



Pihlajalinna

HALF YEAR FINANCIAL REPORT
1 January–30 June 2018



Pihlajalinna Half Year Financial Report 1 Jan–30 Jun 2018 (6 months)

Pihlajalinna's result weighed down by expansion and structural reforms

Brief look at April–June:

- Revenue amounted to EUR 125.3 (106.7) million – an increase of 17.5 per cent
- EBITDA amounted to EUR 5.6 (7.1) million
- Adjusted EBITDA was EUR 6.6 (7.4) million
- Operating profit (EBIT) was EUR 0.8 (3.7) million
- Adjusted operating profit (EBIT) was EUR 1.9 (4.0) million
- IFRS 3 costs and amortisation related to M&A transactions had a negative effect of EUR 1.8 (1.2) million on operating profit
- Earnings per share (EPS) was EUR 0.00 (0.10)

Brief look at January–June:

- Revenue amounted to EUR 244.5 (216.7) million – an increase of 12.8 per cent
- EBITDA amounted to EUR 9.9 (16.0) million
- Adjusted EBITDA was EUR 10.5 (16.5) million
- Operating profit (EBIT) was EUR 0.9 (9.1) million
- Adjusted operating profit (EBIT) was EUR 1.6 (9.7) million
- IFRS 3 costs and amortisation related to M&A transactions had a negative effect of EUR 4.0 (2.3) million on operating profit
- The number of personnel at the end of the review period was 5,918 (4,898)
- Earnings per share (EPS) was EUR -0.06 (0.25)

KEY FIGURES AND RATIOS	4–6/2018 3 months	4–6/2017 3 months	1–6/2018 6 months	1–6/2017 6 months	2017 12 months
INCOME STATEMENT					
Revenue, EUR million	125.3	106.7	244.5	216.7	424.0
EBITDA, EUR million	5.6	7.1	9.9	16.0	33.3
EBITDA, %	4.4	6.7	4.0	7.4	7.9
Adjusted EBITDA, EUR million*	6.6	7.4	10.5	16.5	34.1
Adjusted EBITDA, %*	5.3	6.9	4.3	7.6	8.0
Operating profit (EBIT), EUR million	0.8	3.7	0.9	9.1	19.1
Operating profit, %	0.6	3.5	0.4	4.2	4.5
Adjusted operating profit (EBIT), EUR million*	1.9	4.0	1.6	9.7	20.0
Adjusted operating profit, %*	1.5	3.7	0.6	4.5	4.7
Profit before tax (EBT), EUR million	0.2	3.3	-0.4	8.3	17.4
SHARE-RELATED INFORMATION					
Earnings per share (EPS), EUR	0.00	0.10	-0.06	0.25	0.46
Equity per share, EUR			5.18	4.84	4.87
OTHER INFORMATION					
Return on capital employed (ROCE), %			5.1	10.6	11.8
Return on equity (ROE), %			5.9	11.8	13.6
Equity ratio, %			36.9	44.7	41.8
Gearing, %			78.8	32.4	32.3
Interest-bearing net debt, EUR million			97.4	33.5	34.2
Net debt/adjusted EBITDA, 12 months*			3.5	1.1	1.0
Gross investments, EUR million**	6.3	3.1	85.6	7.8	30.4
Cash flow from operating activities, EUR million	0.5	0.8	3.0	14.3	34.9
Cash flow after investments, EUR million	-5.0	-1.5	-42.7	8.0	16.4
Average number of personnel (FTE)			4,320	3,812	3,879
Personnel at the end of the period (NOE)			5,918	4,898	4,753

* 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 review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships, as well as fines and corresponding compensation payments. Pihlajalinna does not recognise as adjustments affecting comparability acquisition-related transfer taxes and expert fees (IFRS 3 costs) or purchase price allocation (PPA) amortisation.

EBITDA adjustments totalled EUR 1.1 (0.2) million for the quarter and EUR 0.7 (0.5) million for the review period. Adjustments to operating profit totalled EUR 1.1 (0.3) million for the quarter and EUR 0.7 (0.6) million for the review period.

** Finance leases are not included in the gross investments

Pihlajalinna's outlook for 2018

Revised outlook for 2018 (published on 20 June 2018):

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

Previous outlook for 2018 (published on 13 February 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:

The Group's revenue in the second quarter increased in line with expectations, but profitability declined compared to the previous year. EBITDA and the operating result continued to be weighed down by the start-up of new units, the lower profitability of occupational health services and the lower volume of reception centre services and surgical operations.

While the result for the second quarter was better than the result for the first quarter, it was not at the level we aim to achieve. We have taken measures to improve profitability and the result for the second quarter represents a step in the right direction. The implementation of the planned measures will continue. As we announced in June, putting into practice the structural reforms we initiated early in the year has taken more time than we expected. While the first half of the year has been weak, we remain confident that our planned measures, reforms



and new services will improve our profitability in the second half of the year. However, as we previously announced, they will not be sufficient to elevate our adjusted operating profit to last year's level or above it.

In June, Pihlajalinna increased its holdings in Pihlajalinna group companies that are jointly owned with municipalities. Pihlajalinna now owns 81 per cent of the share capital of Mäntänvuoren

Terveys Oy and Kolmostien Terveys Oy as well as 90 per cent of the share capital of Jokilaakson Terveys Oy. In addition, the company signed a conditional agreement with the Kuusiokunnat municipalities according to which it will increase its holding in Kuusiolinna Terveys Oy to 97 per cent by the end of the year. Service provision contracts and the shareholders' agreements of the companies remain unchanged.

In July, Pihlajalinna announced its withdrawal from the freedom of choice experiment in Jyväskylä. As the capitation payment set by the City of Jyväskylä does not cover the costs, the experiment has been unprofitable. The freedom of choice experiments currently underway in different locations across Finland use different capitation criteria, and there are also differences between the services included in the experiments. Pihlajalinna is continuing its involvement in the freedom of choice experiments in Tampere and Hämeenlinna.

The parliamentary Constitutional Law Committee issued a statement on the legislation package related to the reform of healthcare, social services and regional government at the beginning of June. The government amended the schedule of the healthcare and social welfare reform after the statement of the Constitutional Law Committee. The aim is to have parliament decide on all legislation pertaining to the reform of Finland's regional government, healthcare and social services in autumn 2018, and for the responsibility for organising healthcare and social services to be

transferred to the counties on 1 January 2021. County elections are planned for spring 2019.

Pihlajalinna's view is that there is still a strong need for health and social services reform and that the reform is worth implementing in spite of the drawbacks of the proposed model. In any case, the model must be reviewed and developed as more experience is accumulated. We are preparing for health and social services reform particularly by engaging in geographical expansion, but our strategy and growth are not dependent on the planned reforms.

In our view, the health and social services reform would provide faster access to basic-level care while also improving service quality. Achieving the financial goals would largely depend on the counties' capacity and willingness to take advantage of the opportunities presented to them, such as fixed compensation, a performance-based share and incentives. In our view, freedom of choice should be developed in such a way as to give the service providers of health and social services centres the obligation and the opportunity to take more extensive responsibility for customers, excluding demanding specialised care services. This could be achieved by introducing services from various specialised branches of medicine to the health and social service centres. This would allow customers to obtain care from a single location and avoid the fragmentation of the care path, unnecessary chains of referrals and needless bureaucracy.

Revenue by business area

Pihlajalinna's geographical business areas are Southern Finland, Mid-Finland, Ostrobothnia and Northern Finland.

- Southern Finland includes Pihlajalinna's business operations in the regions of Uusimaa, South West Finland, Päijät-Häme, Kymenlaakso and South Karelia.
- Mid-Finland includes Pihlajalinna's business operations in the regions of Pirkanmaa, Satakunta, Kanta-Häme, Central Finland, South Savo, North Karelia and North Savo.
- Ostrobothnia includes Pihlajalinna's business operations in the regions of Southern Ostrobothnia, Ostrobothnia and Central Ostrobothnia.
- Northern Finland includes Pihlajalinna's business operations in Northern Ostrobothnia, Kainuu and Lapland.

April–June 2018

EUR million	4–6/2018	%	4–6/2017	%
Southern Finland	28.5	20	16.3	13
Mid-Finland	80.1	57	75.4	62
Ostrobothnia	27.0	19	26.3	22
Northern Finland	3.2	2	1.3	1
Other operations	1.1	1	1.8	1
Intra-Group sales	-14.6		-14.5	
Total consolidated revenue	125.3		106.7	

The revenue of the Southern Finland business area amounted to EUR 28.5 (16.3) million, an increase of EUR 12.2 million, or 74 per cent. The acquisitions of the Forever fitness centre chain, Doctagon and Kymijoen Työterveys had a significant impact on the increase in the Southern Finland business area's revenue.

The revenue of the Mid-Finland business area amounted to EUR 80.1 (75.4) million, an increase of EUR 4.7 million, or 6 per cent. The majority of the growth was attributable to the acquisitions of Linnan Klinikka and Röntgentutka.

The revenue of the Ostrobothnia business area amounted to EUR 27.0 (26.3) million, an increase of EUR 0.7 million, or 3 per cent. The revenue growth of the Ostrobothnia business area was lower than expected due to the start of Pihlajalinna Seinäjoki's operations being delayed and weaker than expected.

The revenue of the Northern Finland business area amounted to EUR 3.2 (1.3) million, an increase of EUR 1.9 million, or 141 per cent. The business area's revenue was increased by the August 2017 acquisition of Caritas Lääkärit Oy and the start of operations at Pihlajalinna Oulu.

January–June 2018

EUR million	1–6/2018	%	1–6/2017	%	1–12/2017	%
Southern Finland	52.2	19	33.4	14	60.7	13
Mid-Finland	159.1	58	153.2	62	301.4	63
Ostrobothnia	53.4	20	52.9	22	105.4	22
Northern Finland	6.5	2	2.9	1	7.6	2
Other operations	2.0	1	3.1	1	6.0	1
Intra-Group sales	-28.8		-29.0		-57.1	
Total consolidated revenue	244.5		216.7		424.0	

The revenue of the Southern Finland business area amounted to EUR 52.2 (33.4) million, an increase of EUR 18.8 million, or 56 per cent. The acquisitions of the Forever fitness centre chain, Doctagon and Kymijoen Työterveys had a significant impact on the increase in the Southern Finland business area's revenue. The start of Pihlajalinna Turku's operations has been better than expected with regard to customer volumes.

The revenue of the Mid-Finland business area amounted to EUR 159.1 (153.2) million, an increase of EUR 5.9 million, or 4 per cent. The majority of the growth was attributable to the acquisitions of Linnan Klinikka and Röntgentutka.

The revenue of the Ostrobothnia business area amounted to EUR 53.4 (52.9) million, an increase of EUR 0.5 million, or 1 per cent. The revenue growth of the Ostrobothnia business area was lower than expected due to the start of Pihlajalinna Seinäjoki's operations being delayed and weaker than expected.

The revenue of the Northern Finland business area amounted to EUR 6.5 (2.9) million, an increase of EUR 3.6 million, or 122 per cent. The business area's revenue was increased by the August 2017 acquisition of Caritas Lääkärit Oy and the start of operations at Pihlajalinna Oulu.

Revenue by customer group

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

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

April–June 2018

EUR million	4–6/2018	%	4–6/2017	%
Corporate customers	25.3	18	20.9	17
of which insurance company customers	6.6	5	6.9	6
Private customers	24.3	17	18.0	15
Public sector	90.3	65	82.2	68
Intra-Group sales	-14.6		-14.5	
Total consolidated revenue	125.3		106.7	

Revenue from corporate customers during the quarter amounted to EUR 25.3 (20.9) million, an increase of EUR 4.4 million, or 21 per cent. Sales to insurance company customers declined by EUR 0.4 million, or 5 per cent, due to patient guidance by insurance companies.

Revenue from private customers during the quarter amounted to EUR 24.3 (18.0) million, an increase of EUR 6.3 million, or 35 per cent. The acquisition of the Forever fitness centre chain contributed significantly to the increase in revenue from private customers during the quarter.

Revenue from public sector customers during the quarter totalled EUR 90.3 (82.2) million, an increase of EUR 8.1 million, or 10 per cent. The majority of the growth was attributable to the acquisitions of Doctagon and Kymijoen Työterveys.

January–June 2018

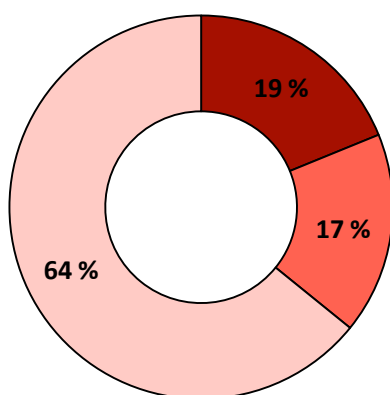
EUR million	1–6/2018	%	1–6/2017	%	1–12/2017	%
Corporate customers	51.5	19	43.4	18	82.6	17
of which insurance company customers	13.2	5	14.7	6	26.6	6
Private customers	46.5	17	37.0	15	68.0	14
Public sector	175.4	64	165.2	67	330.5	69
Intra-Group sales	-28.8		-29.0		-57.1	
Total consolidated revenue	244.5		216.7		424.0	

Revenue from corporate customers during the review period amounted to EUR 51.5 (43.4) million, an increase of EUR 8.1 million, or 19 per cent. Sales to insurance company customers declined by EUR 1.6 million, or 11 per cent, due to patient guidance by insurance companies.

Revenue from private customers during the review period totalled EUR 46.5 (37.0) million, an increase of EUR 9.4 million, or 26 per cent. The acquisition of the Forever fitness centre chain contributed significantly to the increase in revenue from private customers during the review period.

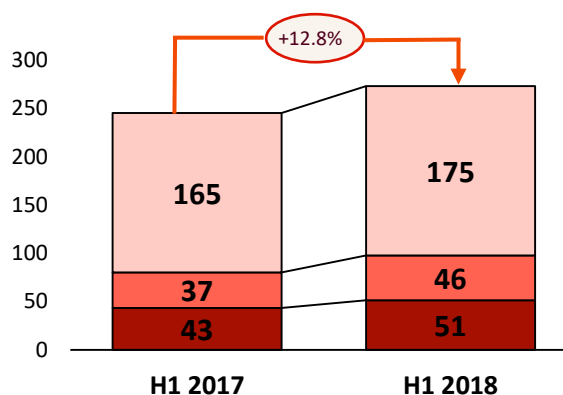
Revenue from public sector customers during the period amounted to EUR 175.4 (165.2) million, an increase of EUR 10.1 million, or 6 per cent. The majority of the growth was attributable to the acquisitions of Doctagon and Kymijoen Työterveys.

**H1 2018 REVENUE
BY CUSTOMER GROUP**



■ Corporate customers ■ Private customers ■ Public sector

**H1 REVENUE
BY CUSTOMER GROUP,
EUR MILLION**



■ Corporate customers ■ Private customers ■ Public sector

Consolidated revenue and result

April–June 2018

Pihlajalinna's revenue for the second quarter amounted to EUR 125.3 (106.7) million, an increase of EUR 18.6 million, or 17.5 per cent. Growth in revenue due to M&A transactions was EUR 19.0 million, or 17.8 per cent. The most significant M&A transactions were the acquisitions of the Forever fitness centre chain, Doctagon Oy and Kymijoen Työterveys Oy in the first quarter.

Second quarter EBITDA amounted to EUR 5.6 (7.1) million, a decrease of EUR 1.6 million, or 22 per cent. The start-up of new private clinics reduced EBITDA by EUR 0.9 million. The lower profitability of occupational health services and the lower volume of reception centre services and surgical operations also weighed down on profitability during the quarter. Transfer taxes and expert fees related to M&A transactions (IFRS 3 costs) reduced profitability by EUR 0.4 (0.2) million during the quarter.

The EBITDA of acquired companies totalled EUR 1.5 million during the quarter.

Adjusted EBITDA was EUR 6.6 (7.4) million, a decrease of EUR 0.8 million, or 10 per cent. EBITDA adjustments for the quarter totalled EUR 1.1 (0.2) million.

Depreciation, amortisation and impairment for the quarter amounted to EUR 4.8 (3.4) million. Amortisation and impairment of intangible assets was EUR 1.8 (1.3) million, of which the purchase price allocation (PPA) amortisation was EUR 1.4 (0.9) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.9 (2.2) million.

Pihlajalinna's operating profit (EBIT) for the quarter was EUR 0.8 (3.7) million, a decrease of EUR 2.9 million, or 78 per cent. The EBIT-to-revenue ratio (EBIT margin) for the quarter was 0.6 (3.5) per cent. The adjusted operating profit (EBIT) for the quarter was EUR 1.9 (4.0) million, a decrease of EUR 2.1 million, or 53 per cent. The adjusted EBIT margin was 1.5 (3.7) per cent.

Pihlajalinna's public specialised care revenue included in complete social and healthcare outsourcings amounted to EUR 21.6 (20.8) million for the quarter. The EBITDA and operating result of public specialised care amounted to EUR -0.3 (-0.9) million and EUR -0.4 (-0.9) million, respectively. The cost accumulation of public specialised care involves random fluctuation. Individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the costs of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal joint ventures.

The Group's net financial expenses for the quarter totalled EUR -0.6 (-0.4) million. The quarter's result before taxes amounted to EUR 0.2 (3.3) million, a decrease of EUR 3.1 million, or 94 per cent. Taxes in the income statement amounted to EUR -0.3 (-0.7) million. The result for the quarter was EUR -0.1 (2.7) million. Earnings per share (EPS) was EUR 0.00 (0.10).

January–June 2018

Pihlajalinna's revenue for the review period amounted to EUR 244.5 (216.7) million, an increase of EUR 27.8 million, or 12.8 per cent. Growth in revenue due to M&A transactions was EUR 31.7 million, or 14.6 per cent. The most significant M&A transactions were the acquisitions of the Forever fitness centre chain, Doctagon Oy and Kymijoen Työterveys Oy.

EBITDA for the review period was EUR 9.9 (16.0) million, a decrease of EUR 6.2 million, or 38 per cent.

The start-up of new private clinics reduced EBITDA by EUR 2.3 million. The lower profitability of occupational health services and the lower volume of reception centre services and surgical operations also weighed down on profitability during the period. Transfer taxes and expert fees related to M&A transactions (IFRS 3 costs) reduced profitability by EUR 1.6 (0.4) million during the review period.

The EBITDA of acquired companies totalled EUR 2.9 million during the review period.

As part of Pihlajalinna's structural reforms, the Group carried out codetermination negotiations for production-related reasons and due to the restructuring of business operations. The negotiations were concluded

on 14 March 2018 and the number of staff reductions was 25. As a result of the reductions, personnel expenses will be reduced by approximately EUR 2.8 million per year. Employment termination expenses related to staff reductions amounted to EUR 0.6 million for the review period.

Adjusted EBITDA was EUR 10.5 (16.5) million, a decrease of EUR 6.0 million, or 36 per cent. EBITDA adjustments for January–June totalled EUR 0.7 (0.5) million.

Depreciation, amortisation and impairment for the period amounted to EUR 9.0 (6.9) million. Amortisation and impairment of intangible assets was EUR 3.4 (2.5) million, of which purchase price allocation (PPA) amortisation was EUR 2.5 (1.9) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 5.6 (4.4) million.

Pihlajalinna's operating profit for the review period amounted to EUR 0.9 (9.1) million, a decrease of EUR 8.2 million, or 90 per cent. The EBIT-to-revenue ratio (EBIT margin) for the period was 0.4 (4.2) per cent. The adjusted operating profit (EBIT) for the period was EUR 1.6 (9.7) million, a decrease of EUR 8.1 million, or 84 per cent. The adjusted EBIT margin was 0.6 (4.5) per cent.

Pihlajalinna's public specialised care revenue included in complete social and healthcare outsourcings amounted to EUR 43.1 (42.7) million for the period. The EBITDA and operating result of public specialised care amounted to EUR -1.3 (-0.7) million and EUR -1.4 (-0.8) million, respectively. The cost accumulation of public specialised care involves random fluctuation. Individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the costs of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal joint ventures.

The Group's net financial expenses for the review period totalled EUR -1.3 (-0.8) million. The period's result before taxes amounted to EUR -0.4 (8.3) million, down EUR 8.8 million, or 105 per cent. Taxes in the income statement amounted to EUR -0.3 (-1.7) million. The result for the period was EUR -0.7 (6.6) million. Earnings per share (EPS) was EUR -0.06 (0.25).

Market and legislation review

The parliamentary Constitutional Law Committee issued a statement on the legislation package related to the reform of healthcare, social services and regional government at the beginning of June. The government amended the schedule of the healthcare and social welfare reform after the statement of the Constitutional Law Committee. The aim is to have parliament decide on all legislation pertaining to the reform of Finland's regional government, healthcare and social services in autumn 2018, and for the responsibility for organising healthcare and social services to be transferred to the counties on 1 January 2021. County elections are planned for spring 2019.

Personal budgets and service vouchers would be adopted on 1 January 2022. Health and social services centres and dental care units would begin operating on 1 January 2023. Health and social services centres may begin operations earlier, at the county's request, provided that the relevant criteria are met.

According to an estimate by the Ministry of Social Affairs and Health, 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). According to the ministry's calculations, private service providers' share of primary care services would increase from the current level of 7 per cent to an estimated 26 per cent. In specialised care, their share would increase from five to six per cent.

Pihlajalinna's view is that 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, as the population

ages and the public sector cuts and centralises specialised care in fewer units. This will present private operators with the opportunity to increase their share of specialised care service production.

Due to the planned policies related to health and social services, municipalities are presently seeking social and healthcare service 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.

In May, Pihlajalinna and the municipality of Laihia signed a shareholders' agreement regarding a joint venture and the production of residential services in Laihia for senior citizens and people with disabilities. Laihia Hyvinvointi Oy will produce the services starting from 1 September 2018.

Activity in the outsourcing market has increased as the decision on health and social services reform has been delayed. City of Kristiinankaupunki has initiated negotiation procedures to outsource part of its social and healthcare services to a joint venture between the municipality and a service provider.

The municipal council of Nokia decided on 19 June 2018 to terminate its assessment of having the city of Nokia join the Mänttä-Vilppula social and healthcare partnership area.

The private market has remained unchanged. 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. For example, the City of Kotka sold Kymijoen Työterveys Oy to Pihlajalinna 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.

Consolidated statement of financial position and cash flow

At the end of the review period, Pihlajalinna Group's total statement of financial position was EUR 335.2 (232.4) million. Consolidated cash and cash equivalents stood at EUR 27.4 (27.0) million.

The Group's net cash flow from operating activities during the review period amounted to EUR 3.0 (14.3) million. Cash flow from operating activities for the quarter totalled EUR 0.5 (0.8) million. Taxes paid during the review period amounted to EUR -2.6 (-2.0) million. The change in working capital was EUR -4.4 (0.6) million during the review period. In the second quarter, the change in working capital was EUR -5.5 (-4.6) million. Cash flow from operating activities during the review period and the second quarter was reduced by the lower EBITDA and working capital being tied up in receivables.

Net cash flow from investing activities totalled EUR -45.7 (-6.3) million. Subsidiary acquisitions had an impact of EUR -33.6 (-3.7) million on net cash flow from investing activities during the review period. Investments in property, plant and equipment and intangible assets during the review period totalled EUR -12.4 (-2.9) million, and proceeds from the disposals of property, plant and equipment and subsidiaries totalled EUR 0.2 (0.2) million. Dividends received amounted to EUR 0.0 (0.1) million.

The Group's cash flow after investments (free cash flow) was EUR -42.7 (8.0) million.

Net cash flow from financing activities totalled EUR 33.0 (-8.5) million. The Group withdrew EUR 106.5 (5.0) million in new loans and repaid its financial liabilities, including changes in credit limits, by a total of EUR 60.0 (5.7) million. Pihlajalinna Plc distributed dividends of EUR 3.6 (3.1) million during the quarter. Dividends of EUR 0.5 (2.3) million were distributed to non-controlling interests during the review period. Repayments of financial lease liabilities totalled EUR 1.7 (1.6) million and interest paid and other financial expenses amounted to EUR 1.2 (0.9) million. Changes in non-controlling interests had a net effect of EUR -6.4 (0.0) million on cash flow. At the end of the review period, Pihlajalinna increased its holdings in Pihlajalinna group companies that are jointly owned with municipalities.

The Group's gearing was 78.8 (32.4) per cent at the end of the review period. Interest-bearing net debt amounted to EUR 97.4 (33.5) million. The Group's gearing for the period was particularly increased by acquisitions, which had a combined cash flow effect of EUR -29.6 (-3.2) million. The Group also paid EUR -4.0 (-0.5) million in contingent considerations (earn-out payments) during the review period.

During the review period, the return on capital employed was 5.1 (10.6) per cent and return on equity was 5.9 (11.8) per cent.

Financing arrangements

Pihlajalinna reorganised its debt financing in the first quarter. A new five-year EUR 120 million unsecured financing arrangement was concluded with Danske Bank and Nordea. The arrangement comprises a EUR 50 million revolving credit facility and a long-term loan of EUR 70 million. It also includes an opportunity to increase the total amount by EUR 60 million (to EUR 180 million), subject to separate decisions on a supplementary loan from the funding providers.

The financing arrangement includes the customary leverage (ratio of net debt to pro forma EBITDA) and gearing covenants. The Group met the set covenants on 30 June 2018.

The Group's credit limit agreements valid until further notice, totalling EUR 10 million, remained unchanged. The notice period of the credit limit agreements is one month.

At the end of the review period, Pihlajalinna had a total of EUR 44.4 million in unused committed credit limits.

Capital expenditure and acquisitions

Acquired entity	Month of acquisition	Industry	Domicile
Leaf Areena Oy, 100% of the share capital	6/2018	Fitness centres	Turku
Suomen Yksityiset Hammaslääkärit chain, 51% of the share capital	3/2018	Dental care	Several
Doctagon Oy, 100% of the share capital (directed share issue)	3/2018	Private clinic operations, occupational health services, staffing services	Helsinki
Forever fitness centre chain, 70% of the share capital	2/2018	Fitness centres	Several
Röntgentutka Oy, 50% of the share capital (previous holding 50%, acquisition achieved in stages)	2/2018	Imaging	Tampere
Linnan Klinikka Oy, 100% of the share capital	2/2018	Private clinic operations, occupational health services	Hämeenlinna
Kymijoen Työterveys Oy, 100% of the share capital	2/2018	Occupational health services	Kotka
Salon Lääkintälaboratorio Oy (Sallab), 100% of the share capital	1/2018	Private clinic operations, occupational health services	Salo
Someron Lääkärikeskus Oy, 100% of the share capital	1/2018	Private clinic operations, occupational health services	Somero

A summary of the acquisitions made during the review period is presented in the tables section of the Half Year Financial Report.

Gross investments, including acquisitions, totalled EUR 85.6 (7.8) million in the review period. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of development, additional and replacement investments required for growth, amounted to EUR 2.6 (3.8) million during the review period. Capital expenditure relating to the opening of new units totalled EUR 11.9 (0.1) million. Gross investments associated with M&A transactions totalled EUR 71.1 (3.9) million.

The Group's investment commitments related to development, additional and replacement investments and the opening of new units amounted to approximately EUR 2.7 million.

Pihlajalinna has made a commitment to acquire an assisted living facility and two smaller care homes from the municipality of Laihia. Pihlajalinna will also construct a new assisted living facility based on a subletting model in Laihia, with capacity for 60 residents.

Pihlajalinna's expansion will continue in spite of the postponement of the potential reform of health and social services until 2021. During the 2017 financial year, Pihlajalinna announced it plans to open new units in 10 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 opened on 7 March 2018. The company estimates that the greenfield investments required for the new clinics will remain under EUR 40 million in total.

Acquisitions of non-controlling interests

In June 2018, Pihlajalinna increased its holdings in Pihlajalinna group companies that are jointly owned with municipalities. Pihlajalinna now owns 81 per cent of the shares of Mäntänvuoren Terveys Oy and Kolmostien Terveys Oy as well as 90 per cent of the shares of Jokilaakson Terveys Oy. In addition, the company signed a conditional agreement with the Kuusiokunnat municipalities according to which it will increase its holding in Kuusiolinna Terveys Oy to 97 per cent by the end of the year.

Pihlajalinna has paid a total of EUR 8.4 million for the completed share acquisitions. According to the conditional agreement, the transaction price for the acquisition of Kuusiolinna Terveys shares is EUR 18.4 million.

Company	Pihlajalinna's holding, 1 April 2018	Pihlajalinna's holding, 30 June 2018	Beginning year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	51 %	90 %	2010	
Kuusiolinna Terveys Oy	51 %	51 % (will increase to 97 % after the parties have signed a separate entry into force document)	2016	10+5
Mäntänvuoren Terveys Oy	66 %	81 %	2016	10+5
Kolmostien Terveys Oy	71 %	81 %	2015	10+5

Research and development

Development costs that fulfilled the criteria for capitalisation amounted to EUR 0.4 (0.0) million during the review period.

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 the EU General Data Protection Regulation.

Personnel

At the end of the review period, the number of personnel was 5,918 (4,898), an increase of 1,020 persons or 21 per cent. During the review period, the Group's personnel averaged 4,320 (3,812) persons as full-time equivalents, an increase of 509 persons or 13 per cent. The Group's employee benefit expenses totalled EUR 106.3 (89.3) million for the period, an increase of EUR 17.1 million or 19 per cent.

The increase in the number of personnel was primarily due to acquisitions made during the review period as well as newly opened business locations.

Management changes and Management Team

Pihlajalinna's Board of Directors appointed the following ten (10) members to the Group Management Team on 14 March 2018:

Joni Aaltonen, CEO
Minna Elomaa, Head of Business Operations, Southern Finland
Tero Järvinen, Head of Business Operations, Ostrobothnia
Teija Kulmala, Head of Business Operations, Mid-Finland
Ville Lehtonen, CFO
Siri Markula, Head of Communications and IR
Perttu Monthan, CDO
Sanna Määttänen, Head of Service and Product Development
Pauliina Rannikko, Head of HR and General Counsel
Pauli Waroma, CMO

Board of Directors

The Annual General Meeting held on 5 April 2018 decided that the Board of Directors will be composed of eight (8) members. Timo Everi, Leena Niemistö, Jari Sundström, Seija Turunen and Mikko Wirén were re-elected and Matti Bergendahl, Kati Sulin and Gunvor Kronman were elected as new members of the Board of Directors for a term of office ending at the conclusion of the next Annual General Meeting.

The AGM elected Mikko Wirén as the Chairman of the Board and Matti Bergendahl as Vice-Chairman.

Committees nominated by the Board

Audit Committee: Seija Turunen (chairman), Matti Bergendahl, Leena Niemistö and Kati Sulin
Remuneration Committee: Mikko Wirén (chairman), Timo Everi, Gunvor Kronman and Jari Sundström.

Shareholders' Nomination Board

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.

The Annual General Meeting of 5 April 2018 amended the second paragraph of Section 2 of the Charter of the Shareholders' Nomination Board. The paragraph in question has been published in its entirety on 5 April 2018 in the stock exchange release announcing the resolutions of Pihlajalinna Plc's Annual General Meeting of Shareholders.

Remuneration of the members of the Board of Directors

The Annual General Meeting of 5 April 2018 decided that the remuneration of Board members shall remain unchanged as follows: the full-time Chairman EUR 250,000, the Deputy Chairman EUR 48,000 and the other members EUR 24,000 per year.

In addition, the AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. In addition, reasonable travelling expenses would be paid according to the Company travel rules.

Auditors and Auditing

At Pihlajalinna's Annual General Meeting held on 5 April 2018, KPMG Oy Ab, a firm of authorised public accountants, was elected as the company's auditor for the financial year 1 January–31 December 2018. Lotta Nurminen, APA, is the principal auditor.

Shares and shareholders

Pihlajalinna acquired the entire share capital of Doctagon Oy through a directed share issue. In the directed share issue, the entire transaction price for Doctagon Oy, totalling EUR 30,105,000, was paid in Pihlajalinna Plc shares. The directed share issue offered 2,006,989 new shares to be subscribed according to the purchase deed terms with a subscription price of EUR 15.00 per share. The number of shares issued corresponded to approximately 10 per cent of all of Pihlajalinna Plc's shares before issuing the new shares. The total number of Pihlajalinna Plc's shares after the registration of the new shares is 22,620,135. The shares were entered in the Trade Register on 14 March 2018.

At the end of the review period, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of shares outstanding was 22,620,135. 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 review period, the company had 14,609 (10,622) 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	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
No. of shares outstanding at the end of the period	22,620,135	20,613,146	22,620,135	20,613,146	20,613,146
Average no. of shares outstanding during the period	21,821,775	20,613,146	21,821,775	20,613,146	20,613,146
Highest price, EUR	13.56	18.17	15.28	18.42	18.42
Lowest price, EUR	10.66	16.20	10.66	16.20	12.60
Average price, EUR*	11.73	17.43	12.88	17.42	16.30
Closing price, EUR	11.28	17.45	11.28	17.45	13.34
Share turnover, 1,000 shares	2,225	1,425	4,337	2,519	5,189
Share turnover, %	9.8	6.9	19.2	12.2	25.2
Market capitalisation at the end of the period, EUR million	255.2	359.7	255.2	359.7	274.0

* average share price weighted by trading volume

Board authorisations

The Annual General Meeting of 5 April 2018 authorised the Board of Directors to resolve on the repurchase of the company's own shares using non-restricted equity. The shares may be purchased as a directed repurchase. The authorisation is for a maximum of 2,061,314 shares. The authorisation will remain in force until the end of the next AGM, however, no longer than until 30 June 2019.

The Annual General Meeting of 5 April 2018 authorised the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act. Pursuant to the authorisation, the share issue may be carried out as a directed share issue. The authorisation is for a maximum of 3,091,971 shares. The authorisation concerns both the issuance of new shares and the transfer of the company's own shares. The authorisation will remain in force until the end of the next AGM, however, no longer than until 30 June 2019.

Risks and uncertainties in business operations

Pihlajalinna uses a risk management tool for the active 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 segments of social and healthcare services but, on the other hand, the Group's extensive operations in different segments may partially balance out the effects of reforms. The Group closely monitors political decision-making processes.

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.

Determining 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 half year financial report.

In addition, the most essential risks and uncertainties affecting the Group's operations are connected to the success of opening new locations, acquisitions 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 3.2 (1.9) million in substantially delayed payments from a significant customer. The matter concerns a contractual dispute under civil law with the customer in question. According to the assessment of Pihlajalinna's management, the customer in question has no grounds for withholding payments. Pihlajalinna's management further expects that the customer will pay the receivables in full.

At the end of June 2018, goodwill on Pihlajalinna's statement of financial position amounted to EUR 162.7 (94.4) million. Pihlajalinna checks annually, and whenever events or circumstances suggest potential impairment, that the carrying amount of goodwill does not exceed the fair value. During the review period, Pihlajalinna observed no indications of the carrying amount of goodwill being greater than its estimated recoverable amount.

Flagging notifications

During the review period, Pihlajalinna received the following flagging notifications under Chapter 9, Section 5 of the Securities Markets Act:

Date	Shareholder	Threshold	Total shareholding, %	Number of shares at the time of the flagging notice
24 May 2018	Fennia Group (Fennia Mutual Insurance Company and Fennia Life)	Over 5%	6.03 %	1,364,252
14 Mar 2018	LocalTapiola Group (LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company)	Under 25%	23.76 %	5,375,350
15 Feb 2018	LocalTapiola Group (LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company)	Over 25%	26.07 %	5,373,026

Current incentive schemes

On 14 May 2018, the Board of Directors of Pihlajalinna Plc approved the establishment of a share-based long-term incentive programme for the key employees of Pihlajalinna.

The programme includes a three-year scheme and none of the share rewards received by the key employees thereunder may be sold or transferred prior to the year 2021. The key employee shall, in addition, make an investment in Pihlajalinna shares as a precondition for participation in the programme.

The programme consists of a matching share plan which is based on the aforementioned individual share investment and which has one-year retention period (the calendar year 2018) as well as a performance matching plan consisting of two- and three-year performance periods, comprising the calendar years 2018–2019 and 2018–2020 respectively.

The matching share plan comprises the individual key employee's investment in Pihlajalinna's shares and the delivery of one matching share for each invested share without consideration (gross before the deduction of the applicable payroll tax) in the calendar year 2019. Both the invested shares and the matching shares will be subject to a two-year transfer restriction.

The performance matching plan comprises separate two- and three-year performance periods. The potential share rewards will be delivered after the respective performance periods during the calendar years 2020 and 2021 respectively if the performance targets set by the Board of Directors are achieved. A precondition for a key employee's participation in the performance matching plan is the aforementioned investment in Pihlajalinna's shares. The share rewards will be subject to a two-year transfer restriction. The performance criteria applied to the performance matching plan are the adjusted operating profit of Pihlajalinna Group and key operative targets.

A precondition for the payment of share rewards based on the plan is that the realised adjusted operating profit for the calendar year 2018 meets the company's outlook effective on 14 May 2018.

If all the eligible key employees within the maximum number of participants referred to below participate in the programme by fulfilling the investment precondition and if the performance targets set for the two performance periods are fully achieved, the maximum aggregate amount of share rewards that may be delivered based on the programme is approximately 840,000 shares (gross before the deduction of the applicable payroll tax).

The Board of Directors has as of now selected approximately 20 key employees as eligible for participation in the programme. The number of key employees eligible for participation in the programme, including the persons selected as of now and possible additional participants, is approximately 65 persons.

During the review period, the company did not use any share-based incentive schemes pertaining to the Board of Directors.

Events after the review period

The company had no significant events after the review period.

Accounting policies

This (unaudited) Half Year Financial Report has been prepared in compliance with IFRS standards and the requirements of IAS 34 (Interim Financial reporting). All figures have been rounded, due to which the actual total of individual figures may differ from the total presented. Key figures and figures reflecting changes have been calculated using the exact figures.

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

Pihlajalinna has implemented changes to its segment reporting as a result of structural reforms. Effective from the beginning of 2018, Pihlajalinna's operating segments are the Group's geographical business areas, which are combined into one reporting segment.

Pihlajalinna reports its Group-level results as its segment data in 2018, with the Group-level results for 2017 presented as comparison figures. Pihlajalinna also reports its revenue in 2018 based on business areas and customer groups according to the IFRS 15 requirements regarding the disaggregation of revenue.

The half year financial report has been prepared in compliance with the IFRS standards currently approved for application in the European Union. The half year financial report has been prepared according to the accounting policies applied in the financial statements of 31 December 2017, taking into account the new and amended standards and interpretations that became effective on 1 January 2018. The calculation formulas for key financial figures and alternative performance measures as well as the justifications for their presentation are provided in Pihlajalinna's financial statements release 2017 and the report by the Board of Directors.

The adoption of the **IFRS 15 Revenue from Contracts with Customers** has not had an impact on the Group's equity or the revenue recognition principles applied by Pihlajalinna. The standard has, however, increased the amount of information presented with regard to revenue. Starting from 1 January 2018, Pihlajalinna presents the Group's revenue distribution by business area and by customer group.

In response to the adoption of **IFRS 9 Financial Instruments**, Pihlajalinna has revised its accounting model for credit losses to comply with the requirements of the standard. Expected credit losses are now recognised at the beginning of a contract. The adoption of the standard has not had an impact on the Group's equity and the change does not have a material impact on the Group's result.

Impacts of future IFRS standards

Pihlajalinna will adopt IFRS 16 Leases as of the beginning of the financial year starting on 1 January 2019.

- **IFRS 16 Leases.** 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 review period, the Group's operating leases totalled EUR 88.6 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 adoption of the standard will have significant impacts on Pihlajalinna's financial statements. The change will also have effects on balance sheet-based indicators, such as gearing. The adoption of the standard will not have an impact on cash flow.

During the review period, Pihlajalinna continued to prepare for the adoption of the standard by choosing a system that facilitates its adoption. The preparations for the adoption of the standard will continue during the current financial year by establishing, scheduling and allocating resources to an implementation project.

Tables

1 January–30 June 2018

Consolidated statement of comprehensive income

EUR million	4–6/2018 3 months	4–6/2017 3 months	1–6/2018 6 months	1–6/2017 6 months	2017 12 months
Revenue	125.3	106.7	244.5	216.7	424.0
Other operating income	0.6	0.3	2.0	0.5	2.3
Materials and services	-49.7	-44.7	-98.3	-91.4	-175.5
Employee benefit expenses	-54.4	-45.2	-106.3	-89.3	-175.4
Other operating expenses	-16.4	-10.0	-32.1	-20.7	-42.3
Share of profit in associated companies and joint ventures	0.0	0.1	0.0	0.2	0.3
EBITDA	5.6	7.1	9.9	16.0	33.3
Depreciation, amortisation and impairment	-4.8	-3.4	-9.0	-6.9	-14.2
Operating profit (EBIT)	0.8	3.7	0.9	9.1	19.1
Financial income	0.0	0.1	0.1	0.1	0.2
Financial expenses	-0.7	-0.4	-1.4	-0.9	-1.9
Profit before taxes	0.2	3.3	-0.4	8.3	17.4
Income tax	-0.3	-0.7	-0.3	-1.7	-3.4
Profit for the period*	-0.1	2.7	-0.7	6.6	14.1
Total comprehensive income for the period	-0.1	2.7	-0.7	6.6	14.1
Total comprehensive income for the period attributable:					
To the owners of the parent company	0.0	2.0	-1.2	5.2	9.5
To non-controlling interests	-0.1	0.7	0.5	1.4	4.6
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)					
Basic and diluted	0.00	0.10	-0.06	0.25	0.46

* The Group has not had any other comprehensive income items

Consolidated statement of financial position

EUR million	30 June 2018	30 June 2017	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	72.8	56.1	61.9
Goodwill	162.7	94.4	103.9
Other intangible assets	23.3	17.0	16.6
Interests in associates	0.0	2.9	3.0
Available-for-sale financial assets	0.2	0.0	0.1
Other receivables	1.7	2.8	1.6
Deferred tax assets	3.2	1.9	2.2
Total non-current assets	263.9	175.0	189.3
Current assets			
Inventories	2.5	2.1	2.2
Trade and other receivables	39.0	27.3	24.0
Current tax assets	2.4	1.0	1.1
Cash and cash equivalents	27.4	27.0	37.1
Total current assets	71.3	57.3	64.3
Total assets	335.2	232.4	253.6
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	116.5	87.9	87.9
Retained earnings	1.5	6.6	2.8
Result for the review period	-1.2	5.2	9.5
	116.8	99.8	100.3
Non-controlling interests	6.7	3.7	5.6
Total equity	123.5	103.5	105.9
Non-current liabilities			
Deferred tax liabilities	6.6	5.6	5.5
Financial liabilities	116.3	58.7	66.3
Other non-current liabilities	1.6	1.7	1.7
Provisions	0.7	0.7	0.8
Total non-current liabilities	125.2	66.7	74.3
Current liabilities			
Provisions	0.2		
Trade and other payables	73.5	56.7	61.8
Current tax liabilities	1.7	1.8	1.3
Financial liabilities	11.0	3.7	10.3
Total current liabilities	86.5	62.2	73.4
Total liabilities	211.6	128.9	147.7
Total equity and liabilities	335.2	232.4	253.6

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company			Non-controlling interests	Equity Total
	Share capital	Reserve for invested unrestricted equity	Retained earnings		
Total equity, 1 Jan. 2017	0.1	87.9	9.7	3.2	101.0
Profit for the period			5.2	1.4	6.6
Total comprehensive income for the period			5.2	1.4	6.6
Dividends paid			-3.2	-1.0	-4.1
Total transactions with owners			-3.2	-1.0	-4.1
Changes in NCI without a change in control				0.0	0.0
Total changes in ownership interests				0.0	0.0
Total equity, 30 Jun. 2017	0.1	87.9	11.8	3.7	103.5

Total equity, 31 Dec. 2017	0.1	87.9	12.3	5.6	105.9
IFRS 15 adoption			0.0		0.0
IFRS 9 adoption			0.0		0.0
Total equity, 1 Jan. 2018	0.1	87.9	12.3	5.6	105.9
Profit for the period			-1.2	0.5	-0.7
Total comprehensive income for the period			-1.2	0.5	-0.7
Directed share issue		28.6			28.6
Dividends paid			-3.6	-1.2	-4.8
Investments in Group companies				2.4	2.4
Total transactions with owners		28.6	-3.6	1.2	26.1
Changes in NCI without a change in control			-7.2	-0.5	-7.7
Total changes in ownership interests			-7.2	-0.5	-7.7
Total equity, 30 Jun. 2018	0.1	116.5	0.2	6.7	123.5

Consolidated statement of cash flows

EUR million	4–6/2018 3 months	4–6/2017 3 months	1–6/2018 6 months	1–6/2017 6 months	2017 12 months
Cash flow from operating activities					
Cash receipts from sales	123.9	108.7	242.8	217.3	423.8
Cash receipts from other operating income	0.6	0.2	0.9	0.2	1.5
Operating expenses paid	-123.4	-106.5	-238.1	-201.2	-386.0
Operating cash flow before financial items and taxes	1.1	2.4	5.5	16.2	39.3
Interest received	0.0	0.1	0.1	0.1	0.2
Taxes paid	-0.7	-1.6	-2.6	-2.0	-4.6
Net cash flow from operating activities	0.5	0.8	3.0	14.3	34.9
Cash flows from investing activities					
Investments in tangible and intangible assets	-4.7	-1.5	-12.4	-2.9	-10.1
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.0	0.1	0.2	0.2	0.2
Changes in other investments	0.0	0.0	0.0	0.0	-0.1
Changes in loan receivables					0.3
Dividends received	0.0	0.1	0.0	0.1	0.1
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-0.8	-1.0	-33.6	-3.7	-8.9
Net cash flow from investing activities	-5.5	-2.3	-45.7	-6.3	-18.5
Cash flows from financing activities					
Changes in non-controlling interests	-8.8	0.0	-6.4	0.0	-4.0
Proceeds from borrowings	11.0		106.5	5.0	14.5
Repayment of borrowings	-1.4	-5.2	-60.0	-5.7	-6.4
Repayment of financial lease liabilities	-0.9	-0.8	-1.7	-1.6	-3.2
Interest and other operational financial expenses	-0.7	-0.4	-1.2	-0.9	-1.8
Dividends paid and other profit distribution	-4.1	-3.1	-4.1	-5.4	-5.9
Net cash flow from financing activities	-4.8	-9.4	33.0	-8.5	-6.9
Changes in cash and cash equivalents	-9.8	-11.0	-9.7	-0.6	9.5
Cash at the beginning of the review period	37.1	37.9	37.1	27.5	27.5
Cash at the end of the review period	27.4	27.0	27.4	27.0	37.1

Contingent liabilities and commitments

EUR million	30 June 2018	30 June 2017	31 December 2017
Collateral given on own behalf			
Pledged collateral notes	1.7	1.1	1.3
Sureties	2.3	0.3	3.1
Rental deposits	1.7	1.3	1.6
Collateral given on behalf of associated companies			
Sureties	0.0	3.2	
Other contingent liabilities			
Lease commitments	88.6	30.5	50.1

Pihlajalinna has signed a conditional agreement with the Kuusiokunnat municipalities according to which it will increase its ownership holdings in Kuusioliina Terveys Oy to 97 %. According to the conditional agreement, the transaction price for the acquisition of Kuusioliina Terveys shares is EUR 18.4 million. The Group's investment commitments related to development, additional and replacement investments and the opening of new units amount to approximately EUR 2.7 million. Pihlajalinna will acquire an assisted living facility and two smaller care homes from the municipality of Laihia. Pihlajalinna will also construct a new assisted living facility based on a subletting model in Laihia, with capacity for 60 residents.

Related party transactions

EUR million	1–6/2018	1–6/2017	2017
Key management personnel			
Rents paid	0.6	0.5	1.1
Services procured	0.9	1.0	1.3
Trade payables	0.2	0.1	0.1
Other liabilities		0.2	
Associated companies and joint ventures			
Services sold		0.0	0.0
Services procured	0.0	0.7	1.0
Rents received	0.0	0.1	0.2
Interest and commissions received		0.0	0.1
Dividends received		0.1	0.1
Trade payables		0.0	0.1
Interest and provision receivables		0.1	
Loan receivables		1.3	

Changes in property, plant and equipment

EUR million	30 June 2018	30 June 2017	31 December 2017
Acquisition cost at the beginning of the period	93.1	69.6	69.6
Additions	11.7	15.1	22.8
Business combinations	4.9	0.0	2.9
Transfers between items	1.4	0.0	0.3
Disposals	-0.5	-1.5	-2.4
Acquisition cost at the end of the period	110.6	83.3	93.1
Accumulated depreciation at the beginning of the period	-31.2	-24.1	-24.1
Depreciation and amortisation for the financial year	-5.6	-4.4	-9.0

Transfers between items	-1.4	0.0	-0.3
Accumulated depreciation on disposals	0.3	1.4	2.1
Accumulated depreciation at the end of the period	-37.8	-27.2	-31.2
Carrying amount at the end of the period	72.8	56.1	61.9

Changes in intangible assets

EUR million	30 June 2018	30 June 2017	31 December 2017
Acquisition cost at the beginning of the period	137.8	120.7	120.7
Additions	2.8	1.3	3.0
Business combinations	66.1	4.0	14.1
Transfers between items	0.0	0.0	
Acquisition cost at the end of the period	206.8	126.0	137.8
Accumulated depreciation at the beginning of the period	-17.3	-12.1	-12.1
Depreciation and amortisation for the financial year	-3.4	-2.5	-5.2
Transfers between items	-0.1		
Accumulated depreciation at the end of the period	-20.8	-14.6	-17.3
Carrying amount at the end of the period	186.0	111.4	120.5

Acquired business operations, total

The acquisitions made during the review period (Salon Lääkintälaboratorio Oy, Someron Lääkäriasema Oy, Kymijoen Työterveys Oy, Linnan Klinikka Oy, Röntgentutka Oy, approximately 70% of the Forever fitness centre chain, Doctagon Ab, approximately 51% of SYH group and Leaf Areena 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	1–6/2018
Consideration transferred:	
Cash	34.8
Value of issued shares	28.6
Contingent consideration	0.1
Total acquisition cost	63.5
At the date of acquisition, the preliminary values of assets acquired and liabilities assumed were as follows:	
Property, plant and equipment	4.9
Intangible assets	7.4
Available-for-sale financial assets	0.1
Deferred tax assets	0.1
Inventories	0.3
Trade and other receivables	7.8
Cash and cash equivalents	5.2
Total assets	25.8
Deferred tax liabilities	-1.4
Interest-bearing financial liabilities	-4.8
Other liabilities	-9.8
Total liabilities	-16.0
Preliminary net assets	9.8
Goodwill generated in the acquisition:	

Consideration transferred	63.5
Previous holding measured at fair value	4.0
Share of the acquisition allocated to non-controlling interests	1.1
Net identifiable assets of acquirees	-9.8
Preliminary goodwill	58.8
Transaction price paid in cash:	34.8
Cash and cash equivalents of acquirees	-5.2
Preliminary effect on cash flow*	29.6
*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	29.6
Contingent consideration paid during the financial year	4.0
Total	33.6

The expenses related to the aforementioned acquisitions, a total of EUR 1.3 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 25.0 million and total operating profit of EUR 1.4 million) are included in the consolidated statement of comprehensive income.

Pro forma

Had the acquisitions of 2018 been consolidated since the beginning of the financial year 2018, the consolidated revenue for the review period would have amounted to EUR 250.1 million and operating profit for the period would have totalled EUR 1.5 million.

Quarterly information

EUR million	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
INCOME STATEMENT								
Revenue	125.3	119.2	107.9	99.4	106.7	110.0	103.7	93.9
EBITDA	5.6	4.3	8.1	9.1	7.1	8.9	7.1	6.8
Adjusted EBITDA	6.6	3.9	8.5	9.0	7.4	9.1	7.1	7.8
Adjusted EBITDA, %	5.3	3.3	7.9	9.1	6.9	8.3	6.8	8.3
Depreciation and amortisation	-4.8	-4.2	-3.6	-3.7	-3.4	-3.5	-3.2	-3.2
Operating profit (EBIT)	0.8	0.1	4.6	5.5	3.7	5.4	3.9	3.6
Adjusted operating result (EBIT)	1.9	-0.3	4.9	5.4	4.0	5.7	3.9	4.7
Adjusted operating result (EBIT), %	1.5	-0.3	4.6	5.4	3.7	5.2	3.7	5.0
Financial income	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Financial expenses	-0.7	-0.7	-0.5	-0.5	-0.4	-0.4	-0.3	-0.4
Profit before taxes	0.2	-0.6	4.1	5.0	3.3	5.0	3.5	3.3
Income tax	-0.3	0.0	-0.6	-1.0	-0.7	-1.1	-0.5	-0.9
Result for the period	-0.1	-0.7	3.5	4.0	2.7	3.9	3.0	2.4
Share of the result for the period attributable to owners of the parent company	0.0	-1.3	2.4	1.9	2.0	3.2	2.4	1.7
Share of the result for the period attributable to non-controlling interests	-0.1	0.6	1.1	2.1	0.7	0.7	0.6	0.7

EPS	0.00	-0.06	0.12	0.09	0.10	0.15	0.12	0.08
Personnel at the end of the period (NOE)	5,918	5,638	4,753	4,767	4,898	4,519	4,407	4,470
Change in personnel during the quarter	280	885	-14	-131	380	112	-63	-119

Tax footprint

EUR million	1–6/2018	2017
Direct tax payable for the period		
Income tax (business income tax)	1.4	4.3
Employer's pension contribution	15.5	25.7
Social security contributions	0.8	1.6
Employer's unemployment insurance contribution	1.7	4.0
Contribution to accident insurance and group life insurance	0.6	0.9
Employer contributions, total	18.6	32.1
Property taxes	0.0	0.1
Transfer taxes	1.1	0.4
Direct tax payable for the period, total	21.1	36.8
Value added tax of acquisitions payable by the company		
Value added taxes, estimate	3.9	9.0
Tax for the period		
Withholding taxes	22.1	35.3
Employee's pension contributions, notional	5.9	9.5
Employee's unemployment insurance contributions, notional	1.7	2.3
Payroll tax, total	29.7	47.1
Net value added tax	-0.1	1.8
Total tax for the period	29.6	48.9
Revenue	244.5	424.0
Profit before taxes	-0.4	17.4
Average number of personnel (FTE)	4,320	3,879
Public subsidies	0.5	0.8

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

EUR million	4–6/2018 3 months	4–6/2017 3 months	1–6/2018 6 months	1–6/2017 6 months	2017 12 months
EBITDA	5.6	7.1	9.9	16.0	33.3
Adjustments to EBITDA					
Closing down of dental clinics		0.0		0.1	0.3
Closing down of Surgical Operations clinic					0.1
Subsidiary's previous holding at fair value			-1.0		-0.3
Conciliation agreement concerning the Group's facility expenses				0.2	0.2
Dismissal-related expenses		0.2	0.6	0.2	0.4
Change in fair value of contingent consideration	1.1		1.1		

Adjustments to EBITDA in total	1.1	0.2	0.7	0.5	0.7
Adjusted EBITDA	6.6	7.4	10.5	16.5	34.1
Depreciation, amortisation and impairment	-4.8	-3.4	-9.0	-6.9	-14.2
Adjustments to depreciation, amortisation and impairment					
Closing down of dental clinics		0.0		0.1	0.1
Adjustments to depreciation, amortisation and impairment in total		0.0		0.1	0.1
Adjusted operating result (EBIT)	1.9	4.0	1.6	9.7	20.0
Operating profit (EBIT)	0.8	3.7	0.9	9.1	19.1

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

EUR million	4–6/2018 3 months	4–6/2017 3 months	1–6/2018 6 months	1–6/2017 6 months	2017 12 months
Other operating income			-1.0		-0.3
Employee benefit expenses		0.2	0.6	0.2	0.4
Other operating expenses	1.1	0.0	1.1	0.3	0.7
EBITDA adjustment items total	1.1	0.2	0.7	0.5	0.7
Depreciation, amortisation and impairment		0.0		0.1	0.1
Operating profit adjustment items total	1.1	0.3	0.7	0.6	0.9

Pihlajalinna's financial reporting in 2018

Interim Report January–September: Thursday, 1 November 2018

Briefing

Pihlajalinna Plc will hold a briefing for analysts and the media on Thursday, 16 August 2018 at 10:00 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

Helsinki, 15 August 2018

Pihlajalinna Plc's Board of Directors

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Pihlajalinna in brief

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The company provides social and healthcare services as well as wellbeing services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics, hospitals and fitness centres 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.