



Pihlajajalinnna

INTERIM REPORT
1 January–31 March 2018



Pihlajalinna Interim Report 1 January–31 March 2018 (3 months)

Pihlajalinna's result weighed down by expansion and structural reforms, outlook unchanged

Brief look at January–March:

- Revenue amounted to EUR 119.2 (110.0) million – an increase of 8 per cent
- EBITDA amounted to EUR 4.3 (8.9) million
- Adjusted EBITDA was EUR 3.9 (9.1) million
- Operating profit (EBIT) was EUR 0.1 (5.4) million
- Adjusted operating result (EBIT) was EUR -0.3 (5.7) million.
- The number of personnel at the end of the reporting period was 5,638 (4,519)
- Earnings per share (EPS) was EUR -0.06 (0.15)
- Pihlajalinna acquired Doctagon Oy, a majority stake in the Forever fitness centre chain, the Hämeenlinna-based Linnan Klinikka and Kymi-joen Työterveys.
- New full-service private clinics were opened in Turku, Oulu and Seinäjoki in line with Pihlajalinna's national expansion plan.
- Pihlajalinna moved from a business-based structure to a geographical structure. In conjunction with the change, the Group moved to a single reportable segment.

KEY FIGURES AND RATIOS	1–3/2018 3 months	1–3/2017 3 months	2017 12 months
INCOME STATEMENT			
Revenue, EUR million	119.2	110.0	424.0
EBITDA, EUR million	4.3	8.9	33.3
EBITDA, %	3.6	8.1	7.9
Adjusted EBITDA, EUR million*	3.9	9.1	34.1
Adjusted EBITDA, %*	3.3	8.3	8.0
Operating profit (EBIT), EUR million	0.1	5.4	19.1
Operating profit, %	0.1	4.9	4.5
Adjusted operating result (EBIT), EUR million*	-0.3	5.7	20.0
Adjusted operating result, %*	-0.3	5.2	4.7
Result before tax (EBT), EUR million	-0.6	5.0	17.4
SHARE-RELATED INFORMATION			
Earnings per share (EPS), EUR	-0.06	0.15	0.46
Equity per share, EUR	5.64	4.89	4.87
OTHER INFORMATION			
Return on capital employed (ROCE), %	6.5	10.3	11.8
Return on equity (ROE), %	7.8	11.7	13.6
Equity ratio, %	40.1	42.9	41.8
Gearing, %	54.3	27.2	32.3
Interest-bearing net debt, EUR million	74.6	28.2	34.2
Net debt/adjusted EBITDA, 12 months*	2.6	0.9	1.0
Gross investments, EUR million**	79.3	4.6	30.4
Cash flow from operating activities, EUR million	2.6	13.5	34.9
Cash flow after investments, EUR million	-37.7	9.5	16.4
Average number of personnel (FTE)	4,138	3,686	3,879
Personnel at the end of the period (NOE)	5,638	4,519	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 reporting 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 adjustments affecting comparability for acquisition-related transfer taxes and expert fees or purchase price allocation (PPA) amortisation.

EBITDA adjustments for the quarter totalled EUR -0.4 (0.2) million. Adjustments to operating profit for the quarter totalled EUR -0.4 (0.3) million.

** Finance leases are not included in the gross investments

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:

The first quarter of 2018 was a period of major changes, intensive development and new initiatives for Pihlajalinna. Partly due to these factors, the result for the reporting period was weaker than expected. We keep our outlook unchanged because we believe that the planned measures, reforms and new services will strengthen our profitability during the rest of the year.

The Group's revenue increased in line with expectations, but EBITDA and the operating result declined significantly year-on-year. There were several reasons for the lower profitability. EBITDA and the result were weighed down by, among other things, the start of operations at three major private clinics that opened during the first quarter, the higher-than-expected costs of outsourced specialised care, transfer taxes and expert fees associated with M&A transactions, the effect of structural reforms and codetermination negotiations on the management of business performance as well as the impact of slower-than-planned recruitment of doctors on the sales of staffing services. We also invested in increasing Pihlajalinna's national brand recognition and digital development.

The development of business operations in line with the Group's strategy has required renewal and geographical expansion, which weigh down on the Group's result significantly in the short



term. Our strategic focus areas for this year are national expansion and establishing regional service entities in order to improve customer guidance and enhance cross-selling. 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.

We completed two major M&A transactions during the reporting period by acquiring the entire share capital of Doctagon Oy as well as a majority stake in the Forever fitness centre chain. As expected, both of these businesses showed strong profitability in the first quarter, and they were already favourably reflected in the Group's result. Our aim is to achieve strong profitable growth in both businesses. The effectiveness of Doctagon's award-winning municipal responsible doctor

model has been proved by independent studies and the model is highly scalable. We believe it will present us with new opportunities in public sector partnerships. We also intend to significantly expand Pihlajalinna's operations in bilingual regions. The new collaborative services of the Forever fitness centre chain and Pihlajalinna's occupational health services have been developed at a quick rate. The aim is to begin piloting the services during the second quarter. Customer guidance between the fitness centres and Pihlajalinna's traditional services already began in the first quarter.

We will continue to roll out our new operating structure based on geographical regions and build our organisation during the second quarter. We expect to be able to take full advantage of the new regional model in the second half of the year. As a result of the codetermination negotiations related to the new operating structure, the Group's annual personnel expenses will be reduced by approximately EUR 2.8 million.

Pihlajalinna's segment reporting has also changed due to the operational restructuring. The operating segments are the geographical business areas that are combined into one reportable segment. We also report revenue by business area and customer group.

On 8 March 2018, the Finnish government presented a legislative proposal concerning the Act

on Freedom of Choice, related to the structural reform of healthcare and social services. The proposal is largely in line with the previous draft. 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 knowledge becomes available.

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

January–March 2018

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.

EUR million	1–3/2018	%	1–3/2017	%	1–12/2017	%
Southern Finland	23.7	18	17.1	14	60.7	13
Mid-Finland	79.0	59	77.8	63	301.4	63
Ostrobothnia	26.4	20	26.6	21	105.4	22
Northern Finland	3.3	2	1.6	1	7.6	2
Other operations	0.9	1	1.4	1	6.0	1
Intra-Group sales	-14.2		-14.4		-57.1	
Total consolidated revenue	119.2		110.0		424.0	

The revenue of the Southern Finland business area amounted to EUR 23.7 (17.1) million, an increase of EUR 6.7 million, or 39 per cent. The acquisitions of the Forever fitness centre chain, Doctagon Oy and Kymijoen Työterveys Oy had a significant impact on the increase in the Southern Finland business area's revenue. The start of Pihlajalinna Turku's operations was better than planned with regard to customer volumes.

The revenue of the Mid-Finland business area amounted to EUR 79.0 (77.8) million, an increase of EUR 1.2 million, or 2 per cent.

The revenue of the Ostrobothnia business area amounted to EUR 26.4 (26.6) million, a decrease of EUR 0.2 million, or -1 per cent.

The revenue of the Northern Finland business area amounted to EUR 3.3 (1.6) million, an increase of EUR 1.7 million, or 106 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

January–March 2018

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 (municipalities, joint municipal authorities, congregations, hospital districts, public administration).
- 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 public administration when purchasing social and healthcare outsourcing services, residential services, occupational healthcare services and staffing services.

EUR million	1–3/2018	%	1–3/2017	%	1–12/2017	%
Corporate customers	27.7	21	22.4	18	82.6	17
of which insurance company customers	6.6	5	7.8	6	26.6	6
Private customers	22.2	17	19.0	15	68.0	14
Public sector	83.5	63	83.0	67	330.5	69
Intra-Group sales	-14.2		-14.4		-57.1	
Total consolidated revenue	119.2		110.0		424.0	

Revenue from corporate customers during the review period totalled EUR 27.7 (22.4) million, an increase of EUR 5.3 million, or 24 per cent. Sales to insurance company customers declined by EUR 1.2 million, or 15 per cent, due to patient guidance.

Revenue from private customers during the period amounted to EUR 22.2 (19.0) million, an increase of EUR 3.2 million, or 17 per cent.

Revenue from public sector customers during the period totalled EUR 83.5 (83.0) million, an increase of EUR 0.5 million, or 1 per cent.

Consolidated revenue and result

January–March 2018

Pihlajalinna's revenue for the period amounted to EUR 119.2 (110.0) million, an increase of EUR 9.2 million, or 8.4 per cent. Growth in revenue due to M&A transactions was EUR 12.7 million, or 11.6 per cent. The most significant M&A transactions during the review period were the acquisitions of the Forever fitness centre chain, Doctagon Oy and Kymijoen Työterveys Oy.

First quarter EBITDA amounted to EUR 4.3 (8.9) million, a decrease of EUR 4.6 million, or -52 per cent. EBITDA increased by EUR 1.5 million during the quarter due to M&A transactions.

As expected, EBITDA was weighed down by the start-up of new private clinics by EUR 1.5 million. Transfer taxes and expert fees related to M&A transactions reduced profitability by EUR 1.2 (0.2) million during the quarter. Public specialised care reduced the quarter's profitability by EUR 1.1 million year-on-year.

As part of the 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 approximately 27. 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 quarter.

The EBITDA for the period was also weighed down by investments in Pihlajalinna's national brand awareness.

Adjusted EBITDA was EUR 3.9 (9.1) million, a decrease of EUR 5.2 million, or -57 per cent. EBITDA adjustments for January–March totalled EUR -0.4 (0.2) million.

Depreciation, amortisation and impairment for the period amounted to EUR 4.2 (3.5) million. Amortisation and impairment of intangible assets was EUR 1.6 (1.3) million, of which the purchase price allocation amortisation of intangible assets was EUR 1.1 (1.0) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.6 (2.2) million.

Pihlajalinna's operating profit (EBIT) for the period amounted to EUR 0.1 (5.4) million, a decrease of EUR 5.3 million, or -98 per cent. The EBIT-to-revenue ratio (EBIT margin) for the reporting period was 0.1 (4.9) per cent. The adjusted operating result for the period was EUR -0.3 (5.7) million, a decrease of EUR 6.0 million, or -105 per cent. The adjusted operating result margin was -0.3 (5.2) per cent.

Pihlajalinna's public specialised care revenue included in complete social and healthcare outsourcing amounted to EUR 21.5 (21.9) million for the quarter. The EBITDA and operating result of Public Specialised Care amounted to EUR -1.0 (0.1) million and EUR -1.0 (0.1) 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 reporting period totalled EUR -0.7 (-0.4) million. The period's result before taxes amounted to EUR -0.6 (5.0) million, a decrease of EUR 5.6 million, or -113 per cent. Taxes in the income statement amounted to EUR 0.0 (-1.1) million. The result for the quarter was EUR -0.7 (3.9) million. Earnings per share (EPS) was EUR -0.06 (0.15).

Market and legislation review

On 8 March 2018, the Finnish government presented a legislative proposal concerning the Act on Freedom of Choice, related to the structural reform of healthcare and social services. The proposal is largely in line with the previous draft. The principle is that people will be given greater choice as to where they receive care. In practice, people will enlist as a customer of their chosen health and social services centre and also select their preferred dental clinic. Health and social services centres would provide healthcare services as well as guidance and counselling regarding social services. In addition, they would provide medical specialist services in at least two specialities. The counties would decide what these specialities will be.

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.

Private service providers currently produce approximately 32 per cent of social services. The Ministry of Social Affairs and Health predicts that this figure will increase to 39 per cent.

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.

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.

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 restricting outsourcing. The procurement 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 the 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 private market 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. 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 continuing weak demand for Dental Care services.

Consolidated cash flow and statement of financial position

At the end of the reporting period, Pihlajalinna Group's total statement of financial position was EUR 344.8 (242.9) million. Consolidated cash and cash equivalents stood at EUR 37.1 (37.9) million.

The Group's net cash flow from operating activities during the reporting period amounted to EUR 2.6 (13.5) million. Taxes paid amounted to EUR -1.9 (-0.4) million. A total of EUR 1.1 (5.2) million in working capital was released during the reporting period. Cash flow from operating activities during the period was reduced by the period's weaker EBITDA, the exceptional tying up of working capital in receivables during the quarter (TyEL employees' pension insurance advances) and a change in the practices concerning the supplementary payment of advance tax.

Net cash flow from investing activities totalled EUR -40.3 (-4.0) million. Subsidiary acquisitions had an impact of EUR -32.8 (-2.7) million on net cash flow from investing activities during the reporting period. Investments in property, plant and equipment and intangible assets during the reporting period totalled EUR -7.7 (-1.4) million, and proceeds from the disposals of property, plant and equipment totalled EUR 0.2 (0.1) million.

The Group's cash flow after investments (free cash flow) was EUR -37.7 (9.5) million.

Net cash flow from financing activities totalled EUR 37.8 (0.9) million. The Group withdrew EUR 95.5 (5.0) million in new loans and repaid its financial liabilities, including changes in credit limits, by a total of EUR 58.7 (0.5) million. Dividends of EUR 0.0 (2.3) million were distributed to non-controlling interests during the reporting period. Repayments of financial lease liabilities totalled EUR 0.8 (0.8) million and interest paid and other financial expenses amounted to EUR 0.6 (0.5) million. Changes in non-controlling interests had an effect of EUR 2.3 (0.0) million on cash flow.

After the reporting period, on 16 April 2018, Pihlajalinna Plc distributed a dividend totalling EUR 3.6 million.

The Group's gearing was 54.3 (27.2) per cent at the end of the reporting period. Interest-bearing net debt amounted to EUR 74.6 (28.2) million. The Group's gearing for the period was particularly increased by acquisitions, which had a combined cash flow effect of EUR -29.2 million. The Group also paid EUR 3.5 million in contingent considerations during the reporting period.

During the reporting period, the return on capital employed was 6.5 (10.3) per cent and return on equity was 7.8 (11.7) per cent.

Financing arrangements

Pihlajalinna reorganised its debt financing during the reporting period. 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 covenants will be tested for the first time 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 reporting period, Pihlajalinna had a total of EUR 54.8 million in unused committed credit limits.

Capital expenditure and acquisitions

Pihlajalinna acquired 51 per cent of Suomen Yksityiset Hammaslääkärit Oy. The transaction was completed on 15 March 2018.

On 12 March 2018, Pihlajalinna announced it is acquiring 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.

Pihlajalinna expanded its operations to wellbeing services by acquiring approximately 70 per cent of the Forever fitness centre chain. The transaction was completed on 16 February 2018.

Röntgentutka Oy, a former joint venture, became a wholly-owned subsidiary of Pihlajalinna as of 15 February 2018. 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 February 2018, Pihlajalinna acquired the Hämeenlinna-based Linnan Klinikka Oy.

Pihlajalinna acquired the entire share capital of Kymijoen Työterveys Oy from the City of Kotka. The transaction was completed on 30 January 2018.

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.

A summary of the acquisitions made during the reporting period is presented in the tables section of the Interim Report.

Gross investments, including acquisitions, totalled EUR 79.3 (4.6) million in the reporting 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 3.0 (1.8) million during the reporting period. Capital expenditure relating to the opening of new units totalled EUR 6.1 (0.0) million. Gross investments associated with M&A transactions totalled EUR 70.1 (2.9) million.

The Group's investment commitments related to development, additional and replacement investments and the opening of new units amounted to approximately EUR 6.7 million.

The expansion of Pihlajalinna will continue in spite of the postponement of the health and social services reform until 2020. 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.

Research and development

Development costs that fulfilled the criteria for capitalisation amounted to EUR 0.2 (0.0) million during the 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 preparations for the EU General Data Protection Regulation.

Personnel

At the end of the reporting period, the number of personnel amounted to 5,638 (4,519), an increase of 1,120 persons or 25 per cent. In January–March, the Group's personnel averaged 4,138 (3,686) persons as full-time equivalents, an increase of 452 persons or 12 per cent. The Group's employee benefit expenses totalled EUR 52.0 (44.1) million for the period, an increase of EUR 7.9 million or 18 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 new Management Team

Pihlajalinna reformed the structure of its Management Team as part of its restructuring process. This also involved changes in the tasks of some of the Management Team members. The company terminated its Extended 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

Pihlajalinna is looking for Head of Sales for the Group. The Head of Sales will also be in charge of the Northern Finland business area. The position is new and the company aims to fill it as soon as possible. The Group's Head of Sales will become a member of Pihlajalinna's Management Team.

Executive Vice President Juha Rautio, who has also been in charge of the Group's projects and has worked as a member of the Management Team, was appointed as Head of Strategic Projects. He reports to the Group's CEO. The Group will not appoint a new deputy CEO.

Kimmo Saarinen continues as the Group's Medical Director. He reports to the Group's CEO.

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

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

At the end of the reporting 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 reporting period, the company had 14,065 (10,025) 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	1–3/2018	1–3/2017	1–12/2017
No. of shares outstanding at the end of the period	22,620,135	20,613,146	20,613,146
Average no. of shares outstanding during the period	21,014,544	20,613,146	20,613,146
Highest price, EUR	15.28	18.42	18.42
Lowest price, EUR	12.50	16.21	12.60
Average price, EUR*	14.10	17.41	16.30
Closing price, EUR	12.62	16.28	13.34
Share turnover, 1,000 shares	2,111	1,094	5,189
Share turnover, %	9.3	5.3	25.2
Market capitalisation at the end of the period, EUR million	285.5	335.6	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 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 its acquisitions and information system projects, tax-related risks and the commitment and recruitment of competent management.

Flagging notifications

On 14 March 2018, Pihlajalinna Plc received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of LähiTapiola group (LähiTapiola General Mutual Insurance Company and LähiTapiola Mutual Life Insurance Company) in Pihlajalinna Plc's shares and votes had decreased below 25 per cent on 14 March 2018. The holding of LähiTapiola group had decreased to 23.76 per cent of the total of Pihlajalinna's shares and votes after the issuance of new shares. LähiTapiola group owns 5,375,350 Pihlajalinna shares. Pihlajalinna has a total of 22,620,135 shares.

On 15 February 2018, Pihlajalinna Plc received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of LähiTapiola group (LähiTapiola General Mutual Insurance Company and LähiTapiola Mutual Life Insurance Company) in Pihlajalinna Plc's shares and votes had risen above 25 per cent on 15 February 2018. The holding of LähiTapiola group had increased to 26.07 per cent of the total of Pihlajalinna's shares and votes. After the transaction, LähiTapiola group owned 5,373,026 Pihlajalinna shares. Pihlajalinna had a total of 20,613,146 shares on 15 February 2018.

Current incentive schemes

On the interim report 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.

Events after the reporting period

The Annual General Meeting was held on 5 April 2018. The meeting adopted the Annual Accounts for 2017 and discharged the members of the Company's Board of Directors and the CEO from liability for the financial year 2017. The General Meeting resolved to pay a dividend of EUR 0.16 per share for 2017 (for a total of EUR 3.6 million). The dividend record date was 9 April 2018 and the payment date was 16 April 2018. The other decisions of the AGM are reported in this interim report under the subheadings Board of Directors, Remuneration of the members of the Board of Directors, Auditing, Shareholders' Nomination Board and Board authorisations.

Accounting policies

This (unaudited) Interim 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 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.

The interim report has been prepared in compliance with the IFRS standards currently approved for application in the European Union. The interim 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. Calculation of key financial figures and alternative performance measures as well as reconciliations and justifications for their presentation can be found in the Pihlajalinna's 2017 Financial Statements Bulletin 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.

Adoption of IFRS standards applicable in future

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 reporting period, the Group's operating leases totalled EUR 80.5 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.

Pihlajalinna has begun preparing for the adoption of the standard by surveying systems that facilitate 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–31 March 2018

Consolidated statement of comprehensive income

EUR million	1–3/2018 3 mths	1–3/2017 3 mths	1–12/2017 12 mths
Revenue	119.2	110.0	424.0
Other operating income	1.3	0.3	2.3
Materials and services	-48.6	-47.2	-175.5
Employee benefit expenses	-52.0	-44.1	-175.4
Other operating expenses	-15.7	-10.2	-42.3
Share of profit in associated companies and joint ventures	0.0	0.1	0.3
EBITDA	4.3	8.9	33.3
EBITDA adjustment items total*	-0.4	0.2	0.7
Adjusted EBITDA*	3.9	9.1	34.1
Depreciation, amortisation and impairment	-4.2	-3.5	-14.2
Operating profit (EBIT)	0.1	5.4	19.1
Operating profit adjustment items total*	-0.4	0.3	0.9
Adjusted operating result (EBIT)*	-0.3	5.7	20.0
Financial income	0.0	0.0	0.2
Financial expenses	-0.7	-0.4	-1.9
Result before taxes	-0.6	5.0	17.4
Income tax	0.0	-1.1	-3.4
Result for the period**	-0.7	3.9	14.1
Total comprehensive income for the period	-0.7	3.9	14.1
Total comprehensive income for the period attributable:			
To the owners of the parent company	-1.3	3.2	9.5
To non-controlling interests	0.6	0.7	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	-0.06	0.15	0.46

* 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, 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 adjustments affecting comparability for acquisition-related transfer taxes and expert fees or purchase price allocation (PPA) amortisation. EBITDA adjustments for the quarter totalled EUR -0.4 (0.2) million. Adjustments to operating profit for the quarter totalled EUR -0.4 (0.3) million.

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

Consolidated statement of financial position

EUR million	03/2018	03/2017	12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	71.3	56.9	61.9
Goodwill	162.3	93.7	103.9
Other intangible assets	23.7	17.2	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	2.9	1.6
Deferred tax assets	3.1	1.9	2.2
Total non-current assets	262.4	175.6	189.3
Current assets			
Inventories	2.5	2.0	2.2
Trade and other receivables	41.0	26.5	24.0
Current tax assets	1.7	1.0	1.1
Cash and cash equivalents	37.1	37.9	37.1
Total current assets	82.4	67.4	64.3
Total assets	344.8	242.9	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	116.6	87.9	87.9
Retained earnings	12.2	9.7	2.8
Result for the review period	-1.3	3.2	9.5
	127.6	100.9	100.3
Non-controlling interests	9.6	3.0	5.6
Total equity	137.2	103.9	105.9
Non-current liabilities			
Deferred tax liabilities	6.7	5.7	5.5
Financial liabilities	102.3	64.5	66.3
Other non-current liabilities	1.6	1.8	1.7
Provisions	0.8	1.0	0.8
Total non-current liabilities	111.5	73.0	74.3
Current liabilities			
Provisions	0.6		
Trade and other payables	82.9	59.3	61.8
Current tax liabilities	1.3	2.7	1.3
Financial liabilities	11.4	4.1	10.3
Total current liabilities	96.1	66.1	73.4
Total liabilities	207.6	139.1	147.7
Total equity and liabilities	344.8	242.9	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			3.2	0.7	3.9
Total comprehensive income for the period			3.2	0.7	3.9
Dividends paid			-0.1	-1.0	-1.1
Total transactions with owners			-0.1	-1.0	-1.1
Total equity, 31 Mar. 2017	0.1	87.9	12.9	3.0	103.9
Total equity, 1 Jan. 2018	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			-1.3	0.6	-0.7
Total comprehensive income for the period			-1.3	0.6	-0.7
Directed share issue		28.6			28.6
Total transactions with owners		28.6			28.6
Changes in NCI without a change in control			0.0	3.4	3.4
Total changes in ownership interests			0.0	3.4	3.4
Total equity, 31 Mar. 2018	0.1	116.6	11.0	9.6	137.2

Consolidated statement of cash flows

EUR million	1–3/2018 3 mths	1–3/2017 3 mths	2017 12 mths
Cash flow from operating activities			
Cash receipts from sales	118.8	108.6	423.8
Cash receipts from other operating income	0.3	0.0	1.5
Operating expenses paid	-114.7	-94.8	-386.0
Operating cash flow before financial items and taxes	4.5	13.9	39.3
Interest received	0.0	0.0	0.2
Taxes paid	-1.9	-0.4	-4.6
Net cash flow from operating activities	2.6	13.5	34.9
Cash flows from investing activities			
Investments in tangible and intangible assets	-7.7	-1.4	-10.1
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.2	0.1	0.2
Changes in other investments	0.0	0.0	-0.1
Changes in loan receivables			0.3
Dividends received		0.0	0.1
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-32.8	-2.7	-8.9
Net cash flow from investing activities	-40.3	-4.0	-18.5
Cash flows from financing activities			
Proceeds from issuing shares			
Changes in non-controlling interests	2.3		-4.0
Proceeds from borrowings	95.5	5.0	14.5
Repayment of borrowings	-58.7	-0.5	-6.4
Repayment of financial lease liabilities	-0.8	-0.8	-3.2
Interest and other operational financial expenses	-0.6	-0.5	-1.8
Dividends paid and other profit distribution		-2.3	-5.9
Net cash flow from financing activities	37.8	0.9	-6.9
Changes in cash and cash equivalents	0.1	10.4	9.5
Cash at the beginning of the review period	37.1	27.5	27.5
Cash at the end of the review period	37.1	37.9	37.1

Contingent liabilities and commitments

EUR million	3/2018	3/2017	12/2017
Collateral given on own behalf			
Pledged collateral notes	1.7	1.1	1.3
Sureties	2.3	0.3	2.0
Rental deposits	1.7	1.4	1.6
Collateral given on behalf of associated companies			
Sureties		3.4	
Other contingent liabilities			
Lease commitments	80.5	28.9	50.1

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 6.7 million.

Related party transactions

EUR million	3/2018	3/2017	12/2017
Key management personnel			
Rents paid	0.4	0.3	1.1
Services procured	0.2	0.8	1.3
Trade payables	0.0	0.1	0.1
Other liabilities		0.4	
Associated companies and joint ventures			
Services sold		0.0	0.0
Services procured	0.0	0.5	1.0
Rents received	0.0	0.1	0.2
Interest and commissions received		0.0	0.1
Dividends received			0.1
Trade payables		0.1	0.1
Trade receivables		0.0	
Interest and provision receivables		0.1	
Loan receivables		1.5	

Changes in property, plant and equipment

EUR million	1–3/2018	1–3/2017	1–12/2017
Acquisition cost at the beginning of the period	93.1	69.6	69.6
Additions	7.7	13.7	22.8
Business combinations	4.5	0.0	2.9
Transfers between items	1.4	0.0	0.3
Disposals	-0.3	-1.3	-2.4
Acquisition cost at the end of the period	106.4	82.0	93.1
Accumulated depreciation at the beginning of the period	-31.2	-24.1	-24.1
Depreciation and amortisation for the financial year	-2.6	-2.2	-9.0
Transfers between items	-1.4	0.0	-0.3
Accumulated depreciation on disposals	0.2	1.2	2.1
Accumulated depreciation at the end of the period	-35.1	-25.1	-31.2
Carrying amount at the end of the period	71.3	56.9	61.9

Changes in intangible assets

EUR million	1–3/2018	1–3/2017	1–12/2017
Acquisition cost at the beginning of the period	137.8	120.7	120.7
Additions	1.5	0.6	3.0
Business combinations	65.6	3.0	14.1
Transfers between items	0.1	0.0	
Disposals		0.0	
Acquisition cost at the end of the period	205.0	124.2	137.8
Accumulated depreciation at the beginning of the period	-17.3	-12.1	-12.1
Depreciation and amortisation for the financial year	-1.6	-1.3	-5.2
Accumulated depreciation on disposals		0.0	
Transfers between items	-0.1		
Accumulated depreciation at the end of the period	-18.9	-13.3	-17.3
Carrying amount at the end of the period	186.0	110.9	120.5

Acquired business operations, total

The acquisitions made during the reporting period (Salon Lääkintälaboratorio Oy, Someron Lääkäriasema Oy, Kymi-joen Työterveys Oy, Linnan Klinikka Oy, Röntgentutka Oy, approximately 70% of the Forever fitness centre chain, Doc-tagon Oy and approximately 51% of SYH group) 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	1–3/2018
Consideration transferred:	
Cash	34.4
Value of issued shares	28.6
Contingent consideration	0.1
Total acquisition cost	63.1
At the date of acquisition, the preliminary values of assets acquired and liabilities assumed were as follows:	
Property, plant and equipment	4.5
Intangible assets	7.2
Available-for-sale financial assets	0.1
Deferred tax asset	0.0
Inventories	0.3
Trade and other receivables	7.6
Cash and cash equivalents	5.1
Total assets	24.9
Deferred tax liability	-1.4
Interest-bearing financial liabilities	-4.2
Other liabilities	-9.5
Total liabilities	-15.1
Preliminary net assets	9.8
Goodwill generated in the acquisition:	
Consideration transferred	63.1
Previous holding measured at fair value	4.0

Share of the acquisition allocated to non-controlling interests	1.0
Net identifiable assets of acquirees	-9.8
Preliminary goodwill	58.4
Transaction price paid in cash:	34.4
Cash and cash equivalents of acquirees	-5.1
Preliminary effect on cash flow*	29.2
*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	29.2
Contingent consideration paid during the financial year	3.5
Total	32.8
The acquisition-related expenses, a total of EUR 1.2 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 8.9 million and total operating profit of EUR 0.8 million) are included in the consolidated statement of comprehensive income. Had the acquisitions of 2018 been consolidated since the beginning of the financial year 2018, consolidated revenue would have amounted to EUR 126.0 million and operating profit for the period would have amounted to EUR 0.8 million.

Quarterly information

EUR million	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16
INCOME STATEMENT								
Revenue	119.2	107.9	99.4	106.7	110.0	103.7	93.9	101.4
EBITDA	4.3	8.1	9.1	7.1	8.9	7.1	6.8	7.0
Adjusted EBITDA	3.9	8.5	9.0	7.4	9.1	7.1	7.8	7.0
Adjusted EBITDA, %	3.3	7.9	9.1	6.9	8.3	6.8	8.3	6.9
Depreciation and amortisation	-4.2	-3.6	-3.7	-3.4	-3.5	-3.2	-3.2	-3.5
Operating profit (EBIT)	0.1	4.6	5.5	3.7	5.4	3.9	3.6	3.5
Adjusted operating result (EBIT)	-0.3	4.9	5.4	4.0	5.7	3.9	4.7	3.9
Adjusted operating result (EBIT), %	-0.3	4.6	5.4	3.7	5.2	3.7	5.0	3.9
Financial income	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Financial expenses	-0.7	-0.5	-0.5	-0.4	-0.4	-0.3	-0.4	-0.4
Result before taxes	-0.6	4.1	5.0	3.3	5.0	3.5	3.3	3.1
Income tax	0.0	-0.6	-1.0	-0.7	-1.1	-0.5	-0.9	-0.5
Result for the period	-0.7	3.5	4.0	2.7	3.9	3.0	2.4	2.6
Share of the result for the financial year attributable to owners of the parent company	-1.3	2.4	1.9	2.0	3.2	2.4	1.7	2.0
Share of the result for the financial year attributable to non-controlling interests	0.6	1.1	2.1	0.7	0.7	0.6	0.7	0.6
EPS	-0.06	0.12	0.09	0.10	0.15	0.12	0.08	0.10

Personnel at the end of the period (NOE)	5,638	4,753	4,767	4,898	4,519	4,407	4,470	4,589
Change in personnel during the quarter	885	-14	-131	380	112	-63	-119	361

Tax footprint

EUR million	3/2018	2017
Direct tax payable for the period		
Income tax (business income tax)	0.9	4.3
Employer's pension contribution	8.0	25.7
Social security contributions	0.4	1.6
Employer's unemployment insurance contribution	0.8	4.0
Contribution to accident insurance and group life insurance	0.3	0.9
Employer contributions, total	9.5	32.1
Property taxes		0.1
Transfer taxes	0.1	0.4
Direct tax payable for the period, total	10.5	36.8
Value added tax of acquisitions payable by the company		
Value added taxes, estimate	2.5	9.0
Tax for the period		
Withholding taxes	9.3	35.3
Employee's pension contributions, notional	2.6	9.5
Employee's unemployment insurance contributions, notional	0.7	2.3
Payroll tax, total	12.6	47.1
Net value added tax	-0.2	1.8
Total tax for the period	12.4	48.9
Revenue, EUR million	119.2	424.0
Result before taxes, EUR million	-0.6	17.4
Average number of personnel (FTE)	4,138	3,879
Public subsidies, EUR million	0.1	0.8

Description of adjustment items applied to adjusted EBITDA and adjusted operating result for the period

EUR million	1–3/2018 3 months	1–3/2017 3 months	1–12/2017 12 months
EBITDA	4.3	8.9	33.3
Adjustments to EBITDA			
Closing down of dental clinics		0.0	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	0.6		0.4
Adjustments to EBITDA in total	-0.4	0.2	0.7
Adjusted EBITDA	3.9	9.1	34.1
Depreciation, amortisation and impairment	-4.2	-3.5	-14.2
Adjustments to depreciation, amortisation and impairment			

Closing down of dental clinics		0.1	0.1
Adjustments to depreciation, amortisation and impairment in total		0.1	0.1
Adjusted operating result (EBIT)	-0.3	5.7	20.0
Operating profit (EBIT)	0.1	5.4	19.1

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

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

Pihlajalinna's financial reporting in 2018

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

Interim Report January–September: Thursday, 1 November 2018

Briefing

Pihlajalinna Plc will hold a briefing for analysts and the media on Friday, 4 May 2018 at 10:00 a.m. in the Paavo Nurmi room at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

Helsinki, 3 May 2018

Pihlajalinna Plc's Board of Directors

Further information

Joni Aaltonen, CEO, +358 40 524 7270

Ville Lehtonen, CFO, +358 40 759 7084

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

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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.