Interim report
January–September 2021

Revenue continued to increase, profitability improved

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

A brief look at July-September:

- Revenue amounted to EUR 140.6 (123.9) million – an increase of EUR 16.8 million, or 13.5 per cent
- Adjusted EBITDA was EUR 18.8 (17.2) million – an increase of 9.2 per cent
- Adjusted EBIT was EUR 10.0 (8.7) million – an increase of 15.0 per cent
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.3 (0.8) million on operating profit
- Earnings per share (EPS) was EUR 0.31 (0.20)
- COVID-19 services* revenue amounted to EUR 11.8 (3.4) million – an increase of EUR 8.4 million.
- The acquisition of Työterveys Virta Oy 1.4.2021 increased revenue by EUR 3.6 million, or 2.9 per cent.
- Appointments at Pihlajalinna's private clinics grew by approximately 9 per cent year-on-year, with remote services representing 44 per cent of all appointments (excluding municipal outsourcings).

A brief look at January-September:

- Revenue amounted to EUR 423.1 (371.5) million – an increase of EUR 51.6 million, or 13.9 per cent
- Adjusted EBITDA was EUR 49.2 (38.9) million – an increase of 26.5 per cent
- Adjusted EBIT was EUR 23.1 (13.5) million – an increase of 71.3 per cent
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 3.5 (2.5) million on operating profit
- Earnings per share (EPS) was EUR 0.71 (0.24)
- COVID-19 services* revenue amounted to EUR 28.8 (4.1) million – an increase of EUR 24.7 million.
- The acquisition of Työterveys Virta Oy 1.4.2021 increased revenue by EUR 7.4 million, or 2.0 per cent.
- Appointments at Pihlajalinna's private clinics grew by over 8 per cent year-on-year, with remote services representing 42 per cent of all appointments (excluding municipal outsourcings).
- Pihlajalinna will acquire Pohjola Hospital Ltd. In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance. The first phase of the notification proceedings, in accordance with the Competition Act, concluded on 2 November 2021 and the Finnish Competition and Consumer Authority (FCCA) commenced the second phase of the proceedings. According to the Finnish Competition Act, the second phase of the proceedings may not take more than 69 business days unless the Finnish Market Court grants extension upon application. Without the potential extension, the second phase of the proceedings will be completed no later than 10 February 2022.

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

	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020 12 months
INCOME STATEMENT					
Revenue, EUR million	140.6	123.9	423.1	371.5	508.7
EBITDA, EUR million	18.2	16.7	48.6	37.3	52.4
EBITDA, %	13.0	13.5	11.5	10.0	10.3
Adjusted EBITDA, EUR million*	18.8	17.2	49.2	38.9	54.6
Adjusted EBITDA, %*	13.4	13.9	11.6	10.5	10.7
IFRS 3 costs*	-0.5	0.0	-1.2	-0.1	-0.1
Adjusted EBITDA excluding IFRS 3 costs, EUR million*	19.3	17.2	50.4	39.0	54.8
Adjusted EBITDA excluding IFRS 3 costs, %*	13.8	13.9	11.9	10.5	10.8
Operating profit (EBIT), EUR million	9.4	8.0	22.6	11.4	18.2
Operating profit, %	6.7	6.4	5.3	3.1	3.6

Adjusted operating profit (EBIT), EUR million*	10.0	8.7	23.1	13.5	20.8
Adjusted operating profit, %*	7.1	7.0	5.5	3.6	4.1
PPA amortisation*	-0.8	-0.8	-2.2	-2.4	-3.1
Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation, EUR million*	11.2	9.4	26.6	15.9	24.0
Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation, %*	8.0	7.6	6.3	4.3	4.7
Profit before tax (EBT), EUR million	8.5	7.0	19.9	8.0	13.8
SHARE-RELATED INFORMATION					
Earnings per share (EPS), EUR	0.31	0.20	0.71	0.24	0.39
Equity per share, EUR			5.12	4.70	4.85
Dividend per share, EUR					0.20
OTHER KEY FIGURES					
Return on capital employed (ROCE), %			9.0	4.7	5.7
Return on equity (ROE), %			16.1	7.4	8.1
Equity ratio, %			25.8	26.1	26.1
Gearing, %			175.5	185.4	169.4
Interest-bearing net debt, EUR million			211.0	207.3	194.8
Net debt/adjusted EBITDA, 12 months*			3.2	3.9	3.6
Gross investments, EUR million**	9.3	3.5	37.8	20.1	25.7
Cash flow from operating activities, EUR million	8.8	-3.0	32.5	28.6	47.2
Cash flow after investments, EUR million	6.2	-4.6	5.8	26.1	42.8
Average number of personnel (FTE)			4,731	4,303	4,308
Personnel at the end of the period (NOE)			5,750	5,882	5,550

* 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 adjustments affecting comparability for acquisition-related transfer taxes and expert fees (IFRS 3 costs) or purchase price allocation (PPA) amortisation. Starting from H1/2021, Pihlajalinna reports key figures adjusted EBITDA and adjusted operating profit also without acquisition-related IFRS 3 costs and PPA amortisation.

EBITDA adjustments amounted to EUR 0.6 (0.6) million for the quarter and EUR 0.7 (1.6) million for the review period. Adjustments to operating profit amounted to EUR 0.6 (0.7) million for the quarter and EUR 0.5 (2.1) million for the review period.

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

Pihlajalinna's outlook for 2021 unchanged

Pihlajalinna's consolidated revenue is expected to increase and adjusted EBIT is expected to improve clearly compared to 2020.

The acquisition of Pohjola Hospital does not have an impact on Pihlajalinna's outlook for the year 2021. The Finnish Competition and Consumer Authority (FCCA) has been notified of the transaction. The acquisition will be implemented after the FCCA's approval. The first phase of the notification proceedings, in accordance with the Competition Act, concluded on 2 November 2021 and the Finnish Competition and Consumer Authority (FCCA) commenced the second phase of the proceedings. According to the Finnish Competition Act, the second phase of the proceedings may not take more than 69 business days unless the Finnish Market Court grants extension upon application. Without the potential extension, the second phase of the proceedings will be completed no later than 10 February 2022.

Pihlajalinna

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna's growth and the improvement of profitability have progressed according to plan. Revenue grew and profit performance improved substantially in the third quarter compared to the previous year. In September the Group's monthly revenue exceeded EUR 50 million and adjusted quarterly operating income exceeded EUR 10 million for the first time in Pihlajalinna's history.

COVID-19 testing nationally reached its peak in August, with over 25,000 daily tests. There has been a decline in testing volumes since August due to the revised testing recommendations and the increasing vaccination coverage. Pihlajalinna's result for the third quarter was improved by the normal seasonal variation of the company's operations as well as COVID-19 services and the customer volumes of Pihlajalinna's private clinics recovering towards the pre-pandemic levels. Remote services through various channels represented 44 per cent of all appointments (excluding municipal outsourcing arrangements).

Pihlajalinna announced its intention to acquire the entire share capital of Pohjola Hospital Ltd at the beginning of July. The Finnish Competition and Consumer Authority (FCCA) confirmed that it had received Pihlajalinna's acquisition control notification at the end of September. We expect the FCCA to approve the completion of the acquisition. We will elaborate the impact of the acquisition on Pihlajalinna's business after the FCCA has made its decision.

The intended acquisition concerns nationwide insurance company services, but also local private sector offering of orthopedic and traumatology in addition to hand surgery services. The Competition and Consumer Authority finds it necessary to further investigate possible effects of the acquisition. The preliminary investigation indicates potential negative impact to private customers covering their costs themselves, specifically in the areas of orthopedic and traumatology as well as in the hand surgery specified services in hospital districts of Pirkanmaa and Northern Savonia.

Kuusiolinna Terveys Oy, a social and health care service provider jointly owned by Pihlajalinna and the participating municipalities, operates in Alavus, Ähtäri, Kuortane and Soini in South Ostrobothnia. In August KuusSote, a local service agreement customer of Kuusiolinna Terveys Oy, agreed to compensate any increased costs originated with authority directives in residental services and the investment funding share of the Southern Ostrobothnia Hospital District. Compensation for any cost increases resulting from authority directives and new legislation is essential to us to be able to ensure the preconditions for operations and capacity to further development of services.

The renewal of the sales strategy carried out in the early part of the year is reflected in growth in revenue. We shifted the focus of public sector sales from the outsourcing market to the service sales market, which will only be affected to a minor extent by the planned reform of health and social services. The most significant new service sales agreements signed in the third quarter included health center services in Matinkylä Espoo, COVID-19 testing services for the City of Jyväskylä and the new agreement for health advisory services for the Port of Helsinki.

Occupational healthcare services sales continue to grow. The key drivers of growth include digital services, competitive pricing and successful acquisitions. The number of people within the scope of Pihlajalinna occupational healthcare services was approximately 240,000 at the end of the review period. In July, we signed a new multi-year agreement with the forest industry company UPM regarding the provision of occupational health services. In late summer, we signed a new multi-year occupational health services agreement with Stora Enso, also a major forest industry company.

Based on the analysis of Pihlajalinna occupational healthcare visits states that sickness-related absences starting from mental health reasons per 1,000 employees have increased by 28 per cent compared to last year. Sickness-related absences associated with musculoskeletal disorders have increased by seven per cent. This year, we have focused particularly on the development of cure paths for these types of ailments in our digital service development. In early 2021, we launched the *Mielen huoli* -service (Mental concern service) through remote channels to provide assistance and treatment for mental health issues at an early stage. When people who suffer or have any indications from mental health problems are referred to effective treatment at early phase, the outcome will be a decrease in prolonged sickness absences, permanent disability and human suffering as well as costs for the employer and society.

In the early summer, we launched the *Liikuntalähete (Exercise referral)* as part of our new service portfolio. The exercise referral is a comprehensive service offering that improves the customer's quality of life and is produced in partnership with our fitness centres. The foundation for this service concept lies in the scientific evidence on the benefits of physical activity on wellbeing and health. Timely intervention in musculoskeletal disorders through physiotherapy and – where necessary – surgical treatment also reduces sickness-related absences and costs.

In September, we opened Pihlajalinna's third Uniikki special needs residential service unit in Lohja. The first Uniikki unit was opened in Hämeenlinna in 2018 and the second in Riihimäki in 2020. Pihlajalinna's Uniikki units are intended for people who have severe challenges controlling their behaviour or life management.

Pihlajalinna will strengthen its network of private clinics by opening new private clinics in Lahti, Espoo and Vantaa in early 2022. Expanding Pihlajalinna's range of services in the network of operating locations is a constant component in Pihlajalinna's business development.

We strengthened our position also in pediatric healthcare services by introducing a pediatrician's online chat service on the Pihlajalinna health application in late August. A pediatric specialist is available on weekdays from 8:00 to 22:00 and on weekends from 8:00 to 18:00. The service gives customers direct access to a pediatric specialist without an appointment. Remote consultations can be used to treat various acute ailments of children under 12 years of age that do not require a physical examination. The pediatrician's online chat service can provide assistance with infections, allergies, rashes and gastrointestinal symptoms, for example.

At the end of August 2021, a total of 140,032 people were waiting for access to care at hospitals operated by the hospital districts. Of these, 9,539 (6.8 per cent) had queued to non-urgent specialised care for more than six months. Compared to the end of April, this number had increased by 3,412. This is an exceptional situation. Our job at Pihlajalinna is to provide people with a channel through which they can access the service they need without unnecessary delay. I believe that by taking responsibility for the health of the individual as well as their quick and appropriate access to care – regardless of the actions taken by legislators and other parties – we will be able to continue to strengthen our position in the market.

In the coming years, Finnish healthcare will face significant reforms. The national reform of healthcare and social services proceeds. The first county elections will be held on Sunday, 23 January 2022, and the councils in charge of the wellbeing services counties will start their work on 1 March 2022. The private sector has developed new service models and care paths to ensure high-quality care and quick access to care in all circumstances. Our strong track record at Pihlajalinna proves that we are a pioneer in this transition. I expect the development of digital services to continue to significantly improve Pihlajalinna's competitiveness. Where necessary, we have the agility and capacity to adapt to quick changes such as those brought by the national reform of health and social services.

Pihlajalinna’s strategy 2021–2023

Strategic priorities

1. **The renewal of private customer services**

   Pihlajalinna will strengthen its multichannel services and consumer business through new service concepts and digital innovation.

2. **Cooperation in social and healthcare services**

   Pihlajalinna will engage in close cooperation with the future wellbeing services counties and build a strong market position in public healthcare.

3. **Enhancing digitalisation**

   Pihlajalinna has a strong focus on digitalisation in the development of personnel, the customer experience and operational performance.

Objectives for the strategy period

- Pihlajalinna offers the most attractive and diverse range of services.
- Pihlajalinna is the number one choice of consumers and professionals.
- Pihlajalinna’s services are the smoothest in its industry and they are available without delay.
- Pihlajalinna ensures profitable growth.

Performance indicators

The achievement of goals is measured by, for example, financial indicators, the growth of appointment times available to customers and the number of procedures as well as the Net Promoter Score (NPS), which measures the customer experience and employee experience.

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.
- 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.

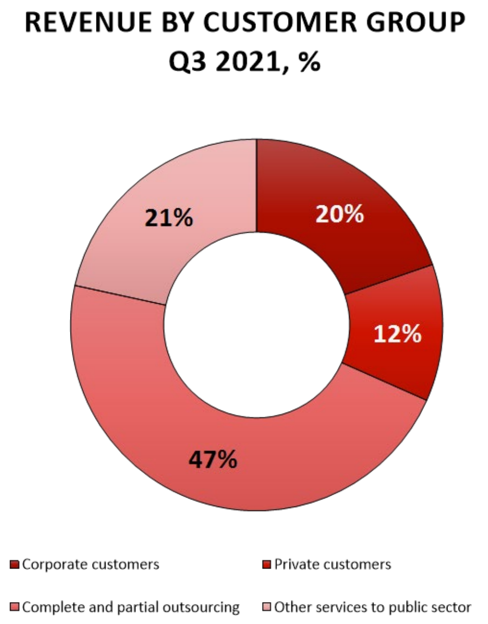
July-September 2021

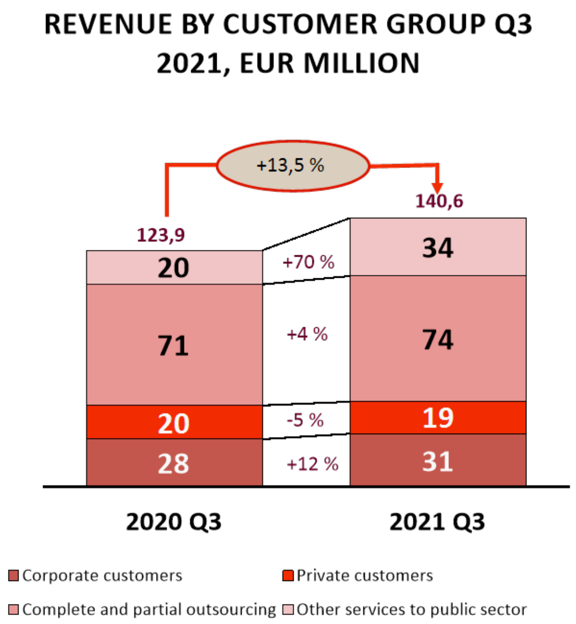
EUR million	7-9/2021	7-9/2020	change	change %	2020
Corporate customers	31.2	28.0	3.2	11.5 %	121.1
of which insurance company customers	7.7	6.7	0.9	13.9 %	31.4
Private customers	18.9	19.9	-1.0	-5.1 %	81.1
Public sector	108.1	91.3	16.8	18.4 %	372.0
of which complete and partial outsourcing agreements	74.0	71.2	2.7	3.8 %	287.9
of which staffing	6.4	5.5	0.9	15.7 %	22.9
of which occupational healthcare and other services	27.7	14.5	13.2	91.0 %	61.3
Intra-Group sales	-17.5	-15.3	-2.3	14.9 %	-65.6
Total consolidated revenue	**140.6**	**123.9**	**16.8**	**13.5 %**	**508.7**

Revenue from **corporate customers** amounted to EUR 31.2 (28.0) million, an increase of EUR 3.2 million, or 11.5 per cent. Sales to insurance company customers increased by EUR 0.9 million, or 13.9 per cent. In the corporate customer group, revenue from COVID-19 services amounted to EUR 2.0 (2.0) million. Appointments at Pihlajalinna's private clinics increased by 2 per cent year-on-year but were 5 per cent lower than in 2019.

Revenue from **private customers** amounted to EUR 18.9 (19.9) million, a decrease of EUR -1.0 million, or -5.1 per cent. In the private customer group, revenue from COVID-19 services amounted to EUR 0.4 (0.5) million, a decrease of EUR 0.1 million. Appointments at Pihlajalinna's private clinics decreased by 6 per cent year-on-year but were 18 per cent lower than in 2019.

Revenue from the **public sector** amounted to EUR 108.1 (91.3) million, an increase of EUR 16.8 million, or 18.4 per cent. Revenue from COVID-19 services to the public sector amounted to EUR 9.4 (0.9) million, an increase of EUR 8.5 million. The partial outsourcing agreement with Kristiinankaupunki and the index adjustments to complete outsourcing agreements increased revenue by a total of EUR 2.8 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 3.2 million. Appointments at Pihlajalinna's private clinics increased by 67 per cent year-on-year and were 59 per cent higher than in 2019. Without the acquisition of Työterveys Virta, appointments would have increased by 8 per cent year-on-year and by 3 per cent compared to 2019.





January-September 2021

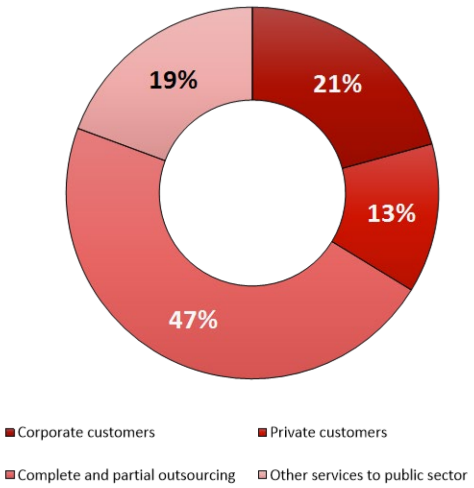
EUR million	1-9/2021	1-9/2020	change	change %	2020
Corporate customers	99.0	85.0	14.0	16.4 %	121.1
of which insurance company customers	25.0	22.4	2.7	12.0 %	31.4
Private customers	62.1	58.8	3.3	5.6 %	81.1
Public sector	316.3	274.9	41.4	15.1 %	372.0
of which complete and partial outsourcing agreements	224.0	214.3	9.7	4.5 %	287.9
of which staffing	19.7	17.1	2.6	15.1 %	22.9
of which occupational healthcare and other services	72.7	43.6	29.1	66.7 %	61.3
Intra-Group sales	-54.3	-47.2	-7.1	15.0 %	-65.6
Total consolidated revenue	**423.1**	**371.5**	**51.6**	**13.9 %**	**508.7**

Revenue from **corporate customers** amounted to EUR 99.0 (85.0) million, an increase of EUR 14.0 million, or 16.4 per cent. Sales to insurance company customers increased by EUR 2.7 million, or 12.0 per cent. Revenue from occupational healthcare services increased by EUR 6.0 million. In the corporate customer group, revenue from COVID-19 services amounted to 7.0 (2.4) million, an increase of EUR 4.6 million. Appointments at Pihlajalinna's private clinics increased by 3 per cent year-on-year but were 3 per cent below the level of 2019.

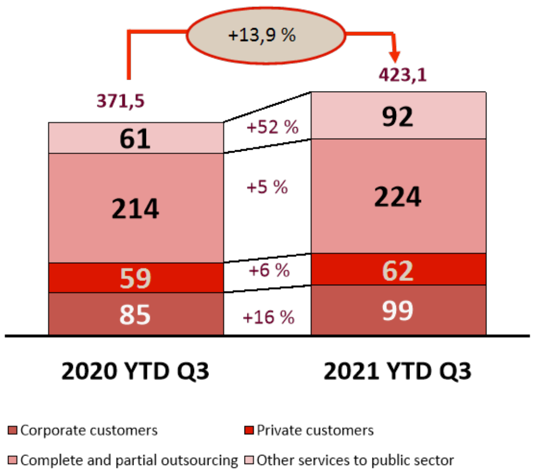
Revenue from **private customers** amounted to EUR 62.1 (58.8) million, an increase of EUR 3.3 million, or 5.6 per cent. Revenue from fitness centres, fertility treatments, dental care services and surgical operations increased EUR 2.4 million in total. In the private customer group, revenue from the COVID-19 services amounted to EUR 1.4 (0.6) million, an increase of EUR 0.8 million. Appointments at Pihlajalinna's private clinics decreased by 5 per cent year-on-year and were 25 per cent lower than in 2019 still due to COVID-19 pandemic.

Revenue from the **public sector** amounted to EUR 316.3 (274.9) million, an increase of EUR 41.4 million, or 15.1 per cent. Revenue from COVID-19 services to the public sector amounted to EUR 20.4 (1.1) million, an increase of EUR 19.3 million. The partial outsourcing agreement with Kristiinankaupunki and the index raise to complete outsourcing agreements increased revenue by a total of EUR 8.2 million. The acquisition of Työterveys Virta increased revenue from the public sector by EUR 6.7 million. Appointments at Pihlajalinna's private clinics increased by 49 per cent year-on-year and were 51 per cent higher than in 2019. Without the acquisition of Työterveys Virta, appointments would have increased by 9 per cent year-on-year and by 11 per cent compared to 2019.

REVENUE BY CUSTOMER GROUP
YTD Q3 2021, %



REVENUE BY CUSTOMER GROUP
YTD Q3 2021, EUR MILLION



Consolidated revenue and result

July-September 2021

Pihlajalinna's revenue totalled EUR 140.6 (123.9) million, an increase of EUR 16.8 million, or 13.5 per cent. M&A transactions accounted for EUR 3.6 million, or 2.9 per cent, of the growth in revenue. Organic revenue growth was EUR 13.2 million, or 10.6 per cent. The main factor contributing to the growth of revenue was COVID-19 services.

Revenue from COVID-19 services totalled 11.8 (3.4), an increase of EUR 8.4 million. Appointments at Pihlajalinna's private clinics increased by 9 per cent year-on-year and were on the level of 2019. Without the acquisition of Työterveys Virta, appointments would have remained at year-on-year level and they would have been 9 per cent lower than in 2019 due to the decrease in private and corporate customer volumes. The figures do not take into account the number of customer appointments under Pihlajalinna's complete and partial outsourcing agreements. Some 44 per cent of all customer appointments (excluding municipal outsourcings) took place via remote services during the quarter. The volume of surgical operations at Jokilaakso Hospital grew by 14 per cent. The number of freedom-of-choice patients in public healthcare at Jokilaakso Hospital increased by 25 per cent.

EBITDA was EUR 18.2 (16.7) million, an increase of EUR 1.6 million, or 9.4 per cent. Adjusted EBITDA was EUR 18.8 (17.2) million. EBITDA adjustments amounted to EUR 0.6 (0.6) million. The profitability of private clinic and occupational healthcare services improved due to COVID-19 services and higher volumes. The capacity utilisation rates and profitability of surgical operations improved.

Profitability was reduced by the increased costs of elderly care services and specialised care under complete outsourcing agreements.

Pihlajalinna's operating profit (EBIT) amounted to EUR 9.4 (8.0) million, an increase of EUR 1.4 million. The EBIT-to-revenue ratio (EBIT margin) was 6.7 (6.4) per cent. Adjusted EBIT amounted to EUR 10.0 (8.7) million. The adjusted EBIT margin was 7.1 (7.0) per cent. Adjustments to EBIT amounted to EUR 0.6 (0.7) million.

The Group's net financial expenses amounted to EUR -0.9 (-1.0) million. Profit before taxes came to EUR 8.5 (7.0) million. Taxes in the income statement amounted to EUR -1.7 (-1.5) million. Profit came to EUR 6.8 (5.4) million. Earnings per share (EPS) was EUR 0.31 (0.20).

January-September 2021

Pihlajalinna's revenue totalled EUR 423.1 (371.5) million, an increase of EUR 51.6 million, or 13.9 per cent. M&A transactions accounted for EUR 7.4 million, or 2.0 per cent, of the growth in revenue. Organic revenue growth was EUR 44.2 million, or 11.9 per cent. The main factors contributing to the organic growth of revenue were COVID-19 services and the start of the partial outsourcing agreement with Kristiinankaupunki since the beginning of the year.

Revenue from COVID-19 services amounted EUR 28.8 (4.1) million, an increase of 24.7 million. Appointments at Pihlajalinna's private clinics increased by 8 per cent year-on-year but were 3 per cent lower than in 2019. Without the acquisition of Työterveys Virta, appointments would have increased by 1 per cent year-on-year and they would have been 8 per cent lower than in 2019 due to the decrease in private customer volumes. The figures do not take into account the number of customer appointments under Pihlajalinna's complete and partial outsourcing agreements. Some 42 per cent of all customer appointments (excluding municipal outsourcings) took place via remote services during the period under review. The capacity utilisation rates of surgical operations improved. The volume of surgical operations at Jokilaakso Hospital grew by 11 per cent. The number of freedom-of-choice patients in public healthcare at Jokilaakso Hospital increased by 53 per cent. The demand for fitness centres and dental care services improved, but revenue from these areas was still significantly below the level of 2019.

EBITDA was EUR 48.6 (37.3) million, an increase of EUR 11.2 million, or 30.2 per cent. Adjusted EBITDA was EUR 49.2 (38.9) million. EBITDA adjustments amounted to EUR 0.7 (1.6) million. The profitability of private clinic and occupational healthcare services improved due to COVID-19 services. The capacity utilisation rates and profitability of surgical operations improved. The profitability of fitness centres improved.

Profitability was significantly reduced by the increased costs of specialised care, social services, dental care services and elderly care services under complete outsourcing agreements.

Pihlajalinna's operating profit (EBIT) amounted to EUR 22.6 (11.4) million, an increase of EUR 11.2 million, or 97.8 per cent. The EBIT-to-revenue ratio (EBIT margin) was 5.3 (3.1) per cent. Adjusted EBIT amounted to EUR 23.1 (13.5) million. The adjusted EBIT margin was 5.5 (3.6) per cent. Adjustments to EBIT amounted to EUR 0.5 (2.1) million.

The Group's net financial expenses amounted to EUR -2.7 (-3.4) million. In the comparison period, net financial expenses were increased on a non-recurring basis by a waiver expense associated with a financing arrangement. Profit before taxes came to EUR 19.9 (8.0) million. Taxes in the income statement amounted to EUR -3.9 (-2.1) million. Profit came to EUR 15.9 (6.0) million. Earnings per share (EPS) was EUR 0.71 (0.24).

The operating environment

The Finnish Government and the Ministry of Social Affairs and Health decided to relinquish certain COVID-19 restrictions at the beginning of October. The plan is to relinquish all COVID-19 restrictions when sufficient vaccination coverage is reached in Finland. Sufficient vaccination coverage is defined as over 80 per cent of the population over the age of 12 years having received two vaccine doses. The Regional State Administrative Agencies may still impose regional restrictions thereafter if the epidemiological situation requires it. The Finnish Institute for Health and Welfare monitors vaccination coverage. According to the Finnish Institute for Health and Welfare's COVID-19 vaccination monitoring, on 28 October 2021, some 85,4 per cent of the target population of vaccinations in Finland had received their first vaccine dose and 77,5 per cent had received their second dose.

The incidence of COVID-19 has again increased in Finland. According to the Finnish Institute for Health and Welfare, 137 new infections per 100,000 inhabitants were diagnosed during the period 4–17 October. During the preceding two weeks (20 September–3 October), 124 new infections were diagnosed per 100,000 inhabitants. The number of COVID-19 patients in hospital care has also increased, creating a burden on specialised care and intensive care.

According to the Finnish Institute for Health and Welfare's statistics report, queues for treatment in public healthcare have increased in general due to COVID-19. At the end of August 2021, a total of 140,032 patients were waiting for access to care at hospitals operated by the hospital districts. Of these, 9,539 (6.8 per cent) had queued to non-urgent specialised care for more than six months. Compared to the end of April, this number had increased by 3,412. Queues for treatment have grown especially in the treatment of cardiovascular disease, dental care and orthopedics. The queues are still the longest for cataract surgeries. In primary care, telephone consultations have accelerated access to care at public-sector health centres in the summer and autumn.

The number of voluntary medical expense insurance policies increased by more than 50 per cent between 2009 and 2020. Approximately 1.25 million Finns currently have voluntary medical expense insurance. The fastest growth was seen in insurance policies taken out by adults, children and private companies covering their employees.

The new reforms of social and health services will see the responsibility for the organisation of healthcare, social welfare and rescue services transferred from municipalities to 21 wellbeing services counties, the City of Helsinki and partially to HUS, the joint county authority for the Hospital District of Helsinki.

Before the first county elections are held, interim preparatory bodies are in charge of the wellbeing services counties. The first county elections will be held on Sunday, 23 January 2022. The county elections will be based on party-list proportional representation, similar to the municipal elections. The county election committees will confirm the results of the county elections on 26 January 2022. The newly elected councils will start their work on 1 March 2022.

Economic growth in spring 2021 was substantially faster than expected. Confidence among businesses and households has improved as vaccinations have progressed and restrictions have been relinquished. The Finnish GDP is expected to grow by 3.5 per cent this year and 2.8 per cent in 2022. Supported by economic growth, employment increased and unemployment decreased during the summer. According to the forecast, the most significant risks to economic growth are still associated with the COVID-19 pandemic. The increasing incidence of various variants of COVID-19 saw infection numbers again turn to growth in the summer and the development of the epidemiological situation will involve risks for a long time yet.

Consolidated statement of financial position and cash flow

Pihlajalinna Group's total statement of financial position amounted to EUR 466.3 (430.2) million. Consolidated cash and cash equivalents amounted to EUR 6.8 (6.2) million.

Net cash flow from operating activities in the quarter amounted to EUR 8.8 (-3.0) million. Taxes paid amounted to EUR -0.1 (-0.8) million. The change in net working capital was EUR -9.4 (-18.9) million.

Net cash flow from operating activities during the review period amounted to EUR 32.5 (28.6) million. Taxes paid amounted to EUR -3.2 (-3.0) million. The change in net working capital was EUR -13.0 (-5.9) million. Working capital totalling EUR 6.4 (13.0) million was released from trade and other payables. Working capital amounting to EUR 18.2 (16.6) million was tied up in trade and other receivables and EUR 0.4 (1.3) million in inventories. Changes in provisions tied up EUR 0.8 (1.0) million in working capital.

Net cash flow from investing activities totalled EUR -2.7 (-1.6) million during the quarter. Investments in tangible and intangible assets amounted to EUR -2.7 (-1.7) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.1 (0.0) million.

Net cash flow from investing activities during the review period amounted to EUR -26.7 (-2.5) million. Acquisitions of subsidiaries (Työterveys Virta Oy 1.4.2021) had an impact of EUR -16.1 (-1.4) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -9.5 (-7.8) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.3 (6.7) million. Pihlajalinna sold and leased back two care properties in Laihia in May 2020. Investments in NONNA Group Oy and Digital Health Solutions Oy amounted to EUR -1.3 million.

The Group's cash flow after investments (free cash flow) was EUR 6.2 (-4.6) million for the quarter and EUR 5.8 (26.1) million for the review period.

Net cash flow from financing activities totalled EUR -4.3 (-3.9) million for the quarter. The change in financial liabilities, including changes in credit limits, amounted to EUR 4.6 (2.4) million. Payments for financial lease liabilities amounted to EUR -4.9 (-5.0) million, and interest paid and other financial expenses amounted to EUR -0.9 (-1.1) million. A total of EUR 0.0 (0.1) million in dividends was paid to non-controlling interests. In August, Pihlajalinna increased its holding of Kuusiolinna Terveys Oy by purchasing 7.2 per cent of the shares from the city of Kuortane. Total EUR 3.0 million was paid in cash for the shares.

Net cash flow from financing activities during the review period amounted to EUR -12.4 (-47.0) million. The change in financial liabilities, including changes in credit limits, amounted to EUR 13.8 (-9.0) million. Payments for financial lease liabilities amounted to EUR -14.8 (-15.2) million, and interest paid and other financial expenses amounted to EUR -2.9 (-3.6) million. The net effect of the change in non-controlling interests on cash flow was EUR -3.0 (-18.3) million. A total of EUR 0.4 (0.2) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed dividends of EUR 4.5 (0.0) million for the financial year 2020 in accordance with the decision of the Annual General Meeting. Pihlajalinna Plc has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR 0.6 (0.7) million.

The Group's gearing was 175.5 (185.4) per cent. Interest-bearing net debt amounted to EUR 211.0 (207.3) million.

Return on capital employed was 9.0 (4.7) per cent and return on equity was 16.1 (7.4) per cent.

Financing arrangements

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The agreement is valid until 9 March 2023. The arrangement comprises a EUR 50 million revolving credit facility and a long-term bullet 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 financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. The calculation of covenants will continue with the creditor banks in accordance with the accounting principles confirmed in the original financing arrangement (frozen GAAP, i.e. excluding the IFRS 16 impact). The Group met the set covenants on 30 September 2021.

Due to the changes in the operating environment caused by the COVID-19 pandemic, Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement for the first two quarters of 2020 at the end of March 2020. The original covenants of the financing arrangement – leverage of 3.75 and gearing of 115 per cent – took effect again when the covenants were reviewed in the third quarter of 2020. As part of the agreement, a permanent new margin ceiling was added to the financing arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50. On 30 September 2021, leverage in accordance with the financing arrangement stood at 2.52 and gearing at 105 per cent.

The Group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the review period, Pihlajalinna had a total of EUR 40.0 million in unused committed credit limits. A further EUR 45.0 million of the additional credit limit, which is subject to a separate credit decision, remains unused.

Acquisitions and capital expenditure

Gross investments, including acquisitions, amounted to EUR 37.8 (20.1) million. The Group's gross investments in fixed and intangible assets, which consisted of development, additional and replacement investments required for growth, amounted to EUR 9.7 (8.0) million. Gross investments in right-of-use assets amounted to EUR 8.1 (11.7) million, including the opening of new units in Lohja (Uniikki special needs residential services) and during the comparison period opening of new units in Helsinki (Pihlajalinna Tavastia private clinic) and Riihimäki (Uniikki special needs residential services).

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.3 (0.5) million. The investment commitments are related to additional and replacement investments in clinical equipment and information system projects.

Pihlajalinna acquired the business operations of Finla Työterveys Oy's Mänttä occupational healthcare centre. The transaction took effect on 1 November 2021. Mänttä occupational healthcare centre has about 100 companies as its customers, comprising approximately 1,500 individual customers.

Pihlajalinna is committed to purchase Pohjola Sairaala Oy's entire share capital from Pohjola Vakuutus Oy. The net-debt free purchase price to be paid in cash is EUR 31.8 million. Finnish Competition and Consumer Authority (FCCA) has been notified of the acquisition. Pihlajalinna will acquire Pohjola Hospital Ltd. In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance. The first phase of the notification proceedings, in accordance with the Competition Act, concluded on 2 November 2021 and FCCA commenced the second phase of the proceedings. According to the Finnish Competition Act, the second phase of the proceedings may not take more than 69 business days unless the

Finnish Market Court grants extension upon application. Without the potential extension, the second phase of the proceedings will be completed no later than 10 February 2022.

Complete and partial outsourcing agreements

Company	Pihlajalinna's holding, 31 December 2020	Pihlajalinna's holding, 30 June 2021	First year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	90%	90%	internal service provision	internal service provision
Jämsän Terveys Oy	51%	51%	2015	10
Kuusiolinna Terveys Oy	90%	97%	2016	15
Mäntänvuoren Terveys Oy	91%	91%	2016	15
Kolmostien Terveys Oy	96%	96%	2015	15
Bottenhavets Hälsa Ab - Selkämeren Terveys Oy	83%	75%	2021	15–20 years

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

Complete and partial outsourcing agreements	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020 12 months	2019 12 months
INCOME STATEMENT						
Revenue, EUR million	68.4	66.0	205.8	197.3	264.2	262.4
EBITDA, EUR million	3.1	5.2	6.4	9.6	11.0	15.3
EBITDA, %	4.6	7.9	3.1	4.9	4.2	5.8
Adjusted EBITDA, EUR million*	3.1	5.2	6.5	9.6	11.0	17.5
Adjusted EBITDA, %*	4.6	7.9	3.2	4.9	4.2	6.7
Operating profit (EBIT), EUR million	0.0	4.5	0.0	7.6	8.2	13.0
Operating profit, %	0.0	6.8	0.0	3.8	3.1	4.9
Adjusted operating profit (EBIT), EUR million*	2.4	4.5	4.3	7.6	8.2	15.1
Adjusted operating profit, %*	3.5	6.8	2.1	3.8	3.1	5.8
Profit before tax (EBT), EUR million	2.4	4.5	4.1	7.5	8.1	12.8

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

Changes in Group structure

The following changes in group structure were implemented during the financial year (mergers):

Merged company	Target company	Month of acquisition
Pihlajalinna Seinäjoki Oy	Pihlajalinna Lääkärikeskukset Oy	9 April 2021
Terveyspalvelu Verso Oy	Pihlajalinna Lääkärikeskukset Oy	1 May 2021
Työterveys Virta Oy	Pihlajalinna Oulu Oy	1 September 2021

Research and development

Increases to intangible assets totalled EUR 2.8 (2.8) million during the review period.

During the financial year 2021, the Group is developing preventive operating models that are conceptualised to create service packages that combine wellbeing and healthcare on Pihlajalinna's website and health application. The personalisation of services are being developed through the targeted marketing of Pihlajalinna's and its partners' services. Opportunities for remote consultations are expanded and harmonised. The range of partnership-based services and analytics offered to occupational healthcare customers via the Occupational Healthcare Portal are developed and expanded. Situational awareness of the care chain is developed for insurance customers. A professionals' mobile application is developed for Pihlajalinna's employees and practitioners to enable them to carry out their duties efficiently and flexibly when they work remotely. The ERP system of fitness centres and the Group's procure-to-pay system is being replaced. In dental care, a new patient data system was fully deployed in May 2021.

Personnel

At the end of the review period, the number of personnel amounted to 5,750 (5,882), a decrease of 132 persons or 2 per cent. The Group's personnel averaged 4,731 (4,303) persons as full-time equivalents, an increase of 428 persons or 10 per cent. The Group's employee benefit expenses totalled EUR 185.9 (158.8) million, an increase of EUR 27.1 million or 17.1 per cent. The growth in the number of personnel was attributable to COVID-19 services, the start of the partial outsourcing agreement with Kristiinankaupunki and the acquisition of Työterveys Virta. The increase in employee expenses was also attributable to general increases, the elimination of the temporary reduction in statutory employment pension insurance contributions and personnel-related flexibility during the comparison period ie. COVID-19 spring of 2020.

Remuneration of the members of the Board of Directors

The Annual General Meeting of 15 April 2021 resolved that the remuneration of the members of the Board of Directors other than the Chairman of the Audit Committee will remain unchanged, and that the following annual remuneration will be paid to the members of the Board of Directors elected for the term of office ending at the 2022 Annual General Meeting: EUR 250,000 per year to the full-time Chairman of the Board of Directors, EUR 36,000 per year to the Vice Chairman and to the Chairman of the Audit Committee, and EUR 24,000 per year to the other members.

The annual remuneration shall be paid in company shares and in cash, with approximately 40 per cent of the remuneration used to acquire shares in the name and on behalf of the members of the Board of Directors, and the remainder paid in cash. The remuneration can be paid either entirely or partially in cash if the member of the Board of Directors has, on the day of the General Meeting, 15 April 2021, been in possession of over EUR 1,000,000 worth of company shares. The company is responsible for the expenses and transfer tax arising from the acquisition of the shares. The remuneration to be paid in shares can be paid by transferring company shares in possession of the company to the members of the Board of Directors or by purchasing shares directly on behalf of the Board members within three weeks after the half year financial report for the period of 1 January–30 June 2021 has been published. If this is not, due to legal or other regulatory reasons, such as insider regulations, possible at the first available time after this, the alternative is to pay the remuneration in cash. If the term of a Board member ends before the Annual General Meeting of 2022, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

The AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the company's travel policy.

Shares and shareholders

At the end of the financial period, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of shares was 22,620,135, of which 22,594,235 were outstanding and 25,900 were held by the company. The company has one share series, with each share entitling its holder to one vote at the Annual General Meeting. All of the outstanding shares bestow their holders with equal rights to dividends and other distribution of the company's assets. At the end of the review period, the company had 14,696 (12,108) shareholders. A list of the largest shareholders is available on the company's investor website at investors.pihlajalinna.fi.

The trading code for the shares on the Nasdaq Helsinki main market is PIHLIS. Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

Share-related information, outstanding shares	7-9/2021	7-9/2020	1-9/2021	1-9/2020	2020
No. of shares outstanding at the end of the period	22,594,235	22,572,736	22,594,235	22,572,736	22,617,841
Average no. of shares outstanding during the period	22,594,235	22,572,736	22,587,748	22,590,243	22,586,212
Highest price, EUR	12.98	15.05	12.98	15.66	15.66
Lowest price, EUR	11.30	10.30	9.26	10.30	8.72
Average price, EUR*	12.04	12.85	11.00	13.93	12.09
Closing price, EUR	11.80	10.35	11.80	10.35	9.38
Share turnover, 1,000 shares	1,511	1,271	5,868	3,991	6,620
Share turnover, %	6.7	5.6	26.0	17.7	29.3
Market capitalisation at the end of the period, EUR million	266.6	233.6	266.6	233.6	212.2

* average rate weighted by trading level

Risks and uncertainties in business operations

Pihlajalinna's risk management and risks related to the company's business operations are described in more detail in the Report by the Board of Directors 2020 and in the Financial Statements in Note 26 *Financial risk management.*

The Finnish Government and the Ministry of Social Affairs and Health decided to relinquish certain COVID-19 restrictions at the beginning of October. The plan is to relinquish all COVID-19 restrictions when sufficient vaccination coverage is reached in Finland. The COVID-19 pandemic has a twofold impact on Pihlajalinna's business: on one hand, the demand for COVID-19 services has led to the growth of business but, on the other hand, COVID-19 restrictions have at times led to weaker demand for services. The service provision and customer volumes of private clinics and dental care units have yet to recover to the pre-pandemic levels of 2019.

In addition to the impacts of the COVID-19 pandemic, the significant risks and uncertainties affecting the business operations are related to the comprehensive outsourcing agreements on social and healthcare service, substancial changes to legislation, opening new locations, the success of acquisitions, digital service development and information technology projects as well as risks related to taxation and the commitment and recruitment of competent top management.

A tax audit of the Group's main companies began in the spring 2017 and was fully completed in February 2021. No additional taxes became payable as a result of the tax audit with regard to income taxation (the

Act on the Taxation of Business Profits) and withholding taxes (Tax Prepayment Act). No notable sanctions arose from the tax audit with regard to value added taxes (Value Added Tax Act).

The reforms concerning the organisation of social, healthcare and rescue services, when implemented, may alter some outsourcing agreements for social and healthcare services subject to a nullification or termination procedure. The termination of agreements subject to the termination procedure would require the wellbeing services counties to carry out an overall assessment of compatibility with the legislation governing the organisation of social and healthcare services. Under the proposal, the validity of such agreements would be terminated at the end of 2025. The nullification of outsourcing agreements would be limited to very comprehensive and significant agreements and areas for which outsourcing is specifically prohibited (e.g. the exercise of public authority, social services duty). According to Pihlajalinna's management and legal experts, the nullification of such agreements or making them subject to a termination procedure would still potentially be in conflict with the Constitution and contract legistlation.

Determining the annual profitability of the Group's fixed-term complete social and healthcare services outsourcing agreements may become accurate with a delay. The Group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements, and the agreements may involve variable elements of compensation. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care may influence the cost liability of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The fixed-term service agreements for all of the Group's comprehensive outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognised the variable compensation components and cost compensation under the agreements using the same criteria and model for all clients. Demands for the compensation of cost increases due to changes in services corresponding to the actual costs and investment costs that serve operations after the end of the term of the contract being the client's responsibility constitute the majority of costs and variable compensation components that become more accurate with a delay. For 2021, the assessment of investment costs and COVID-19 related costs included in invoicing by hospital districts can only be carried out with completion after the hospital districts have published their financial statements.

The Finnish Government has repeatedly stated, that costs due to COVID-19 pandemic will be fully compensated to municipalities and joint municipal authorities. Autumn 2021 applications are accepted for compensation of costs related to testing, tracing, vaccinations and treatment as well as other direct COVID-19-related costs. Pihlajalinna will assess the COVID-19 costs included in the invoicing of hospital districts' municipality-specific specialised care for each client municipality. The COVID-19-related costs of complete outsourcing agreements for social and healthcare services are treated as cost compensation under the agreements.

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

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

The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement. The difference of opinion regarding whether the fixed annual price for social and healthcare services can also decrease due to price adjustments, amounted to approximately EUR 3.3 million at the end of the review period. The District Court has postponed the hearing of the main case due to Jämsän Terveys bringing an additional counterclaim against the City of Jämsä. The additional counterclaim concerns the effect of changes in the services under the service agreement on price and the service provider's liability for financing investments by the Pirkanmaa Hospital District insofar as such investments serve operations after the term of the service agreement. The service provider is entitled to price adjustments corresponding to increases in costs and the contractual parties are under an obligation to negotiate and try to reach an agreement. In its counterclaim, Jämsän Terveys claims a total of approximately EUR 15 million from the City of Jämsä. The total amount of variable compensation under the counterclaim that Jämsän Terveys has recognised as revenue and recorded in its receivables amounts to EUR 3.6 (3.0) million.

The total amount of contractually and legally justified variable compensation from the City of Mänttä-Vilppula that Mäntänvuoren Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 3.3 (1.4) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The receivables from variable compensation components are also related to cost increases caused by service changes and compensating such increases in accordance with the actual costs. The total claims from the client based on the previously mentioned grounds amounted to approximately EUR 6 million according to the information available at the time of drawing up the financial statements of 31 December 2020.

The total amount of contractually and legally justified variable compensation from the City of Parkano that Kolmostien Terveys Oy has recognised as revenue and recorded in its receivables amounts to EUR 0.6 (0.1) million. The variable compensation recognised as revenue in accordance with the agreement includes an estimate of compensation for specialised care costs to the service provider of the Pirkanmaa Hospital District's investment costs allocated to the client. The client approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement. The total claims from the client based on the previously mentioned grounds amounted to approximately EUR 1.5 million according to the information available at the time of drawing up the financial statements of 31 December 2020.

Pending legal processes:
The City of Jämsä has taken legal action against Jämsän Terveys Oy regarding a matter concerning the price adjustment provision in the service agreement as mentioned above under *Possible items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay.*

The District Court of Kanta-Häme issued a decision on the dispute between Pihlajalinna and the municipality of Hattula on 11 June 2021. The District Court found that Hattula did not have the right to terminate the agreement. Nevertheless, Pihlajalinna was ordered to pay compensation totalling EUR 123,175, including interest, to Hattula as contractual penalties and indemnity for breaches of contract. Pihlajalinna's counter-claim was approved with regard to its basis but rejected with regard to its amount. Each party defrayed for its legal costs.

On 31 August 2021, in arbitration proceedings brought against a subsidiary of Pihlajalinna Group regarding a breach of contract, an arbitration court found that the claimant had suffered damages of EUR 295,800 due to the unfounded termination of an agreement. The court of arbitration ordered Pihlajalinna to pay compensation for damages and the claimant's legal expenses, totalling EUR 82,943, and, under joint and several liability, pay for the costs of the arbitration proceedings, totalling EUR 98,694.

Impairment testing of goodwill:
At the end of the review period, goodwill on Pihlajalinna's statement of financial position amounted to EUR 188.6 (173.6) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. If negative changes were to occur in the development of Pihlajalinna's profit and growth, this could lead to an impairment of goodwill. This could have an unfavourable impact on Pihlajalinna's operating result and equity.

Current incentive schemes

At its meeting on 14 February 2019, the Board of Directors approved the terms of a share-based long-term incentive programme for Pihlajalinna Group's senior management (LTIP 2019). The incentive programme is effective from 1 January 2019 onwards and it is aimed at the CEO, the Management Team and other key employees selected for inclusion in the programme. LTIP 2019 constitutes a five-year plan period. None of the share rewards received by the key employees thereunder may be sold or transferred prior to the year 2022 and, as a rule, they also include a restriction period of the same duration. In the event that a beneficiary's employment ends during the restriction period, shares that have already been received must be returned. The key employee is required to have made an investment in Pihlajalinna shares as a precondition for participation in the programme. At the end of the review period, the incentive programme included 27 key employees.

The fixed matching share programme (commitment shares) consisted of a commitment period from the beginning of 2019 to the payment of the fixed share reward at the end of 2020. In this scheme, the company matched each key employee's share investments with additional shares at a fixed rate. A total of 97,000 matching shares were awarded. This figure is the gross reward, from which the applicable taxes were deducted, leaving a net amount of 45,105 shares that were transferred to the participants on 28 December 2020. The shares are subject to a transfer restriction but not a restriction period.

The performance- and quality-based matching share plan includes three one-year performance periods (the calendar years 2019–2021), during which the participants can earn performance-based additional shares, provided that the company reaches the performance objectives set by the Board of Directors. Based on each individual performance period, the participant can earn a maximum of two additional shares for three shares invested without consideration (gross before the deduction of the applicable payroll tax). The performance-based share rewards will be delivered after the respective performance periods according to the programme in the spring of 2020, 2021 and 2022.

No performance- and quality-based share rewards materialised for the first performance period 2019 pursuant to the matching share plan, as the minimum objectives set for the programme were not achieved.

For the second performance period of 2020 under the performance- and quality-based matching share plan, the gross reward for the Group's management was 56,583 shares. The net amount of 26,546 shares were paid to the participants on 25 February 2021. The shares are subject to the normal transfer restriction but not a restriction period.

The performance targets for the performance- and quality-based matching share plan for the performance period 2021 were approved by the Board of Directors on 6 May 2021. The performance targets are related to the achievement of the consolidated adjusted operating profit target for 2021, the development of the customer net promoter score (NPS), the development of the employee net promoter score (eNPS), the development of the share of internal production in specialised care, the promotion of digitalisation and items that, according to the management's estimate, may have a delayed impact on the profitability of complete outsourcing agreements.

Repurchase of own shares

During the period 15 January–21 January 2021, Pihlajalinna acquired a total of 60,000 of its own shares for an average price of EUR 9.70 per share.

Following the repurchase, Pihlajalinna held a total of 62,294 of its own shares, which was approximately 0.28 per cent of the total number of shares. On 25 February 2021, Pihlajalinna conveyed 26,546 shares held by the company to key employees in accordance with the incentive programme. On 11 May 2021, Pihlajalinna conveyed 9,848 shares held by the company as part of the fees of the Board of Directors in accordance with the decision of the Annual General Meeting. After the share transfers, the number of treasury shares held by the company was 25,900 shares at the end of the review period.

The treasury shares can be used for payments under the incentive scheme currently in effect.

Events after the review period

Finnish Competition and Consumer Authority will commence further proceedings regarding the acquisition between Pihlajalinna and Pohjola Hospital Ltd.

The first phase of the notification proceedings, in accordance with the Competition Act, concluded on 2 November 2021. The FCCA commenced the second phase of the proceedings. According to the Finnish Competition Act, the second phase of the proceedings may not take more than 69 business days unless the Finnish Market Court grants extension upon application. Without the potential extension, the second phase of the proceedings will be completed no later than 10 February 2022.

The intended acquisition concerns nationwide insurance company services, but also local private sector offering of orthopedic and traumatology in addition to hand surgery services. The Competition and Consumer Authority finds it necessary to further investigate possible effects of the acquisition. Their preliminary investigation indicates potential negative impact to private customers covering their costs themselves, specifally in the areas of orthopedic and traumatology as well as in the hand surgery specified services in hospital districts of Pirkanmaa and Northern Savonia.

Based on currently available information, Pihlajalinna expects to complete the acquisition by the end of 2021 or in the first quarter of 2022.

Consolidated statement of comprehensive income

EUR million	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
Revenue	**140.6**	**123.9**	**423.1**	**371.5**	**508.7**
Other operating income	0.7	0.6	2.1	1.9	2.4
Materials and services	-49.3	-47.5	-153.2	-144.4	-198.0
Employee benefit expenses	-60.5	-50.1	-185.9	-158.8	-214.2
Other operating expenses	-13.3	-10.2	-37.5	-32.9	-46.4
EBITDA	**18.2**	**16.7**	**48.6**	**37.3**	**52.4**
Depreciation, amortisation and impairment	-8.9	-8.7	-26.0	-25.9	-34.3
Operating profit (EBIT)	**9.4**	**8.0**	**22.6**	**11.4**	**18.2**
Financial income	0.1	0.1	0.2	0.2	0.2
Financial expenses	-0.9	-1.1	-2.9	-3.6	-4.6
Profit before taxes	**8.5**	**7.0**	**19.9**	**8.0**	**13.8**
Income tax	-1.7	-1.5	-3.9	-2.1	-4.8
Profit for the period*	6.8	5.4	15.9	6.0	8.9
Total comprehensive income for the period	**6.8**	**5.4**	**15.9**	**6.0**	**8.9**
Total comprehensive income for the period attributable:					
To the owners of the parent company	6.9	4.6	16.0	5.3	8.7
To non-controlling interests	-0.1	0.8	-0.1	0.7	0.2
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)					
Basic	0.31	0.20	0.71	0.24	0.39
Diluted	0.31	0.20	0.71	0.24	0.39

* The Group has no other comprehensive income items

Consolidated statement of financial position

EUR million	30 Sep 2021	30 Sep 2020	2020
ASSETS			
Non-current assets			
Property, plant and equipment	43.9	45.4	44.0
Goodwill	188.6	173.6	173.6
Other intangible assets	16.1	17.0	16.3
Right-of-use assets	98.8	104.9	102.8
Other investments	1.5	0.1	0.1
Other receivables	5.4	5.6	5.5
Deferred tax assets	6.3	7.6	5.4
Total non-current assets	**360.6**	**354.2**	**347.8**
Current assets			
Inventories	3.8	3.6	3.4
Trade and other receivables	93.3	64.6	75.8
Current tax assets	1.8	1.6	1.9
Cash and cash equivalents	6.8	6.2	13.3
Total current assets	**105.7**	**76.0**	**94.4**
Total assets	**466.3**	**430.2**	**442.1**
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	116.5	116.5
Retained earnings	-16.8	-15.8	-15.6
Profit for the period	16.0	5.3	8.7
	115.8	**106.1**	**109.8**
Non-controlling interests	4.4	5.7	5.2
Total equity	**120.2**	**111.8**	**115.0**
Non-current liabilities			
Deferred tax liabilities	5.8	5.6	5.8
Provisions	0.1	0.0	0.1
Lease liabilities	91.0	97.6	95.5
Financial liabilities	106.7	93.1	92.5
Total non-current liabilities	1.0	1.2	1.2
Total non-current liabilities	**204.7**	**197.4**	**195.0**
Current liabilities			
Trade and other payables	117.3	95.4	109.4
Current tax liabilities	4.0	1.9	2.0
Provisions	0.1	0.8	0.6
Lease liabilities	18.7	18.9	18.7
Financial liabilities	1.3	3.9	1.4
Total current liabilities	**141.4**	**121.0**	**132.1**
Total liabilities	**346.1**	**318.4**	**327.1**
Total equity and liabilities	**466.3**	**430.2**	**442.1**

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company				
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Non-controlling interests**	**Equity Total**
Total equity, 1 Jan 2020	**0.1**	**116.5**	**-15.5**	**5.0**	**106.1**
Profit for the period			5.3	0.7	6.0
Total comprehensive income for the period			**5.3**	0.7	**6.0**
Dividends paid				-0.2	-0.2
Acquisition of own shares			-0.7		-0.7
Share-based benefits			1.0		1.0
Total transactions with owners			**0.3**	**-0.2**	**0.0**
Changes in NCI without a change in control			-0.6	0.2	-0.3
Total changes in subsidiary shareholdings			**-0.6**	**0.2**	**-0.3**
Total equity, 30 Sep 2020	**0.1**	**116.5**	**-10.5**	**5.7**	**111.8**

	Equity attributable to owners of the parent company				
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Non-controlling interests**	**Equity Total**
Total equity, 1 Jan 2021	**0.1**	**116.5**	**-6.8**	**5.2**	**115.0**
Profit for the period			16.0	-0.1	15.9
Total comprehensive income for the period			**16.0**	**-0.1**	**15.9**
Dividends paid			-4.5	-0.3	-4.8
Acquisition of own shares			-0.6		-0.6
Total transactions with owners			**-5.1**	**-0.3**	**-5.4**
Changes in NCI without a change in control			-1.9	-0.4	-2.3
Total changes in subsidiary shareholdings			-4.9	-0.4	-5.3
Total equity, 30 Sep 2021	**0.1**	**116.5**	**-0.8**	**4.4**	**120.2**

Consolidated statement of cash flows

EUR million	**7-9/2021 3 months**	**7-9/2020 3 months**	**1-9/2021 9 months**	**1-9/2020 9 months**	**2020 12 months**
Cash flow from operating activities					
Profit for the period	6.8	5.4	15.9	6.0	8.9
Adjustments to cash flow from operating activities:					
Taxes	1.7	1.5	3.9	2.1	4.8
Depreciation, amortisation and impairment	8.9	8.7	26.0	25.9	34.3
Financial income and expenses	0.9	1.0	2.7	3.4	4.4
Other	0.0	0.0	0.0	-0.1	-0.1
Net cash generated from operating activities before change in working capital	**18.2**	**16.7**	**48.5**	**37.2**	**52.4**
Change in working capital	-9.4	-18.9	-13.0	-5.9	-1.8
Interest received	0.1	0.1	0.2	0.2	0.2
Taxes paid	-0.1	-0.8	-3.2	-3.0	-3.6
Net cash flow from operating activities	**8.8**	**-3.0**	**32.5**	**28.6**	**47.2**
Cash flow from investing activities					
Investments in tangible and intangible assets	-2.7	-1.7	-9.5	-7.8	-9.9
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.0	0.3	6.7	6.8
Changes in other receivables and investments	0.0	0.0	-1.3	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	0.0	0.0	-16.1	-1.4	-1.4
Net cash flow from investing activities	**-2.7**	**-1.6**	**-26.7**	**-2.5**	**-4.4**
Cash flow from financing activities					
Changes in non-controlling interests	-3.0	0.0	-3.0	-18.3	-18.3
Acquisition of own shares	0.0	0.0	-0.6	-0.7	-0.7
Proceeds from and repayment of borrowings	4.6	2.4	13.8	-9.0	-12.2
Repayment of lease liabilities	-4.9	-5.0	-14.8	-15.2	-20.6
Interest and other operational financial expenses	-0.9	-1.1	-2.9	-3.6	-4.5
Dividends paid and other profit distribution	0.0	-0.1	-4.9	-0.2	-0.2
Net cash flow from financing activities	**-4.3**	**-3.9**	**-12.4**	**-47.0**	**-56.5**
Changes in cash and cash equivalents	1.9	-8.5	-6.5	-20.8	-13.7
Cash at beginning of period	4.8	14.6	13.3	27.0	27.0
Cash at end of period	**6.8**	**6.2**	**6.8**	**6.2**	**13.3**

Notes to the interim report

Accounting policies

This interim report has been prepared in compliance with IFRS standards and the provisions of IAS 34 (Interim Financial Reporting). The information published in this interim report has not been audited. All figures have been rounded, due to which the actual total of individual figures may differ from the total presented. Key figures and figures reflecting changes have been calculated using the exact figures.

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

The interim report has been prepared in compliance with the IFRS standards that are currently in effect. The interim report has been prepared according to the accounting policies applied in the financial statements of 31 December 2020, considering the new and amended standards and interpretations that became effective on 1 January 2021.

Impacts of new and revised IFRS standards

The amended standards published by IASB for adoption in 2021 do not have a relevant impact on Pihlajalinna's financial statements.

In April 2021, the IFRS Interpretations Committee issued a final agenda decision on the accounting of the costs of configuring or customising a cloud computing arrangement (IAS 38 Intangible Assets). In the agenda decision, the Interpretations Committee examined whether the customer should apply the IAS 38 standard and recognise an intangible asset on the configuration and customisation of the application, and if an intangible asset is not recognised, how the customer should account for the configuration and customisation costs in question. IFRIC agenda decisions do not have an effective date, so they are expected to be applied as soon as possible. As the Group has deployed cloud computing arrangements, it has initiated an analysis of whether the agenda decision has an impact on the accounting policies applied with regard to the deployment costs of cloud services. The analysis will be carried out in the Group before the end of 2021 and the potential impacts are expected to be taken into account retrospectively in the financial statements for 2021.

Contingent liabilities and commitments

EUR million	30 Sep 2021	30 Sep 2020	2020
Collateral given on own behalf			
Sureties	4.4	4.4	4.4
Lease deposits	0.6	0.6	0.6
Properties' VAT refund liability	0.1	0.1	0.1
Lease commitments for off-balance sheet leases	0.7	0.6	0.8

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 2.3 (0.5) million. The investment commitments are related to additional and replacement investments in clinical equipment and information system projects.

Pihlajalinna acquired the business operations of Finla Työterveys Oy's Mänttä occupational healthcare centre. The transaction took effect on 1 November 2021. Mänttä occupational healthcare centre has about 100 companies as its customers, comprising approximately 1,500 individual customers.

Pihlajalinna is committed to purchase Pohjola Sairaala Oy's entire share capital from Pohjola Vakuutus Oy. The net-debt free purchase price to be paid in cash is EUR 31.8 million. Finnish Competition and Consumer Authority (FCCA) has been notified of the acquisition. Pihlajalinna will acquire Pohjola Hospital Ltd. In connection with the acquisition, Pihlajalinna will also sign a new five-year service agreement with Pohjola Insurance. The first phase of the notification proceedings, in accordance with the Competition Act, concluded on 2 November 2021 and the Finnish Competition and Consumer Authority (FCCA) commenced the second phase of the proceedings. According to the Finnish Competition Act, the second phase of the proceedings may not take more than 69 business days unless the Finnish Market Court grants extension upon application. Without the potential extension, the second phase of the proceedings will be completed no later than 10 February 2022.

Changes in intangible assets

EUR million	30 Sep 2021	30 Sep 2020	2020
Acquisition cost at beginning of period	228.0	224.8	224.8
Additions	2.8	2.8	3.9
Business combinations	17.2	0.0	0.0
Transfers between items	0.0	0.0	-0.2
Disposals	0.0	-0.4	-0.4
Acquisition cost at end of period	248.0	227.2	228.0
Accumulated depreciation at beginning of period	-38.1	-32.1	-32.1
Depreciation and amortisation for the period	-5.2	-4.9	-6.5
Transfers between items	0.0	0.0	0.1
Accumulated depreciation on disposals		0.4	0.4
Accumulated depreciation at end of period	-43.3	-36.6	-38.1
Carrying amount at end of period	**204.7**	**190.6**	**190.0**

Changes in property, plant and equipment

EUR million	30 Sep 2021	30 Sep 2020	2020
Acquisition cost at beginning of period	94.2	97.4	97.4
Additions	6.9	5.6	7.2
Transfers between items	0.1	0.9	1.1
Disposals	-0.4	-10.4	-11.5
Acquisition cost at end of period	100.9	93.5	94.2
Accumulated depreciation at beginning of period	-50.2	-44.1	-44.1
Depreciation and amortisation for the period	-6.8	-6.7	-8.8

Transfers between items	-0.1	-1.0	-1.0
Accumulated depreciation on disposals	0.2	3.7	3.7
Accumulated depreciation at end of period	-57.0	-48.1	-50.2
Carrying amount at end of period	**43.9**	**45.4**	**44.0**

Changes in right-of-use assets

EUR million	30 Sep 2021	30 Sep 2020	2020
Acquisition cost at beginning of period	182.2	172.7	172.7
Additions	8.1	11.9	14.6
Business combinations	2.8		
Transfers between items	-0.8		
Disposals	-2.2	-3.2	-4.3
Acquisition cost at end of period	190.1	181.4	182.9
Accumulated depreciation at beginning of period	-79.3	-64.6	-64.6
Depreciation and amortisation for the period	-14.0	-14.3	-18.9
Transfers between items	0.8		
Accumulated depreciation on disposals	1.3	2.3	3.4
Accumulated depreciation at end of period	-91.3	-76.6	-80.1
Carrying amount at end of period	**98.8**	**104.9**	**102.8**

Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 30 Sep 2021	Lease liabilities 30 Sep 2021
Carrying amount at the beginning of the pe-	102.8	114.2
Changes	10.0	10.3
Depreciation and amortisation	-14.0	
Repayments of lease liabilities		-14.8
Carrying amount at end of period	**98.8**	**109.7**

On 30 September 2021, EUR 83.5 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 262 million were financial lease liabilities in accordance with previous accounting standards.

EUR million	Right-of-use asset items 30 Sep 2020	Lease liabilities 30 Sep 2020
Carrying amount at the beginning of the pe-	108.1	114.2
Changes	11.0	17.5
Depreciation and amortisation	-14.3	
Repayments of lease liabilities		-15.2
Carrying amount at end of period	**104.9**	**116.5**

On 30 September 2020, EUR 86.8 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 29.7 million were financial lease liabilities in accordance with previous accounting standards.

Quarterly information

EUR million	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
INCOME STATEMENT								
Revenue	140.6	142.5	139.9	137.2	123.9	114.7	133.0	133.8
EBITDA	18.2	15.3	15.0	15.1	16.7	8.5	12.1	12.3
EBITDA, %	13.0	10.7	10.8	11.0	13.5	7.4	9.1	9.2
Adjusted EBITDA	18.8	15.2	15.2	15.7	17.2	9.0	12.7	14.4
Adjusted EBITDA, %	13.4	10.7	10.9	11.5	13.9	7.9	9.5	10.8
Depreciation and amortisation	-8.9	-8.5	-8.5	-8.4	-8.7	-8.4	-8.8	-8.6
Operating profit (EBIT)	9.4	6.7	6.5	6.8	8.0	0.1	3.3	3.7
Operating profit, %	6.7	4.7	4.7	4.9	6.4	0.1	2.5	2.7
Adjusted operating profit (EBIT)	10.0	6.5	6.7	7.3	8.7	0.6	4.2	5.6
Adjusted operating profit (EBIT), %	7.1	4.5	4.8	5.3	7.0	0.5	3.2	4.2
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Financial expenses	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.4	-1.0
Profit before taxes	8.5	5.8	5.6	5.7	7.0	-0.9	2.0	2.7
Income tax	-1.7	-1.1	-1.1	-2.8	-1.5	0.1	-0.6	-0.6
Profit for the period	6.8	4.6	4.5	3.0	5.4	-0.8	1.4	2.1
Share of the result for the period attributable to owners of the parent company	6.9	4.5	4.6	3.4	4.6	-0.6	1.3	3.7
Share of the result for the period attributable to non-controlling interests	-0.1	0.2	-0.1	-0.4	0.8	-0.3	0.1	-1.6
EPS	0.31	0.20	0.20	0.15	0.20	-0.03	0.06	0.16
Average number of personnel (FTE)	4,731	4,665	4,444	4,308	4,303	4,306	4,350	4,649
Change in personnel during the quarter	66	221	136	5	-4	-44	-299	-64

Trade and other receivables

Due to the COVID-19 epidemic, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in customers’ payment behaviour. The collection of trade receivables has been enhanced. The amount of receivables more than 90 days past due is significantly increased by withheld payments concerning trade receivables and trade payables between Jämsän Terveys and the City of Jämsä. As described under *Risks and uncertainties in business operations*, if the negotiation obligation does not lead to payment, the receivables will be collected through legal action. This may further delay the collection of items presented in current receivables in the financial statements.

The Group has recognised impairment losses of EUR 0.4 (0.2) million on trade receivables for the review period.

EUR million	30 Sep 2021	31.12.2020
Trade receivables	79.8	59.1
Prepayments and accrued income	12.9	15.7
Current subleases	0.6	0.5
Other receivables	0.0	0.4
Total	**93.3**	**75.8**

Age distribution of trade receivables

EUR million	30 Sep 2021	of which written down	Net 30 Sep 2021	31 Dec 2020	of which written down	Net 31 Dec 2020
Not yet due	28.0	0.0	28.0	23.6	0.0	23.6
Past due						
Less than 30 days	4.0	0.0	3.9	3.8	0.0	3.8
30–60 days	2.6	-0.1	2.6	1.9	-0.1	1.8
61–90 days	2.2	-0.1	2.1	2.2	-0.1	2.1
More than 90 days	43.7	-0.5	43.2	28.3	-0.5	27.8

Tax footprint

EUR million	30 Sep 2021	30 Sep 2020	2020
Direct tax payable for the period			
Income tax (business income tax)	5.5	3.8	4.2
Employer's pension contributions	25.8	20.9	27.0
Social security contributions	2.4	1.9	2.5
Employer's unemployment insurance contributions	2.5	1.9	2.5
Contribution to accident insurance and group life insurance	0.8	0.7	1.3
Employer contributions, total	31.6	25.3	33.3
Property taxes	0.1	0.1	0.1
Transfer taxes	0.3	0.4	0.4
Direct tax payable for the period, total	**37.5**	**29.5**	**37.9**
Value added tax of acquisitions payable by the company			
Value added taxes, estimate	**10.5**	**8.2**	**11.3**
Tax for the period			
Withholding taxes	34.7	32.2	43.3
Employee pension contributions	11.3	10.4	13.7
Employee unemployment insurance contributions	2.1	1.7	2.2
Payroll tax, total	48.1	44.3	59.2
Net value-added tax	1.4	1.0	1.9
Total tax for the period	**49.5**	**45.3**	**61.1**
Tax footprint	**97.5**	**83.0**	**110.4**
Revenue	**423.1**	**371.5**	**508.7**
Profit before taxes	**19.9**	**8.0**	**13.8**
Average number of personnel (FTE)	**4,731**	**4,303**	**4,308**
Public subsidies	**0.3**	**1.2**	**1.4**

Pihlajalinna

Calculation of key financial figures and alternative performance measures

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

Adjusted EBITDA excluding IFRS 3 costs*	Operating profit + depreciation, amortisation and impairment + adjustment items + IFRS 3 costs (expert fees and transfer taxes related to acquisitions)	
Adjusted EBITDA excluding IFRS 3 costs, %*	Adjusted EBITDA excluding IFRS 3 costs / Revenue	x 100
Net debt/Adjusted EBITDA*, rolling 12 months	Interest-bearing net debt - cash and cash equivalents / Adjusted EBITDA (rolling 12 months)	
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities	
Adjusted operating profit (EBIT)*	Operating profit + adjustment items	
Adjusted operating profit, %*	Adjusted operating profit (EBIT) / Revenue	x 100
Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation*	Operating profit + adjustment items + IFRS 3 costs + PPA amortisation (amortisation of intangible assets related to purchase price allocation)	
Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation, %*	Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation / Revenue	x 100
Profit before taxes	Profit for the financial year + income tax	
Gross investments	Increase in tangible and intangible assets and in right-of-use assets	
Organic revenue growth, %	Revenue for the period - revenue from M&A transactions for the period - revenue for the previous period / Revenue for the previous period	x 100

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

Reconciliations with alternative key figures and ratios

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

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

EUR million, unless otherwise stated	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
Return on equity (ROE), %					
Profit for the period (rolling 12 months)/			18.9	8.1	8.9
Equity at beginning of period			115.0	106.1	106.1
Equity at end of period			120.2	111.8	115.0
Equity (average) x 100			117.6	108.9	110.5
Return on equity (ROE), %			**16.1**	**7.4**	**8.1**

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

Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			25.6	10.7	13.8
Financial expenses (rolling 12 months)			4.0	4.6	4.6
/			29.6	15.3	18.4
Total statement of financial position at beginning of period -			442.1	438.4	438.4
non-interest-bearing liabilities at beginning of period			119.0	112.7	112.7
			323.1	325.8	325.8
Total statement of financial position at end of period -			466.3	430.2	442.1
Non-interest-bearing liabilities at end of period			128.4	105.0	119.0
			338.0	325.2	323.1
Average x 100			330.5	325.5	324.4
Return on capital employed (ROCE), %			**9.0**	**4.7**	**5.7**

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

Equity ratio, %					
Equity/			120.2	111.8	115.0
Total statement of financial position -			466.3	430.2	442.1
Advances received x 100			1.2	1.3	1.2
Equity ratio, %			**25.8**	**26.1**	**26.1**

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

Gearing, %					
Interest-bearing financial liabilities –			217.7	213.4	208.1
Cash and cash equivalents/			6.8	6.2	13.3
Equity x 100			120.2	111.8	115.0
Gearing, %			**175.5**	**185.4**	**169.4**

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

Net debt/adjusted EBITDA, rolling 12 months					
Interest-bearing financial liabilities -			217.7	213.4	208.1
Cash and cash equivalents			6.8	6.2	13.3
Net debt/			211.0	207.3	194.8
Adjusted EBITDA (rolling 12 months)			65.0	53.4	54.6
Net debt/adjusted EBITDA, rolling 12 months			**3.2**	**3.9**	**3.6**

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

Pihlajalinna

	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
EBITDA and Adjusted EBITDA					
Profit for the period	6.8	5.4	15.9	6.0	8.9
Income tax	-1.7	-1.5	-3.9	-2.1	-4.8
Financial expenses	-0.9	-1.1	-2.9	-3.6	-4.6
Financial income	0.1	0.1	0.2	0.2	0.2
Depreciation, amortisation and impairment	-8.9	-8.7	-26.0	-25.9	-34.3
EBITDA	**18.2**	**16.7**	**48.6**	**37.3**	**52.4**
Total EBITDA adjustments*	0.6	0.5	0.7	1.6	2.2
Adjusted EBITDA	**18.8**	**17.2**	**49.2**	**38.9**	**54.6**
IFRS 3 costs –	-0.5	0.0	-1.2	-0.1	-0.1
Adjusted EBITDA excluding IFRS 3 costs	**19.3**	**17.2**	**50.4**	**39.0**	**54.8**

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

	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
EBITDA, %					
EBITDA/	18.2	16.7	48.6	37.3	52.4
Revenue x 100	140.6	123.9	423.1	371.5	508.7
EBITDA, %	**13.0**	**13.5**	**11.5**	**10.0**	**10.3**
Adjusted EBITDA, %					
Adjusted EBITDA/	18.8	17.2	49.2	38.9	**54.6**
Revenue x 100	140.6	123.9	423.1	371.5	508.7
Adjusted EBITDA, %	**13.4**	**13.9**	**11.6**	**10.5**	**10.7**
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	6.8	5.4	15.9	6.0	8.9
Income tax	-1.7	-1.5	-3.9	-2.1	-4.8
Financial expenses	-0.9	-1.1	-2.9	-3.6	-4.6
Financial income	0.1	0.1	0.2	0.2	0.2
Operating profit (EBIT)	**9.4**	**8.0**	**22.6**	**11.4**	**18.2**
Total adjustments to depreciation, amortisation and impairment		0.1	-0.2	0.5	0.4
Total EBITDA adjustments	0.6	0.6	0.7	1.6	2.2
Total operating profit (EBIT) adjustments	0.6	0.7	0.5	2.1	2.6
Adjusted operating profit (EBIT)	**10.0**	**8.7**	**23.1**	**13.5**	**20.8**
IFRS 3 costs –	-0.5	0.0	-1.2	-0.1	-0.1
PPA amortisation –	-0.8	-0.8	-2.2	-2.4	-3.1
Adjusted operating profit (EBIT) excluding IFRS 3 costs and PPA amortisation	**11.2**	**9.4**	**26.6**	**15.9**	**24.0**

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

Operating profit (EBIT), %					
Operating profit/	9.4	8.0	22.6	11.4	18.2
Revenue x 100	140.6	123.9	423.1	371.5	508.7
Operating profit (EBIT), %	6.7	6.4	5.3	3.1	3.6
Adjusted operating profit (EBIT), %					
Adjusted operating profit/	10.0	8.7	23.1	13.5	20.8
Revenue x 100	140.6	123.9	423.1	371.5	508.7
Adjusted operating profit (EBIT), %	**7.1**	**7.0**	**5.5**	**3.6**	**4.1**
Cash flow after investments					
Net cash flow from operating activities	8.8	-3.0	32.5	28.6	47.2
Net cash flow from investing activities	-2.7	-1.6	-26.7	-2.5	-4.4
Cash flow after investments	**6.2**	**-4.6**	**5.8**	**26.1**	**42.8**

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

Profit before taxes					
Profit for the period	6.8	5.4	15.9	6.0	8.9
Income tax	-1.7	-1.5	-3.9	-2.1	-4.8
Profit before taxes	**8.5**	**7.0**	**19.9**	**8.0**	**13.8**
Gross investments					
Property, plant and equipment at the end of the period	43.9	45.4	43.9	45.4	44.0
Right-of-use assets at the end of the period	98.8	104.9	98.8	104.9	102.8
Other intangible assets at end of period	16.1	17.0	16.1	17.0	16.3
Goodwill at end of period	188.6	173.6	188.6	173.6	173.6
Depreciation, amortisation and impairment for the period are added	8.9	8.7	26.0	25.9	34.3
-					
Property, plant and equipment at the start of the period	44.2	46.4	44.0	53.2	53.2
Right-of-use assets at the start of the period	97.4	108.5	102.8	108.1	108.1
Other intangible assets at beginning of period	17.0	17.9	16.3	19.1	19.1
Goodwill at beginning of period	188.6	173.6	173.6	173.6	173.6
Proceeds from the sale of property, plant and equipment during the period	-0.2	-0.3	-1.2	-7.4	-8.7
Gross investments	**9.3**	**3.5**	**37.8**	**20.1**	**25.7**
Organic revenue growth, %					
Revenue for the period -	140.6	123.9	423.1	371.5	508.7
Revenue from M&A transactions during the period	**3.6**	**0.2**	**7.4**	**1.4**	**1.4**
(rolling 12 months) -	123.9	122.7	371.5	384.8	518.6
Revenue for the previous period	**13.2**	**1.0**	**44.2**	**-14.8**	**-11.3**
Organic revenue growth/ Revenue for the previous period x 100	123.9	122.7	371.5	384.8	518.6
Organic revenue growth, %	**10.6**	**0.8**	**11.9**	**-3.8**	**-2.2**
Organic revenue growth, %	**2.9**	**0.2**	**2.0**	**0.4**	**0.3**
Revenue growth due to M&A transactions, %	16.8	1.2	51.6	-13.3	-9.9
Revenue growth	13.5	1.0	13.9	-3.5	-1.9

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

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

EUR million	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
EBITDA	**18.2**	**16.7**	**48.6**	**37.3**	**52.4**
Adjustments to EBITDA					
Dismissal-related expenses	0.1	0.1	0.4	-0.1	-0.1
Compensation under the share-based incentive scheme		0.5		1.2	1.5
Onerous contracts			-0.2		
Other	0.5	0.1	0.5	0.5	0.7
Adjustments to EBITDA in total	**0.6**	**0.6**	**0.7**	**1.6**	**2.2**
Adjusted EBITDA	**18.8**	**17.2**	**49.2**	**38.9**	**54.6**
Depreciation, amortisation and impairment	-8.9	-8.7	-26.0	-25.9	-34.3
Adjustments to depreciation, amortisation and impairment					
Double depreciation arising from a merger with no cash flow effect				0.4	0.4
Closure of operating locations		0.1	-0.2	0.1	0.0
Adjustments to depreciation, amortisation and impairment in total		**0.1**	**-0.2**	**0.5**	**0.4**
Adjusted operating profit (EBIT)	**10.0**	**8.7**	**23.1**	**13.5**	**20.8**
Operating profit (EBIT)	**9.4**	**8.0**	**22.6**	**11.4**	**18.2**

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

EUR million	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months	2020
Employee benefit expenses	0.1	0.5	0.4	1.1	1.5
Other operating expenses	0.5	0.1	0.3	0.5	0.7
EBITDA adjustment items total	**0.6**	**0.6**	**0.7**	**1.6**	**2.2**
Depreciation, amortisation and impairment		**0.1**	-0.2	0.5	0.4
Operating profit adjustment items total	**0.6**	**0.7**	**0.5**	**2.1**	**2.6**

Pihlajalinna's financial reporting in 2022

Financial statements bulletin 2021: Friday, 18 February 2022
Financial statements and Board of Directors' report: no later than in week 12
Interim report January–March: Thursday, 5 May 2022
Half-year financial report January–June: Friday, 12 August 2022
Interim Report January–September: Friday, 4 November 2022

The Annual General Meeting is planned to be held on Wednesday 13 April 2022.

Briefing

Pihlajalinna will hold a briefing for analysts and the media on Thursday, 4 November 2021 at 10:00 a.m. The event will be held remotely.

Helsinki, 3 November 2021
The Board of Directors of Pihlajalinna Plc

Further information

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Pihlajalinna in brief

20-year-old Pihlajalinna is one Finland's leading private providers of social, healthcare and wellbeing services. The Group provides services to private individuals, companies, insurance companies and public sector entities, such as municipalities and joint municipal authorities, across Finland. The Group provides general practitioner and specialised care services, occupational healthcare and dental care services, residential services and wellbeing services, for example. The Group, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high-quality services for public pay healthcare customers.