4	0.0	0.7	1.0
Adjusted EBITDA	8.5	7.1	34.1	28.9
Depreciation, amortisation and impairment	-3.6	-3.2	-14.2	-12.8
Adjustments to depreciation, amortisation and impairment				
Closing down of dental clinics			0.1	0.4
Closing down of Surgical Operations clinic, Tampere				0.1

Adjustments to depreciation, amortisation and impairment in total	0.0	0.0	0.1	0.5
Adjusted operating profit (EBIT)	4.9	3.9	20.0	16.6
Operating profit (EBIT)	4.6	3.9	19.1	15.1

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

EUR million	10– 12/2017 3 months	10– 12/2016 3 months	1–12/2017 12 months	1–12/2016 12 months
Revenue				0.9
Other operating income	-0.2		-0.3	
Employee benefit expenses	0.2		0.4	0.1
Other operating expenses (rent for business premises)	0.4		0.7	
EBITDA adjustment items total	0.4	0.0	0.7	1.0
Depreciation, amortisation and impairment			0.1	0.5
Operating profit adjustment items total	0.4	0.0	0.9	1.5

Pihlajalinna's financial reporting in 2018

Report by the Board of Directors and Financial Statements: no later than during week 11

Interim Report January–March: Friday, 4 May 2018

Half-Year Financial Report January–June: Thursday, 16 August 2018

Interim Report January–September: Thursday, 1 November 2018

Pihlajalinna Plc's Annual General Meeting is scheduled for 5 April 2018 in Tampere, Finland.

Briefing

Pihlajalinna Plc will hold a briefing for analysts and the media on Tuesday, 13 February 2018, at 10:00 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

Turku, 12 February 2018

Pihlajalinna Plc's Board of Directors

Further information

Joni Aaltonen, CEO, +358 40 524 7270

Siri Markula, Head of Communications and IR, +358 40 743 2177, siri.markula@pihlajalinna.fi

Distribution

Nasdaq Helsinki

Major media

investors.pihlajalinna.fi

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. 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.