Half Year Financial Report January–June 2022

Revenue increased considerably, Pohjola Hospital's services have been integrated as a part of the expansion of service network

This half year financial report is unaudited. The comparison figures in brackets refer to the corresponding period in the previous year.

A brief look at April–June:

- Revenue amounted to EUR 173.7 (142.5) million – an increase of EUR 31.2 million, or 21.9 per cent.
- COVID-19 services[1)] revenue amounted to EUR 3.2 (8.2) million – a decrease of EUR -5.0 million.
- The effect of M&A transactions[2)] on revenue growth was EUR 23.7 million, or 16.6 per cent. Organic growth was EUR 7.5 million, or 5.3 per cent.
- Adjusted EBITDA[3)] was EUR 16.9 (15.9) million – an increase of 6.2 per cent.
- Adjusted EBITA[3)] before the amortisation and impairment of intangible assets was EUR 7.3 (8.9) million – a decrease of -18.6 per cent.
- Earnings per share (EPS) was EUR 0.08 (0.19).
- Customer volumes[4)] grew by 69 per cent year-on-year (grew by 28 per cent without M&A transactions), with remote services representing 38 per cent of all appointments.

A brief look at January–June:

- Revenue amounted to EUR 336.8 (282.4) million – an increase of EUR 54.4 million, or 19.3 per cent.
- COVID-19 services[1)] revenue amounted to EUR 11.6 (17.0) million – a decrease of EUR -5.4 million.
- The effect of M&A transactions[2)] on revenue growth was EUR 39.6 million, or 14.0 per cent. Organic growth was EUR 14.9 million, or 5.3 per cent.
- Adjusted EBITDA[3)] was EUR 33.3 (31.1) million – an increase of 7.2 per cent.
- Adjusted EBITA[3)] before the amortisation and impairment of intangible assets was EUR 15.1 (17.2) million – a decrease of -12.6 per cent.
- Earnings per share (EPS) was EUR 0.31 (0.39).
- Customer volumes[4)] grew by 42 per cent year-on-year (grew by 13 per cent without M&A transactions). Remote services represented 40 per cent of all appointments.
- Pihlajalinna strengthened its network of operating locations and range of specialised care services by acquiring the entire share capital of Etelä-Savon Työterveys Oy and a majority interest in Lääkärikeskus Ikioma Oy on 1 April 2022. Pihlajalinna also acquired the Punkkibussi® business from Saaristolääkärit Oy on 1 April 2022.
- Pihlajalinna will strengthen its position in the market and range of services in Jyväskylä by acquiring Seppälääkärit Oy and Seppämagneetti Oy on 1 October 2022.
- Pihlajalinna's network of operating locations and range of care services will expand to Kainuu by acquiring a majority interest in MediEllen Oy, providing private clinic services and hiring of medical staff, on 1 September 2022.

[1)] COVID-19 services include COVID-19 testing, sample collection, vaccination and other potential services directly related to managing the COVID-19 pandemic.
[2)] Työterveys Virta Oy 1 April 2021, Pohjola Sairaala Oy 1 February 2022, Etelä-Savon Työterveys Oy 1 April 2022, Lääkärikeskus Ikioma Oy 1 April 2022, Punkkibussi® -business 1 April 2022
[3)] Alternative performance measure. In addition to the IFRS figures, Pihlajalinna presents additional, alternative perfomance indicators which company monitors internally and which provide the company management, investors, stock market analysts and other stakeholders with important additional information concerning the company's financial perfomance, financial position and cash flows. These performance indicators should not be reviewed separate from the IFRS figures and they should not be considered to replace the IFRS figures.
[4)] Excluding municipal outsourcing arrangements and COVID-19 testing

	4–6/2022 3 months	4–6/2021[1] 3 months	change %	1–6/2022 6 months	1–6/2021[1] 6 months	change %	2021
INCOME STATEMENT							
Revenue, EUR million	173.7	142.5	21.9	336.8	282.4	19.3	577.8
EBITDA, EUR million	15.6	15.0	3.8	24.9	29.9	-16.8	62.6
EBITDA, %	9.0	10.5	-14.8	7.4	10.6	-30.2	10.8
Adjusted EBITDA, EUR million [2]	16.9	15.9	6.2	33.3	31.1	7.2	65.3
Adjusted EBITDA, % [2]	9.7	11.1	-12.9	9.9	11.0	-10.1	11.3
Operating profit (EBIT), EUR million	4.1	6.5	-37.5	2.9	12.9	-77.6	27.9
Operating profit (EBIT), %	2.4	4.6	-48.7	0.9	4.6	-81.2	4.8
Adjusted operating profit (EBIT), EUR million [2]	5.2	7.2	-26.6	11.2	13.8	-19.3	30.3
Adjusted operating profit (EBIT), % [2]	3.0	5.0	-39.8	3.3	4.9	-32.3	5.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million [2]	7.3	8.9	-18.6	15.1	17.2	-12.6	37.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % [2]	4.2	6.3	-33.2	4.5	6.1	-26.7	6.5
Profit before tax (EBT), EUR million	2.5	5.6	-55.8	-0.2	11.1	-101.6	24.2
SHARE-RELATED INFORMATION							
Earnings per share (EPS), EUR	0.08	0.19	-60.3	0.31	0.39	-21.4	0.89
Equity per share, EUR				5.28	4.99	5.7	5.27
OTHER KEY FIGURES							
Return on capital employed (ROCE), %				4.4	8.5	-48.4	8.8
Return on equity (ROE), %				12.3	14.8	-17.2	16.1
Equity ratio, %				18.7	25.6	-26.9	26.9
Gearing, %				312.6	176.0	77.6	158.8
Interest-bearing net debt, EUR million				374.4	207.1	80.8	194.7
Net debt/adjusted EBITDA, 12 months [2]				5.5	3.2	71.6	3.0
Gross investments, EUR million [3]	28.5	23.9		204.6	28.0		44.8
Cash flow from operating activities, EUR million	20.3	12.6	60.5	35.8	23.3	53.6	56.9
Cash flow after investments, EUR million	-0.7	-7.9		-28.9	-0.3	>200,0	24.9
Average number of personnel (FTE)				5,061	4,665	8.5	4,746
Personnel at the end of the period (NOE)				7,118	6,000	18.6	6,297
Practitioners at the end of the period				1,837	1,415	29.8	1,512

[1] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision publish in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS). The information about the effects of the Agenda Decision on the company's income statement and financial position has been published in the financial statements 2021 and the information of the comparison period has been restated.

[2] Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are 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, cost 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. From financial statements 2021 onwards, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

EBITDA adjustments amounted to EUR 8.5 (1.2) million for the review period. Adjustments to operating profit amounted to EUR 8.3 (0.9) million for the review period.

[3] 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 2022 unchanged

Pihlajalinna's full year consolidated revenue is expected to increase substantially, and full year adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is expected to be on a par with 2021. Due to Pohjola Hospital integration and efficiency improvement programs in municipal companies, the adjusted EBITA from the first half of the year stayed below the bar of the previous year as anticipated.

The acquisition of Pohjola Hospital will increase consolidated revenue by at least EUR 50 million in the financial year 2022. Revenue from COVID-19 services is expected to decline from the level of 2021. In 2022, Pihlajalinna will focus on the integration of Pohjola Hospital operations to be a seamless part of its Medical Center for All of Finland -concept. Maintaining profitability on a par with 2021 will require success in increasing supply, realization of the planned synergies of the acquisitions, and successful implementation of efficiency improvements in municipal companies.

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna's revenue increased by 21.9 per cent to EUR 173.7 (142.5) million in the second quarter. The effect of M&A transactions on revenue growth was EUR 23.7 million, or 16.6 per cent. Organic growth was EUR 7.5 million, or 5.3 per cent. We are particularly satisfied with the organic growth of occupational healthcare services and surgical operations.

We completed the integration of the services of Pohjola Hospital, which we acquired at the beginning of February. The integration of information systems was accomplished as planned, and everyone who was involved in the integration process deserves special thanks. Good progress is also being made with regard to getting organised at shared business locations and achieving synergies related to premises, administration and increasing the supply of services. First-class specialised care services, combined with supporting services and extended opening hours, will ensure a continued high level of customer satisfaction for Pohjola Hospital's operating locations going forward. Increasing the share of specialised care services is one of our key strategic objectives, and we have got off to a good start in promoting that goal.

In line with our strategy, we are also focusing on the growth of our network of operating locations and our service offering, and progress is being made according to plan. At the beginning of April, Pihlajalinna acquired the entire share capital of Etelä-Savon Työterveys Oy and a majority interest in Lääkärikeskus Ikioma Oy, which provides a comprehensive range of services. Pihlajalinna also acquired the Punkkibussi® business from Saaristolääkärit Oy on 1 April 2022. We opened four new private clinics during the beginning of the year: in Lahti, Espoo and Vantaa and Rovaniemi in May. The opening of new private clinics is initially reflected in lower profitability.

We will strengthen our market position and range of services in Central Finland this autumn. Share purchase transactions concerning Seppälääkärit Oy and Seppämagneetti Oy, both of which operate in Jyväskylä, will be carried out on 1 October 2022. We will also expand to Kainuu by acquiring a majority interest in MediEllen Oy, a provider of private medical services and leased physician and nurse services, on 1 September 2022.

We have continued to increase the supply of our services by focusing on the recruitment and retention of healthcare professionals and through systematic supply management. The supply of appointments and imaging services increased by nearly 38 per cent compared to the reference quarter in spite of increased sickness-related absences among the personnel, particularly involving respiratory infections. Over 300 new practitioners joined Pihlajalinna in the first half of the year, for which the business acquisitions had their own positive effect.

The share of revenue from COVID-19 services decreased significantly year-on-year during the quarter as the pandemic eased. In July, the Finnish Institute for Health and Welfare issued a new recommendation regarding the expansion of fourth doses of COVID-19 vaccinations. Experts are concerned by the new BA.5 subvariant of the Omicron variant of COVID-19, which effectively evades immunity and is highly contagious. A new wave of COVID-19 caused by the new subvariant may start in Finland even before the autumn.

The number of respiratory infections during the past quarter was again high compared to the very low number of infections in 2021. Based on the data collected on our occupational healthcare customers, sickness-related absences caused by respiratory infections more than quadrupled compared to the reference quarter and grew by a factor 1.5 compared to the corresponding period in 2019. Pihlajalinna's employee benefit expenses were also exceptionally high during the review period. Sickness-related absences increased employee benefit expenses by approximately EUR 2.5 million.

The development of the volumes and profitability of surgical operations exceeded expectations during the past quarter. However, the profitability of private clinic and occupational healthcare services declined due to the decrease in COVID-19 services, the opening of new private clinics, sickness-related absences and the growth of supply. We expect the growth of our supply to have a favourable impact on our result for the second half of the year.

The costs of complete outsourcing arrangements remained at a fairly high level, but profitability improved slightly during the past quarter thanks to efficiency improvement programmes, index adjustments stipulated by annual agreements and refunds of the South Ostrobothnia Hospital District's service fees.

Sales of occupational healthcare services continued to grow, and we were also successful with customer retention. The key drivers of growth include digital services, competitive pricing and successful acquisitions. The number of people within the scope of the Group's occupational healthcare services is now nearly 280,000.

We resumed reception centre operations for asylum seekers due to the refugee situation caused by the war in Ukraine. The first of our new reception centres was opened in Karkku, Sastamala at the beginning of April. For us at Pihlajalinna, the provision of reception centre services is, first and foremost, an activity that is significant to society. We have good experience from reception centre operations during the period 2015–2019, when large numbers of refugees entered Finland in a short period of time due to the war in Syria.

Our business has seen strong growth in recent times, and the strengthening of demand has been a significant driver for the growth of our service offering. Strengthening our service offering also helps us prepare for the changes brought by the upcoming healthcare and social welfare reform. The first agreements concerning the implementation of the digital assessment of the need for care for the new wellbeing services counties have already been signed. This represents a significant first move with respect to the wellbeing services counties that will become operational at the beginning of the year. We at Pihlajalinna are in an excellent position as we enter the autumn season.

Revenue by customer group

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

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

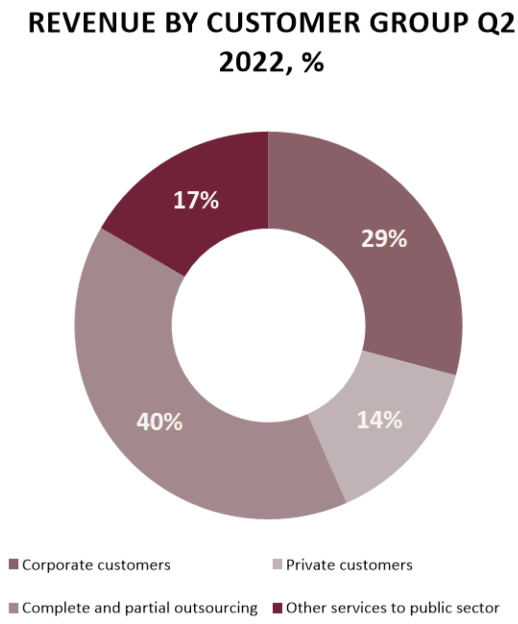
April–June 2022

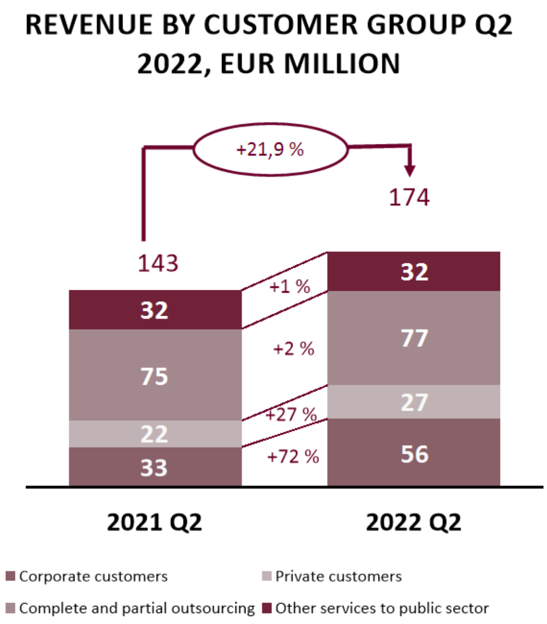
EUR million	4–6/2022	4–6/2021	change	change %
Corporate customers	56.0	32.7	23.4	71.6 %
of which insurance company customers	25.6	8.6	17.0	197.3 %
Private customers	27.4	21.6	5.8	26.7 %
Public sector	108.8	106.7	2.1	2.0 %
of which complete outsourcing agreements	76.9	75.1	1.8	2.4 %
of which staffing	6.4	6.8	-0.5	-6.6 %
of which occupational healthcare and other services	25.5	24.8	0.8	3.1 %
Intra-Group sales	-18.6	-18.4	-0.1	0.7 %
Total consolidated revenue	**173.7**	**142.5**	31.2	21.9 %

Revenue from **corporate customers** amounted to EUR 56.0 (32.7) million, an increase of EUR 23.4 million, or 71.6 per cent. Sales to insurance company customers increased by EUR 17.0 million, or 197.3 per cent. M&A transactions contributed EUR 16.5 million to the increase in revenue. In the corporate customer group, revenue from COVID-19 services amounted to EUR 1.7 (1.9) million, a decrease of EUR 0.2 million. The customer volumes of Pihlajalinna's private clinics increased by 64 per cent year-on-year and were 63 per cent higher than in the pre-pandemic period in 2019. Without the effect of M&A transactions, customer volumes would have increased by 21 per cent year-on-year and by 23 per cent compared to 2019.

Revenue from **private customers** amounted to EUR 27.4 (21.6) million, an increase of EUR 5.8 million, or 26.7 per cent. M&A transactions contributed EUR 5.5 million to the increase in revenue from private customers. In the private customer category, revenue from COVID-19 services amounted to EUR 0.3 (0.4) million, representing a decrease of EUR 0.1 million. The customer volumes of Pihlajalinna's private clinics increased by 28 per cent year-on-year and were 2 per cent lower than in 2019. Without the effect of M&A transactions, customer volumes would have increased by 9 per cent year-on-year and decreased by 16 per cent compared to 2019. The streamlining of insurance companies' financial obligations and direct payment practices reduces the reported sales for the private customer segment.

Revenue from the **public sector** amounted to EUR 108.8 (106.7) million, an increase of EUR 2.1 million, or 2.0 per cent. Revenue from COVID-19 services came to EUR 1.1 (5.8) million, representing a decrease of EUR 4.7 million. Revenue from complete and partial outsourcing agreements increased due to the index adjustments stipulated by the agreements. M&A transactions increased revenue from the public sector by EUR 1.7 million. The customer volumes of Pihlajalinna's private clinics increased by 173 per cent year-on-year and were 43 per cent higher than in 2019. Without the effect of M&A transactions, customer volumes would have increased by 96 per cent year-on-year.





January–June 2022

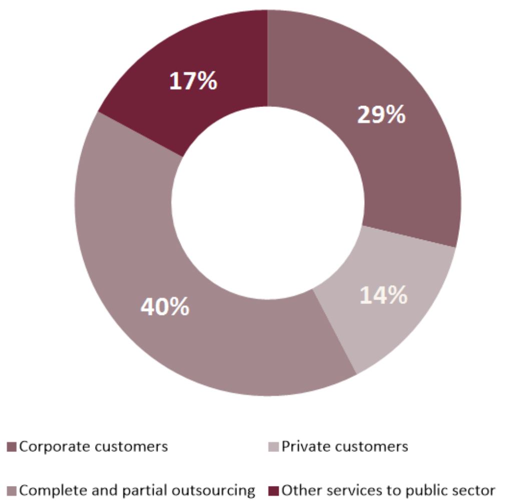
EUR million	1–6/2022	1–6/2021	change	change %	2021
Corporate customers	107.4	67.4	40.0	59.4 %	137.7
of which insurance company customers	46.0	17.6	28.4	160.8 %	35.1
Private customers	51.0	43.1	7.9	18.3 %	85.4
Public sector	215.3	208.8	6.6	3.1 %	427.7
of which complete and partial outsourcing agreements	151.3	150.0	1.3	0.8 %	300.8
of which staffing	12.3	13.3	-0.9	-7.1 %	26.1
of which occupational healthcare and other services	51.7	45.5	6.2	13.7 %	100.8
Intra-Group sales	-36.9	-36.8	-0.1	0.2 %	-73.0
Total consolidated revenue	**336.8**	**282.4**	**54.4**	**19.3 %**	**577.8**

Revenue from **corporate customers** amounted to EUR 107.4 (67.4) million, an increase of EUR 40.0 million, or 59.4 per cent. Sales to insurance company customers increased by EUR 28.4 million, or 160.8 per cent. M&A transactions contributed EUR 27.5 million to the increase in revenue. In the corporate customer group revenue from COVID-19 services amounted to EUR 4.8 (6.0) million, a decrease of EUR 1.1 million. The customer volumes of Pihlajalinna's private clinics increased by 49 per cent year-on-year and were 46 per cent higher than in 2019. Without the effect of M&A transactions, customer volumes would have increased by 17 per cent year-on-year and by 17 per cent compared to 2019.

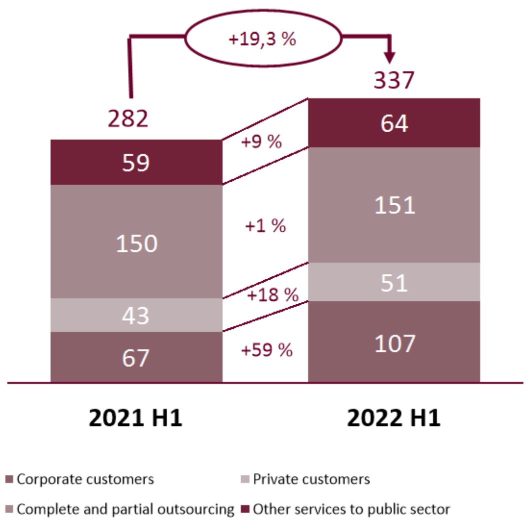
Revenue from **private customers** amounted to EUR 51.0 (43.1) million, an increase of EUR 7.9 million, or 18.3 per cent. M&A transactions contributed EUR 6.8 million to the increase in revenue from private customers. In the private customer group, revenue from the COVID-19 services amounted to EUR 1.3 (1.0) million, an increase of EUR 0.3 million. The customer volumes of Pihlajalinna's private clinics increased by 22 per cent year-on-year and were 12 per cent lower than in 2019. Without the effect of M&A transactions, customer volumes would have increased by 9 per cent year-on-year and decreased by 21 per cent compared to 2019. The streamlining of insurance companies' financial obligations and direct payment practices reduces the reported sales for the private customer segment.

Revenue from the **public sector** amounted to EUR 215.3 (208.8) million, an increase of EUR 6.6 million, or 3.1 per cent. Revenue from COVID-19 services came to EUR 5.4 (10.0) million, representing a decrease of EUR 4.6 million. Revenue was increased by index adjustments to complete and partial outsourcing agreements. M&A transactions increased revenue from the public sector by EUR 5.2 million. The customer volumes of Pihlajalinna's private clinics increased by 50 per cent year-on-year and were 120 per cent higher than in 2019. Without the effect of M&A transactions, customer volumes would have increased by 5 per cent year-on-year.

REVENUE BY CUSTOMER GROUP H1 2022, %



REVENUE BY CUSTOMER GROUP H1 2022, EUR MILLION



Consolidated revenue and result

April–June 2022

Pihlajalinna's revenue totalled EUR 173.7 (142.5) million, an increase of EUR 31.2 million, or 21.9 per cent. M&A transactions accounted for EUR 23.7 million, or 16.6 per cent, of the growth in revenue. Organic growth was EUR 7.5 million, or 5.3 per cent. Revenue from COVID-19 services came to EUR 3.2 million, representing a decrease of EUR 5.0 million.

The customer volumes of Pihlajalinna's private clinics increased by 69 per cent year-on-year and by 41 per cent compared to 2019. Without the effect of M&A transactions, customer volumes would have increased by 28 per cent year-on-year and by 16 per cent compared to 2019. Some 38 (39) per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services during the quarter. The number of remote appointments increased by 31 per cent year-on-year. The number of remote paediatrician appointments increased in particular – growth of nearly 70 per cent compared to the first quarter.

EBITDA was EUR 15.6 (15.0) million, an increase of EUR 0.6 million, or 3.8 per cent. Adjusted EBITDA was EUR 16.9 (15.9) million, an increase of EUR 1.0 million, or 6.2 per cent. EBITDA adjustments amounted to EUR 1.3 (0.9) million.

The growth of supply has increased costs in private clinic operations and occupational healthcare services. Profitability was reduced by the decline in COVID-19 services. The profitability of surgical operations and remote services improved year-on-year due to higher volumes. The costs of complete and partial outsourcing arrangements remained at a high level, but profitability improved slightly during the past quarter thanks to efficiency improvement programmes, index adjustments stipulated by annual agreements and refunds of the South Ostrobothnia Hospital District's service fees.

Depreciation, amortisation and impairment amounted to EUR 11.5 (8.5) million. Adjustments to depreciation, amortisation and impairment amounted to EUR -0.1 (-0.3) million. Depreciation of intangible assets amounted to EUR 1.9 (1.7) million, of which depreciation related to purchase price allocations amounted to EUR 0.7 (0.8) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.7 (2.3) million, and depreciation and impairment of right-of-use assets totalled EUR 6.9 (4.5) million. The acquisition of Pohjola Hospital significantly increased Pihlajalinna's depreciation of right-of-use assets, i.e. leased business premises.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 7.3 (8.9) million. The adjusted EBITA margin was 4.2 (6.3) per cent. Adjustments to EBIT amounted to EUR 1.2 (0.6) million.

Pihlajalinna's EBIT was EUR 4.1 (6.5) million, a decrease of EUR -2.5 million. Adjusted EBIT amounted to EUR 5.2 (7.2) million, a decrease of EUR -1.9 million.

The Group's net financial expenses amounted to EUR -1.6 (-0.9) million. The acquisition of Pohjola Hospital significantly increased Pihlajalinna's interest expenses associated with right-of-use premises. Profit before taxes amounted to EUR 2.5 (5.6) million. Taxes in the income statement amounted to EUR -0.3 (-1.1) million.

Profit came to EUR 2.1 (4.5) million. Earnings per share (EPS) was EUR 0.08 (0.19).

January–June 2022

Pihlajalinna's revenue totalled EUR 336.8 (282.4) million, an increase of EUR 54.4 million, or 19.3 per cent. M&A transactions accounted for EUR 39.6 million, or 14.0 per cent, of the growth in revenue. Organic growth was EUR 14.9 million, or 5.3 per cent. Revenue from the COVID-19 services came to EUR 11.6 million, representing a decrease of EUR 5.4 million. Without the write-down recognised due to the outcome of the District Court hearing concerning Jämsän Terveys Oy and the City of Jämsä, the rate of organic growth would have been 6.1 per cent.

Organic growth during the review period was based on the strong growth of supply throughout the network of operating locations. The increase in appointments has compensated for the decline in COVID-19 services. The growth of remote services has been particularly brisk with an increase of EUR 4.2 million, or

42 per cent. The organic growth of occupational healthcare services was EUR 3.3 million, or 6.6 per cent and the organic growth of surgical operations was EUR 1.9 million, or 13.2 per cent.

The customer volumes of Pihlajalinna's private clinics increased by 42 per cent year-on-year and by 37 per cent compared to 2019. Without the effect of M&A transactions, customer volumes would have increased by 13 per cent year-on-year and by 18 per cent compared to 2019. Some 40 (41) per cent of all customer appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services during the period. The number of remote appointments increased by 43 per cent year-on-year.

EBITDA was EUR 24.9 (29.9) million, a decrease of EUR -5.0 million, or -16.8 per cent. Adjusted EBITDA was EUR 33.3 (31.1) million, an increase of EUR 2.2 million, or 7.2 per cent. EBITDA adjustments totalled EUR 8.5 (1.2) million. The write-down recognised due to the outcome of the District Court hearing concerning the dispute between Jämsän Terveys Oy and the City of Jämsä had an effect of EUR -4.7 million on EBITDA. This item was treated as an adjustment item. Other adjustment items included EUR 1.4 million integration expenses related to Pohjola Hospital, EUR 0.9 million in IFRS 3 expenses, EUR 0.7 million in retrospective cost adjustments with no cash flow effect, and EUR 0.7 million in other items.

Employee benefit expenses were exceptionally high during the review period. The sickness-related absence rate of Pihlajalinna's personnel increased by 2.5 percentage points, particularly due to various respiratory infections. Substitutes and recruitment services have been used to compensate for shortages in personnel.

The growth of supply has increased costs in private clinic operations and occupational healthcare services. Profitability is weakened by the decline of COVID-19 services. The profitability of surgical operations and remote services was higher than in the comparison period due to higher volumes. The costs of complete and partial outsourcing arrangements remained at a high level, but profitability improved slightly thanks to efficiency improvement programmes, index adjustments stipulated by annual agreements and refunds of the South Ostrobothnia Hospital District's service fees.

Depreciation, amortisation and impairment amounted to EUR 22.0 (16.9) million. Adjustments to depreciation, amortisation and impairment amounted to EUR -0.2 (-0.3) million. Depreciation of intangible assets amounted to EUR 3.7 (3.3) million, of which depreciation related to purchase price allocations amounted to EUR 1.4 (1.5) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 5.2 (4.5) million, and depreciation and impairment of right-of-use assets totalled EUR 13.1 (9.2) million. The acquisition of Pohjola Hospital significantly increased Pihlajalinna's depreciation of right-of-use assets, i.e. leased business premises.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) was EUR 15.1 (17.2) million. The adjusted EBITA margin was 4.5 (6.1) per cent. Adjustments to EBIT amounted to EUR 8.3 (0.9) million.

Pihlajalinna's EBIT was EUR 2.9 (12.9) million, a decrease of EUR -10.0 million. Adjusted EBIT amounted to EUR 11.2 (13.8) million, a decrease of EUR -2.7 million.

The Group's net financial expenses amounted to EUR -3.1 (-1.8) million. The rearrangement of financing in March created a non-recurring expense of EUR 0.2 million recognised in financial expenses, and the acquisition of Pohjola Hospital significantly increased Pihlajalinna's interest expenses associated with right-of-use premises. M&A transactions have increased Pihlajalinna's debt, and consequently, interest expenses. Profit before taxes amounted to EUR -0.2 (11.1) million. Taxes in the income statement amounted to EUR 4.9 (-2.2) million.

The Finnish Tax Administration granted Pihlajalinna the right to deduct Pohjola Hospital Ltd's confirmed tax losses for previous fiscal years and confirmed tax losses for the fiscal years 2021–2022. The deferred tax asset in question, amounting to EUR 6.3 million, was recognised through the income statement during the review period, as the plan concerning the use of tax losses has now been completed. Pihlajalinna Lääkärikeskukset Oy will be merged with Pihlajalinna Omasairaala Oy (formerly Pohjola Hospital Ltd) on 1 January 2023.

Profit came to EUR 4.7 (8.9) million. Earnings per share (EPS) was EUR 0.31 (0.39).

The operating environment

COVID-19 and queues for treatment

In July, the Finnish Institute for Health and Welfare issued a new recommendation regarding the expansion of fourth doses of COVID-19 vaccinations. Experts are concerned by the new BA.5 subvariant of the Omicron variant of COVID-19, which effectively evades immunity and is highly contagious. A new wave of COVID-19 caused by the new subvariant may start in Finland even before the autumn.

According to the new recommendation, fourth doses of the vaccination should also be administered to people aged 60–79 as well as adults who belong to risk groups. Increasing the rate of vaccinations is an insurmountable challenge for certain municipalities due to personnel shortages and the fact that the summer holiday season is still ongoing. COVID-19 vaccinations according to the new recommendation are now under way in the municipalities with which Pihlajalinna has a complete or partial outsourcing agreement.

Queues for non-urgent specialised care have continued to grow. According to the Finnish Institute for Health and Welfare's statistics, queues for treatment in public healthcare have increased in general due to COVID-19. At the end of April 2022, a total of 149,763 patients were waiting for access to non-urgent specialised care. Of these, 12,954 patients (8.6 per cent) had waited for access to care for more than six months.

Healthcare and social welfare reform and the wellbeing services counties

The reform of healthcare and social welfare 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 the joint county authority for the Hospital District of Helsinki at the beginning of 2023. With the revised legislation, the current outsourcing agreements will be transferred from municipalities and cities to wellbeing services counties. The new social and healthcare service system will significantly reshape healthcare structures and needs. As the wellbeing services counties focus on their administrative organisation, queues for treatment are growing and the benefits from the reform of service structure may be delayed.

The healthcare and social welfare reform has a significant impact on the responsibilities of municipalities and related financing, taxation rights, the system of central government transfers to local government, assets, liabilities, agreements and personnel. The personnel of social welfare, healthcare and rescue services will be transferred in their entirety from municipalities to the wellbeing services counties. The employer for more than 173,000 people will change. The potential harmonisation of wages will increase the costs of healthcare personnel. This may also have an impact on costs in the private sector.

One of the main goals of the healthcare and social welfare reform is to substantially reduce waiting times for access to treatment. What makes this goal especially challenging is the ageing of the population, which will have a significant impact on the demand for healthcare and wellbeing services in the 2020s. For example, the number of people over the age of 75 will grow by an estimated 250,000 in Finland during this decade. This will have a direct impact on service demand and costs: the costs of social and healthcare service for the 75–84 age group, for example, are approximately three times higher than the population average. For people over the age of 85, these costs are nearly seven times higher than the population average.

The ageing of the population and working through the queues for treatment increase the need for service production in specialised care. The private sector and health insurances promote the achievement of the goals of the healthcare and social welfare reform and the wellbeing services counties in this area.

Collective labour agreements and workforce availability

The centralised labour market negotiations that influence the personnel costs of private healthcare operators have been completed with regard to the healthcare service sector (TPTES) and the private social services sector (SOSTES). The TPTES agreement is valid for two years. Individual monthly wages and pay scales will be raised by a general increase of 2 per cent at the beginning of October this year and a general increase of 1.9 per cent effective from 1 June 2023.

For the SOSTES agreement, the period of validity is 1+1 years. Wages in the industry will be increased by 2 per cent at the beginning of September 2022. Pay scales will also be subject to lower boundary increases of 0.8 per cent targeted at the minimum wages of the wage groups.

Local Government and County Employers (KT), the Public Sector Union (JAU) and the Negotiation Organisation for Public Sector Professionals (JUKO) reached a separate agreement with regard to the general collective agreement for municipal personnel (KVTES). The Union of Health and Social Care Professionals (Tehy) and the Finnish Union of Practical Nurses (SuPer) are not included in the negotiation outcome, which means that the collective agreement concerning the healthcare and social services sector was concluded excluding nurses, who represent over 85 per cent of the employees in the field. However, in order to treat employees fairly and equally, the contractual increases stipulated by the separate agreement will apply to all employees in the municipal sector.

During the three-year agreement period, labour costs will increase by an average of 8.79 per cent based on a compound interest calculation. In 2022, costs will increase by an average of 1.76 per cent. In 2023, the increase will be at least an average of 3.05 per cent and, in 2024, at least an average of 3.11 per cent.

The shortage of social and healthcare professionals is one of the biggest challenges of the whole Finnish society, and the workforce availability in the social and healthcare sector has become significantly more difficult in recent years. The employee situation in the field and the reasons for the shortage vary by professional group, and there are also regional differences. According to the Ministry of Finance’s forecast, 70,000 more employees will be needed in the social and healthcare sector compared to the current situation by the year 2035.

The Ministry of Social Affairs and Health leads a strategic program launched at the end of 2021, of which the goal is to secure the sufficiency and the availability of workforce. Ways to implement the conditions for good work and to build cooperation networks are being examined already during this election period. In addition, there is an extensive learning, training and development package in preparation, which will be implemented in the years 2023–2025.

Russia’s offensive war in Ukraine

While Pihlajalinna operates only in Finland, Russia’s offensive war in Ukraine is expected to have indirect impacts through slower economic growth, supply chain disruptions, high inflation and increasing market interest rates. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions.

The war has elevated the risk of cyber-attacks, and Pihlajalinna takes this threat seriously.

Economic forecasts and inflation

According to the Ministry of Finance's economic survey for summer 2022, the Finnish GDP is expected to grow by 1.4 per cent in 2022. Russia's attack on Ukraine has led to a rapid increase in the prices of energy, raw materials and food. The resulting increase in consumer prices will substantially reduce household purchasing power, consumption and economic growth. Consumer confidence, which mirrors inflation, is at the lowest level on record. Foreign trade with Russia is dwindling and export growth is slowing down. The increased uncertainty leads to investments being postponed. GDP growth will slow down to 1.1 per cent in 2023, with moderate growth of 1.3 per cent expected in 2024.

The GDP forecasts issued in the economic survey are based on the assumption that the sanctions against Russia that were in place at the beginning of June will remain in effect and that new COVID-19 cases will continue to occur. The economic survey further assumes that no restriction measures that would have economic impacts will be implemented to prevent the spread of COVID-19.

Consolidated statement of financial position and cash flow

Pihlajalinna Group's total statement of financial position amounted to EUR 640.2 (460.5) million. The growth is mainly attributable to business acquisitions. Consolidated cash and cash equivalents amounted to EUR 12.3 (4.8) million.

Net cash flow from operating activities in the quarter amounted to EUR 20.3 (12.6) million. Taxes paid amounted to EUR -1.2 (-0.8) million. The change in net working capital was EUR 5.8 (-1.6) million.

Net cash flow from operating activities during the review period amounted to EUR 35.8 (23.3) million. Taxes paid amounted to EUR -5.4 (-3.1) million. The change in net working capital was EUR 16.1 (-3.6) million. Working capital totalling EUR 21.0 (10.0) million was released from trade and other payables. Working capital amounting to EUR -4.0 (-12.7) million was tied up in trade and other receivables and EUR -0.4 (-0.3) million was tied up from inventories. Changes in provisions tied up EUR -0.6 (-0.6) million in working capital.

Net cash flow from investing activities totalled EUR -21.0 (-20.6) million during the quarter. The business acquisitions had an impact of EUR -14.8 (-16.1) million on net cash flow from investing activities. Investment in Digital Health Solutions Oy amounted to EUR -0.4 million. Investments in tangible and intangible assets amounted to EUR -5.5 (-3.3) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.1 (0.1) million.

Net cash flow from investing activities totalled EUR -64.7 (-23.6) million for the review period. The M&A transactions had an impact of EUR -48.2 (-16.1) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -15.7 (-6.4) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.2 (0.2) million. Pihlajalinna redeemed the clinical equipment lease liabilities of Pohjola Hospital EUR 5.8 million on the acquisition date 1 February 2022.

The Group's cash flow after investments (free cash flow) was EUR -0.7 (-7.9) million for the quarter and EUR -28.9 (-0.3) million for the review period.

Net cash flow from financing activities totalled EUR 6.5 (-0.8) million for the quarter. The change in financial liabilities, including changes in credit limits, amounted to EUR 23.8 (9.6) million. Payments for financial lease liabilities amounted to EUR -7.4 (-4.8) million, and interest paid and other financial expenses amounted to EUR -1.2 (-0.9) million. A total of EUR -0.7 (-0.2) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed dividends of EUR -6.8 (-4.5) million for the financial year 2021. The Group has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR -0.9 (0.0) million.

Net cash flow from financing activities totalled EUR 37.0 (-8.1) million for the review period. The change in financial liabilities, including changes in credit limits, amounted to EUR 63.4 (9.2) million. Payments for financial lease liabilities amounted to EUR -13.9 (-9.8) million, and interest paid and other financial expenses amounted to EUR -3.2 (-2.0) million. Pihlajalinna rearranged its long-term debt financing in March 2022. The acquisition of Pohjola Hospital increased Pihlajalinna's interest costs for right-of-use premises. A total of EUR -0.8 (-0.4) million in dividends was paid to non-controlling interests. Pihlajalinna Plc distributed dividends of EUR -6.8 (-4.5) million for the financial year 2021. The Group has acquired its own shares for its incentive scheme and the remuneration of the Board of Directors in the amount of EUR -1.5 (-0.6) million.

The Group's gearing was 312.6 (176.0) per cent. Interest-bearing net debt amounted to EUR 374.4 (207.1) million, an increase of EUR 167.3 million. The M&A transactions increased the amount of Pihlajalinna's lease liabilities by EUR 128.3 million.

Return on capital employed was 4.4 (8.5) per cent and return on equity was 12.3 (14.8) per cent.

Financing arrangements

Pihlajalinna rearranged its long-term debt financing with a sustainability-linked facility on 22 March 2022. An unsecured five-year EUR 200 million financing arrangement was implemented with Danske Bank, OP Corporate Bank and Swedbank. Financing consists of a EUR 130 million long-term loan and a EUR 70 million revolving credit facility for the Group's general financing needs and acquisitions. The financing arrangement also includes an opportunity to increase the total amount by EUR 100 million (to EUR 300 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 covenants are calculated excluding IFRS 16 accounting for lease liabilities. The loan margin is also linked to Pihlajalinna's annual sustainability targets related to customer satisfaction (NPS), employee engagement (eNPS) and access to surgical treatment in targeted time.

Due to the acquisition of Pohjola Hospital, Pihlajalinna and the funding providers agreed on temporary adjustments to the covenants of the financing arrangement increasing the gearing covenant to 140 per cent and leverage covenant to 4.00 for the year 2022. From the beginning of the year 2023 gearing will decrease to 115 per cent and leverage to 3.75. At the end of the review period, leverage according to the financing arrangement stood at 3.91 and gearing at 135 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 56 million in unused committed credit limits. In addition, EUR 100 million of an additional credit limit, which is subject to separate credit decisions, is unused at end of the review period.

Pihlajalinna has entered into an interest rate swap agreement with a nominal value of EUR 65 million to hedge the interest rate risk of its floating rate loan. Cash flow hedge accounting is applied to the interest rate swap, in which case the effective portion of the change in fair value is recognized in other comprehensive income. The interest rate swap agreement is valid until 25 March 2027 and the fair value at the end of the review period was EUR 2.2 million.

Acquisitions and capital expenditure

Acquired entity	Month of acquisition	Industry	Domicile
Pohjola Hospital Oy	2/2022	Private clinic operations	Helsinki
Etelä-Savon Työterveys Oy	4/2022	Occupational healthcare services	Mikkeli
Lääkärikeskus Ikioma Oy	4/2022	Private clinic operations, Dental care	Mikkeli
Punkkibussi® -business	4/2022	Private clinic operations	Several

Gross investments, including acquisitions, amounted to EUR 204.6 (28.0) million. Gross investments in M&A transactions amounted to EUR 174.0 (20.0) million. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of development investments, additional investments and replacement investments required for growth, amounted to EUR 14.7 (6.7) million. Pihlajalinna redeemed Pohjola Hospital's clinical equipment leasing liabilities for EUR 5.8 million on the acquisition date 1 February 2022.

Gross investments in connection with the opening of new units amounted to EUR 3.1 (0.0) million. Gross investments in right-of-use assets amounted to EUR 12.7 (1.8) million, including investments in opening of new units. Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 3.5 (2.3) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects.

On 1 February 2022, Pihlajalinna acquired the entire share capital of Pohjola Hospital from Pohjola Insurance Ltd. The debt-free purchase price, paid in cash, was EUR 35.2 million.

Pihlajalinna acquired, on 1 April 2022, the entire share capital of Etelä-Savon Työterveys Oy and the majority interest of Lääkärikeskus Ikioma Oy. In addition, on 1 April 2022, Pihlajalinna acquired the Punkkibussi® business from Saaristolääkärit Oy.

Complete and partial outsourcing agreements

Company	Pihlajalinna's holding 31 Dec 2021	Pihlajalinna's holding 30 Jun 2022	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	97%	97%	2016	15
Mäntänvuoren Terveys Oy	91%	91%	2016	15
Kolmostien Terveys Oy	96%	96%	2015	15
Bottenhavets Hälsa Ab - Selkämeren Terveys Oy	75%	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	4–6/2022 3 months	4–6/2021 3 months	1–6/2022 6 months	1–6/2021 6 months	2021	2020
INCOME STATEMENT						
Revenue, EUR million	71.1	68.8	139.4	137.4	277.0	264.2
EBITDA, EUR million	3.3	2.6	0.2	3.3	6.6	11.0
EBITDA, %	4.6	3.7	0.1	2.4	2.4	4.2
Adjusted EBITDA, EUR million [1)]	3.3	2.7	5.6	3.4	6.7	11.0
Adjusted EBITDA, % [1)]	4.7	3.9	4.0	2.4	2.4	4.2
Operating profit (EBIT), EUR million	2.5	1.8	-1.3	1.8	3.6	8.2
Operating profit (EBIT), %	3.5	2.7	-1.0	1.3	1.3	3.1
Adjusted operating profit (EBIT), EUR million [1)]	2.6	1.9	4.1	1.9	3.7	8.2
Adjusted operating profit (EBIT), % [1)]	3.6	2.8	3.0	1.4	1.3	3.1
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), EUR million [1)]	2.7	2.0	4.3	2.1	4.1	8.5
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), % [1)]	3.7	2.9	3.1	1.5	1.5	3.2

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

Personnel

At the end of the review period, the number of personnel amounted to 7,118 (6,000), an increase of 1,118 persons or 19 per cent. The Group's personnel averaged 5,061 (4,665) persons as full-time equivalents, an increase of 397 persons or 9 per cent. The Group employee benefit expenses totalled EUR 147.7 (125.3) million, an increase of EUR 22.4 million or 18 per cent.

The growth of nearly 400 persons in the number of personnel was attributable to the M&A transactions. The increase in personnel in Pihlajalinna's network of operating locations was approximately 375 persons. The number of personnel in the residential services and in the complete outsourcing increased by approximately 300 persons. Employee benefit expenses were exceptionally high during the review period. The sickness-related absence rate of Pihlajalinna's personnel increased by 2.5 percentage points, particularly due to various respiratory infections. Substitutes and recruitment services have been used to compensate for shortages in personnel. Additionally, the growth in supply and strengthening the administration has increased employee benefit expenses.

The provision of health advisory services for the ports of Helsinki ended on 3 April 2022. The co-operation negotiations concerning the provision covered 40 persons. In February the efficiency improvement program and co-operation negotiations started in Jämsän Terveys covering the entire personnel and in Jokilaakson Terveys covering around 50 persons. The co-operation negotiations in Jämsä did not lead to personnel reductions. The co-operation negotiations to improve efficiency of operations in Kolmostien Terveys started in March 2022 and were concluded in May. The co-operation negotiations did not lead to personnel reductions.

Management Team

CEO Joni Aaltonen serves as the Chairman of the Management Team. The Management Team also includes CFO Tarja Rantala, CLO Marko Savolainen, Sales Director Juha-Pekka Halttunen, CIO Antti-Jussi Aro, CMO Sari Riihijärvi and CCO Sari Nevanlinna.

Eetu Salunen, Licentiate of Medicine and Master of Philosophy, was appointed as the new Head of Business Operations of Public Services and member of the Group Management Team. He took up his position and became a member of the Management Team on 1 August 2022.

Board of Directors

The Annual General Meeting on 13 April 2022 resolved that the number of the members of the Board of Directors shall be fixed at seven members instead of the previous six. Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén were re-elected to serve as members of the Board of Directors until the next Annual General Meeting. Heli Iisakka was elected as a new Board Member.

The Annual General Meeting elected Mikko Wirén as the Chairman of the Board and Leena Niemistö as the Vice-Chairman of the Board.

Kati Sulin announced her resignation from the Board of Directors as of 12 June 2022.

Shares and shareholders

The total number of shares was 22,620,135 of which 22,549,644 were outstanding and 70,491 were held by the company which corresponds to approximately 0.31 per cent of all shares and votes. At the end of the review period, the company had 15,657 (14,602) 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	1–6/2022	1–6/2021	2021
No. of shares outstanding at end of period	22,549,644	22,594,235	22,594,235
Average no. of shares outstanding during period	22,571,074	22,584,450	22,589,383
Highest price, EUR	13.18	11.98	12.98
Lowest price, EUR	9.54	9.26	9.26
Average price, EUR [1)]	11.80	10.63	11.18
Closing price, EUR	11.48	11.30	12.64
Share turnover, 1,000 shares	2,618	4,356	6,929
Share turnover, %	11.6	19.3	30.7
Market capitalisation at end of period, EUR million	258.9	255.3	285.6

[1)] average rate weighted by trading level

Risks and uncertainties in business operations

Pihlajalinna’s risk management and risks related to company’s business have been described in more detail in the Board of Directors’ report 2021 and in the consolidated financial statements’ note 25 *Financial risk management*.

Pihlajalinna operates only in Finland, but indirect effects can still be expected from Russia’s offensive war against Ukraine through slower economic growth, disruption of supply chains, high inflation and rising market interest rates. Pihlajalinna will refrain from all business activities with parties subject to economic sanctions. The war has elevated the risk of cyber-attacks, and Pihlajalinna takes this threat seriously.

In all its operations, Pihlajalinna also takes into account data protection and information security, as well as the constantly growing requirements related to them. Data security threats and compromises of data protection can lead to, among other things, significant damage to reputation and claims for damages.

The COVID-19 epidemic has a twofold impact on Pihlajalinna's business: on one hand, the demand for COVID-19 services has led to the growth of Pihlajalinna's business but, on the other hand, COVID-19 restrictions have at times led to weaker demand for services and made resourcing more difficult. Private customer volumes of private clinics, dental care units and fitness centre's have not yet recovered to the levels of 2019. The fitness centre business has particularly suffered from the extensive restrictions.

In addition to the impacts of the COVID-19 epidemic, the significant risks and uncertainties affecting the Group's operations are connected to the complete outsourcing agreements on social and healthcare services, material amendments to legislation, opening new locations, the success of acquisitions, digital service development and information system projects as well as risks related to taxation and the commitment of competent management, workforce availability and recruitment.

The reforms concerning the organisation of social, healthcare and rescue services, when implemented, may lead to changes in Pihlajalinna's outsourcing agreements for social and healthcare services. Processes stipulated by the legislation concerning the reform of healthcare and social services will be carried out in cooperation with the wellbeing services counties to ensure the application of the service agreements as part of the organisation and production of services in the wellbeing services counties. This may affect the term of validity of Pihlajalinna's service agreements and the scope of the services provided.

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 the Group's complete outsourcing arrangements are highly similar with regard to their principles and basic terms. Pihlajalinna has calculated and recognized 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 are specified with a delay.

Management has assessed the ruling of the District Court of Central Finland in terms of Pihlajalinna's other outsourcing service agreements. In the ruling, there were grounds for variable compensation components, however the District Court did not consider the evidence provided by Jämsän Terveys Oy to be sufficient in terms of cost effects.

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 a payment, the receivables are sought through legal action, which may further delay the collection of items presented in current receivables in the financial statements.

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

On 4 April 2022, the District Court of Central Finland issued a ruling on the dispute between Pihlajalinna's subsidiary Jämsän Terveys Oy and the City of Jämsä. The ruling is not final.

As a result of the write-downs in accordance to the District Court's ruling, Pihlajalinna Group faced approximately EUR 2.8 million negative impact on the result attributable to the owners of the parent company in the review period. The ruling decreased revenue by EUR 2.4 million, and EBITDA was decreased by EUR 4.6 million. The City of Jämsä owns 49 per cent of the company and Pihlajalinna 51 per cent. Earnings per share was weakened by EUR 0.12 per share. The ruling does not have an immediate material impact on cash flow. The effects of the District Court's ruling are treated as adjustment items. Jämsän Terveys Oy has appealed to the Court of Appeals against the District Court's ruling. The operating conditions of Jämsän Terveys' service production is secured due to the efficiency improvement program and temporary parent company financing.

Jämsän Terveys Oy has recognised as revenue and recorded in its receivables amounts totalling EUR 1.0 million, mainly for the current year's covid-19 cost reimbursements, which the client has not paid in violation of the service agreement. In addition, a difference of opinion has arisen between the company and the client during the review period regarding the effect of personnel transfer on the annual price of the service agreement. The parties are actively negotiating to resolve open issues.

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 4.2 (3.5) 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 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 2.5 (0.8) 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 client approved cost increases arising from changes to services for the elderly as part of the annual fee under the service agreement. A reconciliation procedure led by an external mediator is pending between the parties.

Pending legal processes:
On 4 April 2022, the District Court of Central Finland issued a ruling on the dispute between Pihlajalinna's subsidiary Jämsän Terveys Oy and the City of Jämsä, as mentioned above under *Items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay.* Jämsän Terveys Oy has appealed to the Court of Appeals against the District Court's ruling.

Pihlajalinna has a few employment related cases with legal proceedings ongoing. No major financial impacts are expected on the Group of these disputes.

Impairment testing of goodwill:
At the end of the review period, goodwill on Pihlajalinna statement of financial position amounted to EUR 249.1 (188.6) 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.

Repurchase and transfer of own shares

Pihlajalinna has repurchased, between 24 March and 20 April 2022, its own shares totaling 120,000 shares with an average price of EUR 12.2896 per share.

Pihlajalinna conveyed, in March, a total of 8,867 own shares to the key employees in accordance with the earlier incentive program (LTIP 2019). Pihlajalinna conveyed, in April, a total of 59,900 own shares as consideration in a transaction to redeem non-controlling interests of its subsidiary. Pihlajalinna conveyed, in May, a total of 6,642 own shares as part of the remuneration of the Board of Directors.

The number of own shares was 70,491 at the end of the review period, corresponding to approximately 0,31 per cent of the total number of shares and votes.

Own shares can be used for payments for the incentive program currently in effect.

Events after the review period

Pihlajalinna has agreed to acquire 70 per cent interest in MediEllen Oy from Kainuu providing private clinic services and hiring of medical staff. The deed of sale was signed on 7 July 2022 and the transaction is planned to be completed on 1 September 2022.

Pihlajalinna has additionally made an agreement to acquire Seppäläärit Oy and Seppämagneetti Oy operating in Jyväskylä. The deeds of sale were signed 8 July 2022 and the transactions are planned to be completed on 1 October 2022.

Pihlajalinna's financial reporting in 2022

Interim Report January–September: Friday, 4 November 2022

Press and analyst meeting

Pihlajalinna will hold a briefing for analysts and the media on Friday, 12 August 2022 at 10:00 a.m. in the Studio Eero at Sanomatalo, Helsinki. The event can also be followed as a live webcast at: https://pihlajalinna.videosync.fi/q2-2022.

Helsinki, 11 August 2022
The Board of Directors of Pihlajalinna Plc

Further information

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Pihlajalinna in brief

Pihlajalinna (Nasdaq HELSINKI: PIHLIS) is one of the leading private service providers of social, healthcare and wellbeing services in Finland. 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. Read more www.pihlajalinna.fi.

Consolidated income statement

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Revenue	**173.7**	**142.5**	**336.8**	**282.4**	**577.8**
Other operating income	1.8	0.2	3.5	1.4	3.7
Materials and services	-66.5	-50.7	-130.7	-103.9	-209.5
Employee benefit expenses	-74.6	-64.1	-147.7	-125.3	-255.2
Other operating expenses	-18.9	-12.9	-37.1	-24.6	-54.2
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
EBITDA	**15.6**	**15.0**	**24.9**	**29.9**	**62.6**
Depreciation, amortisation and impairment	-11.5	-8.5	-22.0	-16.9	-34.7
Operating profit (EBIT)	**4.1**	**6.5**	**2.9**	**12.9**	**27.9**
Financial income	0.1	0.1	0.2	0.1	0.2
Financial expenses	-1.7	-1.0	-3.3	-2.0	-4.0
Profit before taxes	**2.5**	**5.6**	**-0.2**	**11.1**	**24.2**
Income tax	-0.3	-1.1	4.9	-2.2	-5.1
Profit for the period	**2.1**	**4.5**	**4.7**	**8.9**	**19.1**
Attributable to:					
To the owners of the parent company	1.7	4.3	7.0	8.9	20.1
To non-controlling interests	0.4	0.2	-2.3	0.1	-1.0
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)					
Basic	0.08	0.19	0.31	0.39	0.89
Diluted	0.08	0.19	0.31	0.39	0.89

[1)] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

Consolidated statement of comprehensive income

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Profit for the period	**2.1**	**4.5**	**4.7**	**8.9**	**19.1**
Other comprehensive income that will be reclassified subsequently to profit or loss					
Cash flow hedge	1.8		2.2		
Income tax on other comprehensive income	-0.4		-0.4		
Other comprehensive income for the reporting period	1.5		1.8		
Total comprehensive income for the reporting period	**3.6**	**4.5**	**6.5**	**8.9**	**19.1**
Attributable to:					
To the owners of the parent company	3.2	4.3	8.7	8.9	20.1
To non-controlling interests	0.4	0.2	-2.3	0.1	-1.0

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Consolidated statement of financial position

EUR million	30 Jun 2022	30 Jun 2021[1)]	2021
ASSETS			
Non-current assets			
Property, plant and equipment	54.6	44.2	45.0
Goodwill	249.1	188.6	188.9
Other intangible assets	22.3	15.7	14.9
Right-of-use assets	198.2	97.4	95.6
Interests in associates	0.3	0.0	0.3
Other investments	1.6	1.5	1.2
Other receivables	8.9	5.4	5.2
Deferred tax assets	15.6	6.3	5.5
Total non-current assets	**550.6**	**359.2**	**356.5**
Current assets			
Inventories	4.3	3.7	3.7
Trade and other receivables	71.2	90.5	92.1
Current tax assets	1.7	2.4	0.4
Cash and cash equivalents	12.3	4.8	4.3
Total current assets	**89.6**	**101.4**	**100.5**
Total assets	**640.2**	**460.5**	**457.1**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.1	0.1
Fair value reserve	1.8		
Reserve for invested unrestricted equity	116.5	116.5	116.5
Retained earnings	-6.4	-12.7	-17.6
Profit for the period	7.0	8.9	20.1
	119.0	**112.8**	**119.1**
Non-controlling interests	0.8	4.9	3.5
Total equity	**119.8**	**117.7**	**122.6**
Deferred tax liabilities	7.6	5.9	5.9
Provisions	0.3	0.0	0.1
Lease liabilities	203.5	89.9	87.9
Financial liabilities	154.6	102.1	91.4
Other non-current liabilities	0.9	1.1	1.0
Total non-current liabilities	**367.0**	**199.0**	**186.3**
Trade and other payables	123.7	121.0	125.1
Current tax liabilities	0.8	2.6	3.3
Provisions	0.1	0.4	0.1
Lease liabilities	27.3	18.6	18.4
Financial liabilities	1.5	1.3	1.3
Total current liabilities	**153.4**	**143.9**	**148.1**
Total liabilities	**520.4**	**342.9**	**334.5**
Total equity and liabilities	**640.2**	**460.5**	**457.1**

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Consolidated statement of changes in equity

	Equity attributable to owners of the parent company					
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Fair value reserve**	**Retained earnings**	**Non-controlling interests**	**Equity Total**
Total equity, 1 Jan 2021	**0.1**	**116.5**		**-7.6**	**5.2**	**114.2**
Total comprehensive income for the period [1]				**8.9**	0.1	**8.9**
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				0.1	-0.1	0.0
Total changes in subsidiary shareholdings				**0.1**	**-0.1**	**0.0**
Total equity, 30 Jun 2021	**0.1**	**116.5**		**-3.8**	**4.9**	**117.7**

	Equity attributable to owners of the parent company					
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Fair value reserve**	**Retained earnings**	**Non-controlling interests**	**Equity Total**
Total equity, 1 Jan 2022	**0.1**	**116.5**		**2.5**	**3.5**	**122.6**
Total comprehensive income for the period			**1.8**	**7.0**	**-2.3**	**6.5**
Dividends paid				-6.8	-0.8	-7.5
Acquisition of own shares				-1.5		-1.5
Investments in group subsidiaries, reported					0.0	0.0
Total transactions with owners				**-8.3**	**-0.7**	**-9.0**
Changes in NCI without a change in control				-0.6	0.2	-0.3
Other changes				0.1		0.1
Total changes in subsidiary shareholdings				**-0.6**	**0.2**	**-0.3**
Total equity, 30 Jun 2022	**0.1**	**116.5**	**1.8**	**0.6**	**0.8**	**119.8**

[1] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS).

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Consolidated statement of cash flows

EUR million	4–6/2022 3 months	4–6/2021 3 months	1–6/2022 6 months	1–6/2021 6 months	2021
Cash flow from operating activities					
Profit for the period	2.1	4.5	4.7	8.9	19.1
Adjustments to cash flow from operating activities:					
Taxes	0.3	1.1	-4.9	2.2	5.1
Depreciation, amortisation and impairment	11.5	8.5	22.0	16.9	34.7
Financial income and expenses	1.6	0.9	3.1	1.8	3.7
Net cash generated from operating activities before change in working capital	**15.6**	**15.0**	**24.8**	**29.9**	**62.6**
Change in working capital	5.8	-1.6	16.1	-3.6	-3.3
Interest received	0.1	0.1	0.2	0.1	0.2
Taxes paid	-1.2	-0.8	-5.4	-3.1	-2.6
Net cash flow from operating activities	**20.3**	**12.6**	**35.8**	**23.3**	**56.9**
Cash flow from investing activities					
Investments in tangible and intangible assets	-5.5	-3.3	-15.7	-6.4	-14.8
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.1	0.2	0.2	0.5
Changes in other receivables and investments	-0.4	-1.4	-0.4	-1.4	-1.3
Granted loans	-0.4	0.0	-0.6	0.0	0.0
Dividends received	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-14.8	-16.1	-48.2	-16.1	-16.4
Net cash flow from investing activities	**-21.0**	**-20.6**	**-64.7**	**-23.6**	**-32.1**
Cash flow from financing activities					
Changes in non-controlling interests	-0.4	0.0	-0.4	0.0	-3.0
Acquisition of own shares	-0.9	0.0	-1.5	-0.6	-0.6
Proceeds from and repayment of borrowings	23.8	9.6	63.4	9.2	-1.6
Repayment of lease liabilities	-7.4	-4.8	-13.9	-9.8	-19.8
Interest and other operational financial expenses	-1.2	-0.9	-3.2	-2.0	-4.0
Dividends paid and other profit distribution	-7.4	-4.7	-7.5	-4.9	-4.9
Net cash flow from financing activities	**6.5**	**-0.8**	**37.0**	**-8.1**	**-33.9**
Changes in cash and cash equivalents	5.8	-8.8	8.0	-8.5	-9.0
Cash at beginning of period	6.5	13.6	4.3	13.3	13.3
Cash at end of period	**12.3**	**4.8**	**12.3**	**4.8**	**4.3**

Notes to the half year financial report

Accounting policies

This half year financial report has been prepared in compliance with the IFRS standards currently in effect and the provisions of IAS 34 (Interim Financial Reporting). Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangement (Software as a Service, SaaS). The information about the effects of the Agenda Decision on the company's income statement and financial position has been published in the financial statements 2021 and the figures of the comparison period have been restated.

Pihlajalinna has entered into an interest rate swap agreement to hedge the interest rate risk of the new floating rate loan arrangement. Cash flow hedge accounting is applied to the interest rate swap, in which case the effective portion of the change in fair value is recognized in other comprehensive income. In other respects, this half year financial report applies the accounting policies presented in the consolidated financial statements for 2021. The amended standards published by IASB for adoption in 2022 do not have a material impact on Pihlajalinna's financial statements.

The information published in this half year financial 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 alternative performance measures presented in this half year financial report should not be considered to be replacements for the key figures defined in IFRS standards, and they may not be comparable with similarly named items used by other companies.

The preparation of the half year financial report in accordance with IFRS requires the management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and contingent assets and liabilities on the statement of financial position, and recognition of the amount of income and expenses. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates provided in this half year financial report. The key accounting estimates and decisions based on management judgement concerning revenue from customer contracts and impairment testing of goodwill are presented in the paragraph *Risks and uncertainties in business operations* in this half year report.

Share-based incentive schemes

At its meeting on 23 March 2022, the Board of Directors approved the terms of a share-based incentive program (LTIP 2022) for the key persons of the company. In its entirety the incentive scheme is to form a six-year program and the share rewards based on the program are not allowed to be disposed of prior to year 2025. In addition, in order to participate to the program, a key person must invest into Pihlajalinna shares.

Performance and quality-based share program shall comprise of four separate performance periods of one year each (calendar years 2022, 2023, 2024 and 2025). Potential share rewards shall be paid out after the performance periods in years 2023, 2024, 2025 and 2026 provided that the performance and quality-based targets as set by the board are reached. The maximum number of shares (gross amount prior to deduction of applicable withholding tax) for each one year performance period is defined in the allocation per participant. Shares paid off as share rewards shall be subject to a two-year transfer restriction. The criteria for the performance and quality based additional share program are adjusted EBITA as well as key operative and quality indicators of Pihlajalinna Group.

A total of 42 key persons are entitled to participate to the share-based incentive program. In case all the persons entitled to participate do participate to the program by meeting the condition of investment in full and in case the performance targets set to the program are achieved in total, the total amount of the share rewards payable under the program is a maximum of approximately 1,100,000 shares (gross amount prior to the deduction of applicable withholding tax) and the total value of the share reward program is approximately EUR 12.8 million. In case the program materializes in full, the above amount of shares equals approximately to 4.8 per cent of the total amount of the shares of the company.

Contingent liabilities and commitments

EUR million	30 Jun 2022	30 Jun 2021	2021
Collateral given on own behalf			
Sureties	4.3	4.4	4.4
Lease deposits	0.6	0.7	0.5
Properties’ VAT refund liability	0.0	0.1	0.1
Lease commitments for off-balance sheet leases	0.5	0.4	0.8

Investment commitments for the Group’s development, additional and replacement investments amounted to approximately EUR 3.5 (2.3) million. The investment commitments are related to additional and replacement investments in clinical equipment, change of premises and information system projects.

Pihlajalinna has made a commitment to acquire Seppälääkärit Oy and Seppämagneetti Oy, operating in Jyväskylä, on 1 October 2022. In addition, Pihlajalinna has made a commitment to acquire a majority interest in MediEllen Oy from Kainuu, providing private clinic services and hiring of medical staff, on 1 September 2022.

Changes in intangible assets

EUR million	30 Jun 2022	30 Jun 2021	2021
Acquisition cost at beginning of period	247.9	226.4	226.4
Additions	3.6	1.5	4.0
Business combinations	67.6	17.2	17.5
Transfers between items	0.0	0.0	0.1
Acquisition cost at end of period	319.2	245.0	247.9
Accumulated depreciation at beginning of period	-44.2	-37.4	-37.4
Depreciation and amortisation for period	-3.7	-3.3	-6.7
Transfers between items	0.0	0.0	-0.1
Accumulated depreciation at end of period	-47.8	-40.7	-44.2
Carrying amount at end of period	**271.3**	**204.3**	**203.8**

Changes in property, plant and equipment

EUR million	30 Jun 2022	30 Jun 2021	2021
Acquisition cost at beginning of period	104.2	94.2	94.2
Additions	14.2	4.8	10.9
Business combinations	0.7	0.0	0.0
Transfers between items	0.0	-0.1	-0.2
Disposals	-0.3	-0.3	-0.8
Acquisition cost at end of period	118.9	98.6	104.2
Accumulated depreciation at beginning of period	-59.2	-50.2	-50.2
Depreciation and amortisation for period	-5.2	-4.5	-9.2
Transfers between items	0.0	0.1	-0.1
Accumulated depreciation on disposals	0.1	0.1	0.3
Accumulated depreciation at end of period	-64.3	-54.5	-59.2
Carrying amount at end of period	**54.6**	**44.2**	**45.0**

Changes in right-of-use assets

EUR million	30 Jun 2022	30 Jun 2021	2021
Acquisition cost at beginning of period	192.3	182.9	182.9
Additions	12.7	1.8	9.8
Business combinations	105.6	2.8	2.8
Transfers between items	0.0		-0.7
Disposals	-3.5	-1.3	-2.5
Acquisition cost at end of period	307.1	186.2	192.3
Accumulated depreciation at beginning of period	-96.7	-80.1	-80.1
Depreciation and amortisation for period	-13.1	-9.2	-18.8
Transfers between items	0.0		0.7
Accumulated depreciation on disposals	1.0	0.5	1.4
Accumulated depreciation at end of period	-108.9	-88.8	-96.7
Carrying amount at end of period	**198.2**	**97.4**	**95.6**

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Right-of-use assets and lease liabilities

EUR million	Right-of-use asset items 30 Jun 2022	Lease liabilities 30 Jun 2022
Carrying amount at beginning of period	95.6	106.2
Changes	115.7	138.5
Depreciation and amortisation	-13.1	
Repayments of lease liabilities		-13.9
Carrying amount at end of period	**198.2**	**230.9**

On 30 June 2022, EUR 207.1 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 23.8 million were financial lease liabilities in accordance with previous accounting standards.

EUR million	Right-of-use asset items 30 Jun 2021	Lease liabilities 30 Jun 2021
Carrying amount at beginning of period	102.8	114.2
Changes	3.8	4.2
Depreciation and amortisation	-9.2	
Repayments of lease liabilities		-9.8
Carrying amount at end of period	**97.4**	**108.5**

On 30 June 2021, EUR 81.5 million of the lease liabilities were the result of the adoption of IFRS 16 and EUR 27.1 million were financial lease liabilities in accordance with previous accounting standards.

Financial assets and liabilities by measurement category

30 Jun 2022	Fair value hierarchy	Fair value through profit or loss	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets					
Non-current financial assets					
Other shares and participations	level 3	1,561		1,561	1,561
Lease deposits	level 2		562	562	562
Other receivables	level 2		311	311	311
Current financial assets					
Trade receivables			55,075	55,075	55,075
Other receivables	level 2		10	10	10
Interest derivatives	level 2	2,208		2,208	2,208
Cash and cash equivalents			12,300	12,300	12,300
Total		**3,770**	**68,259**	**72,028**	**72,028**
Carrying amounts of financial liabilities					
Non-current financial liabilities					
Loans from financial institutions	level 2		153,976	153,976	153,976
Lease liabilities	level 2		203,548	203,548	203,548
Other liabilities	level 2		659	659	659
Contingent considerations	level 3	70		70	70
Current financial liabilities					
Loans from financial institutions	level 2		1,230	1,230	1,230
Cheque account with credit limit					
Contingent considerations	level 3	280		280	280
Lease liabilities	level 2		27,307	27,307	27,307
Trade and other payables			31,378	31,378	31,378
Total		**350**	**418,099**	**418,449**	**418,449**

30 Jun 2021	Fair value hierarchy	Fair value through profit or loss	Amortised cost	Total carrying amounts	Fair values total
Carrying amounts of financial assets					
Non-current financial assets					
Other shares and participations	level 3	1,476		1,476	1,476
Lease deposits	level 2		662	662	662
Other receivables	level 2				
Current financial assets					
Trade receivables			76,696	76,696	76,696
Other receivables	level 2		518	518	518
Cash and cash equivalents			4,848	4,848	4,848
Total		**1,476**	**82,726**	**84,202**	**84,202**
Carrying amounts of financial liabilities					
Non-current financial liabilities					
Loans from financial institutions	level 2		101,443	101,443	101,443
Lease liabilities	level 2		89,908	89,908	89,908
Other liabilities	level 2		626	626	626
Current financial liabilities					
Loans from financial institutions	level 2		1,338	1,338	1,338
Cheque account with credit limit					
Lease liabilities	level 2		18,620	18,620	18,620
Trade and other payables			39,133	39,133	39,133
Total			**251,068**	**251,068**	**251,068**

Fair value hierarchy levels
Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. The Group has no financial assets or liabilities measured according to level 1 of the hierarchy.

Level 2: The fair value is determined using valuation methods. The financial assets and liabilities are not subject to trading in active and liquid markets. The fair values can be determined based on quoted market prices and deduced valuation. The carrying amount of the trade receivables and financial assets essentially corresponds to their fair value, as the effect of discounting is not significant taking the maturity of the receivables into consideration. The fair values of lease liabilities are based on discounted cash flows. The fair values of loans essentially correspond to their carrying amount since they have a floating interest rate and the Group's risk premium has not materially changed. The carrying amount of other financial liabilities essentially corresponds to their fair value, as the effect of discounting is not significant taking the maturity of the receivables into consideration.

Level 3: The fair value is not based on verifiable market information, and information on other circumstances affecting the value of the financial asset or liability is not available of verifiable. The Group's other shares and participations consist solely of shares in unlisted companies.

Acquired business operations, Pohjola Hospital Ltd

Pihlajalinna acquired the entire share capital of Pohjola Hospital Ltd from Pohjola Insurance Ltd. The acquisition was completed on 1 February 2022. The purchase price allocation on the Pohjola Hospital acquisition is currently being finalized and will be completed within one year from the acquisition date, which will be by 31 January 2023. Pihlajalinna is releasing the preliminary purchase price allocation, as a result of which adjustments have been made to the opening balance sheet of the Pohjola Hospital. Fair value adjustments were mainly made to right-of-use assets, other provisions and deferred taxes. Pihlajalinna has updated preliminary adjustments to the half year financial report as follows: right-of-use assets EUR -9.8 million, deferred tax assets EUR 0.6 million, other provisions EUR -0.8 million, financial lease liabilities EUR -6.0 million and goodwill EUR 2.0 million.

EUR million	**2022**
Consideration transferred	
Cash	35.2
Total acquisition cost	**35.2**

The preliminary values of the assets and liabilities acquired for consideration at the time of acquisition were as follows:

EUR million	**2022**
Property, plant and equipment	0.4
Intangible assets	6.0
Right-of-use assets	103.0
Deferred tax assets	**3.8**
Trade and other receivables	13.2
Cash and cash equivalents	1.8
Total assets	**128.3**
Deferred tax liabilities	1.1
Restructuring provision	0.7
Lease liabilities	125.8
Other liabilities	8.5
Total liabilities	**136.0**
Acquired net assets	**-7.8**

Preliminary goodwill generated in the acquisition:

EUR million	**2022**
Consideration transferred	35.2
Net identifiable assets of acquirees	7.8
Preliminary goodwill	**43.0**
Transaction price paid in cash:	35.2
Cash and cash equivalents of acquirees	-1.8
Preliminary effect on cash flow	**33.4**

Customer relationships, trademarks and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 5.0 million. The fair values have been determined through the use of income approach which requires forecasting of expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 43.0 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

Expenses related to the acquisition presented above, amounting to EUR 0.6 million, have been recognised in other operating expenses (IFRS 3 costs).

Acquired business operations, others

Pihlajalinna completed the acquisitions of Etelä-Savon Työterveys Oy, Lääkärikeskus Ikioma Oy and Punkkibussi® unit on 1 April 2022. The purchase price allocations on the acquisitions are currently being finalized and will be completed within one year from the acquisition date. Preliminary information on the acquisitions is presented combined below because the acquisitions are not individually material:

EUR million	2022
Consideration transferred	
Cash	16.0
Contingent concideration	0.4
Total acquisition cost	**16.4**

The preliminary values of the assets and liabilities acquired for consideration at the time of acquisition were as follows:

EUR million	2022
Property, plant and equipment	0.3
Intangible assets	1.5
Right-of-use assets	2.5
Inventories	0.2
Trade and other receivables	1.4
Cash and cash equivalents	1.2
Total assets	**7.2**
Deferred tax liabilities	0.3
Lease liabilities	2.5
Other liabilities	5.1
Total liabilities	8.0
Acquired net assets	**-0.8**

Preliminary goodwill generated in the acquisition:

EUR million	2022
Consideration transferred	16.4
Net identifiable assets of acquirees	0.8
Preliminary goodwill	**17.2**
Transaction price paid in cash:	16.0
Cash and cash equivalents of acquirees	-1.2
Preliminary effect on cash flow	**14.8**

Customer relationships, trademark and patient database related intangible assets were recognised in the preliminary determination of fair values and the preliminary fair value of these assets was measured at EUR 1.4 million. The fair values have been determined through the use of income approach which requires forecasting of expected future cash flows. The acquisition resulted in a preliminary goodwill amounting to EUR 17.2 million. The goodwill is attributable to synergies expected to be achieved and skilled workforce.

Expenses related to the acquisition presented above, amounting to EUR 0.3 million, have been recognised in other operating expenses (IFRS 3 costs).

Related party transactions

EUR million	**1–6/2022**	**1–6/2021**	**2021**
Key management personnel			
Rents paid	0.4	0.4	0.8
Services procured	0.5	0.4	1.0
Trade payables	0.0	0.0	0.1

Trade and other receivables

Due to the COVID-19 epidemic and the ongoing war in Ukraine, Pihlajalinna has reviewed the credit risk of receivables and the procedures used to estimate the credit risk. No significant changes have been observed in the payment behaviour of customers. The amount of receivables more than 90 days past due is significantly decreased due to the District Courts ruling in the dispute between Jämsän Terveys Oy and the City of Jämsä. Open trade receivables and other receivables from the City of Jämsä were offset against open trade payables and other liabilities to the City of Jämsä. The change in Jämsän Terveys Oy's trade receivables and other receivables during the review period was EUR -39.5 million. The change in Jämsän Terveys Oy's trade payables and other liabilities during the review period was EUR -34.4 million

The Group recognised impairment losses of EUR 0.7 (0.7) million on trade receivables.

EUR million	**30 Jun 2022**	**31 Dec 2021**
Trade receivables	55.1	79.7
Prepayments and accrued income	15.0	11.4
Current subleases	1.1	0.6
Other receivables	0.0	0.5
Total	**71.2**	**92.1**

Age distribution of trade receivables

EUR million	**30 Jun 2022**	of which written down	**Net 30 Jun 2022**	**31 Dec 2021**	of which written down	**Net 31 Dec 2021**
Not yet due	32.7	0.0	32.7	25.9	0.0	25.9
Past due						
Less than 30 days	8.2	0.0	8.2	4.2	0.0	4.1
30–60 days	2.3	-0.1	2.2	2.3	-0.1	2.3
61–90 days	1.3	-0.1	1.2	2.0	-0.1	1.8
More than 90 days	11.3	-0.5	10.8	46.1	-0.5	45.6
Total	**55.8**	**-0.7**	**55.1**	**80.4**	**-0.7**	**79.7**

Pihlajalinna

Quarterly information

EUR million	Q2/22	Q1/22	Q4/21[1)]	Q3/21[1)]	Q2/21[1)]	Q1/21[1)]	Q4/20[1)]	Q3/20[1)]
INCOME STATEMENT								
Revenue	173.7	163.1	154.7	140.6	142.5	139.9	137.2	123.9
EBITDA	15.6	9.3	14.5	18.2	15.0	14.9	15.1	16.5
EBITDA, %	9.0	5.7	9.4	12.9	10.5	10.6	11.0	13.3
Adjusted* EBITDA	16.9	16.5	14.9	19.3	15.9	15.2	15.8	17.2
Adjusted* EBITDA, %	9.7	10.1	9.6	13.8	11.1	10.9	11.5	13.9
Depreciation and amortisation	-11.5	-10.5	-9.0	-8.8	-8.5	-8.5	-8.3	-8.6
Operating profit (EBIT)	4.1	-1.2	5.6	9.4	6.5	6.4	6.8	7.9
Operating profit, %	2.4	-0.7	3.6	6.7	4.6	4.6	4.9	6.4
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) [2)]	7.3	7.8	7.8	12.3	8.9	8.3	9.0	10.3
Adjusted EBITA, % [2)]	4.2	4.8	5.1	8.7	6.3	5.9	6.5	8.3
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial expenses	-1.7	-1.6	-1.1	-0.9	-1.0	-1.0	-1.1	-1.1
Profit before taxes (EBT)	2.5	-2.7	4.6	8.5	5.6	5.5	5.7	6.8
Income tax	-0.3	5.2	-1.2	-1.7	-1.1	-1.1	-2.8	-1.5
Profit for the period	2.1	2.6	3.3	6.8	4.5	4.4	2.9	5.3
Share of the result for the period attributable to owners of the parent company	1.7	5.3	4.3	7.0	4.3	4.5	3.4	4.5
Share of the result for the period attributable to non-controlling interests	0.4	-2.7	-0.9	-0.1	0.2	-0.1	-0.5	0.8
EPS	0.08	0.23	0.19	0.31	0.19	0.20	0.15	0.20
Average number of personnel (FTE)	5,061	4,819	4,746	4,731	4,665	4,444	4,308	4,303
Change in personnel during the quarter	243	73	15	66	221	136	5	-4

[1)] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangements (Software as a Service, SaaS).

[2)] The definition of adjustment items has changed: in addition to the former definition, adjustment items include costs of business acquisitions and costs recognised in relation to the IFRS Interpretations Committee's new Agenda Decision regarding cloud services, and reversals of depreciation

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 [1)]	Operating profit + depreciation, amortisation and impairment + adjustment items		
Adjusted EBITDA, % [1)]	Operating profit + depreciation, amortisation and impairment + adjustment items	Revenue	x 100

Net debt/Adjusted EBITDA [1], 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) [1]	Operating profit + adjustment items	
Adjusted operating profit (EBIT),% [1]	Adjusted operating profit (EBIT) / Revenue	x 100
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) [1]	Operating profit + adjustment items + amortisation and impairment of intangible assets	
Adjusted EBITA, % [1]	Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) / Revenue	x 100
Profit before taxes (EBT)	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

[1] Significant transactions that are not part of the normal course of business, are related to business acquisition costs (IFRS 3), are 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. In addition, Pihlajalinna presents costs according to the IFRS Interpretations Committee's new Agenda Decision concerning cloud computing arrangements, and reversals of amortisation, as adjustment items. Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) is presented as a new alternative performance measure.

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	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Return on equity (ROE), %					
Profit for period (rolling 12 months)/			14.9	17.2	19.1
Equity (average) x 100			121.2	115.9	118.4
Return on equity (ROE), %			**12.3**	**14.8**	**16.1**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			12.9	23.7	24.2
Financial expenses (rolling 12 months)			5.3	4.1	4.0
/			18.2	27.8	28.2
Total statement of financial position at beginning of period -			457.1	441.3	441.3
non-interest-bearing liabilities at beginning of period			135.5	119.0	119.0
			321.6	322.3	322.3
Total statement of financial position at end of period -			640.2	460.5	457.1
Non-interest-bearing liabilities at end of period			133.8	130.9	135.5
			506.4	329.6	321.6
Average x 100			414.0	326.0	321.9
Return on capital employed (ROCE), %			**4.4**	**8.5**	**8.8**

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

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Equity ratio, %					
Equity/			119.8	117.7	122.6
Total statement of financial position -			640.2	460.5	457.1
Advances received x 100			0.9	1.1	0.9
Equity ratio, %			**18.7**	**25.6**	**26.9**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Gearing, %					
Interest-bearing financial liabilities –			386.7	211.9	199.0
Cash and cash equivalents/			12.3	4.8	4.3
Equity x 100			119.8	117.7	122.6
Gearing, %			**312.6**	**176.0**	**158.8**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Net debt/adjusted EBITDA, rolling 12 months					
Interest-bearing financial liabilities -			386.7	211.9	199.0

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Cash and cash equivalents	12.3	4.8	4.3
Net debt/	374.4	207.1	194.7
Adjusted EBITDA (rolling 12 months)	67.6	64.1	65.3
Net debt/adjusted EBITDA, rolling 12 months	**5.5**	**3.2**	**3.0**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
EBITDA and Adjusted EBITDA					
Profit for period	2.1	4.5	4.7	8.9	19.1
Income tax	-0.3	-1.1	4.9	-2.2	-5.1
Financial expenses	-1.7	-1.0	-3.3	-2.0	-4.0
Financial income	0.1	0.1	0.2	0.1	0.2
Depreciation, amortisation and impairment	-11.5	-8.5	-22.0	-16.9	-34.7
EBITDA	**15.6**	**15.0**	**24.9**	**29.9**	**62.6**
IFRS 3 costs –	0.2	0.7	0.9	0.7	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.1	0.2	0.2	0.4	0.6
Other EBITDA adjustments	0.9	-0.1	7.4	0.1	0.7
Total EBITDA adjustments [1)]	**1.3**	**0.9**	**8.5**	**1.2**	**2.7**
Adjusted EBITDA	**16.9**	**15.9**	**33.3**	**31.1**	**65.3**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
EBITDA, %					
EBITDA/	15.6	15.0	24.9	29.9	62.6
Revenue x 100	173.7	142.5	336.8	282.4	577.8
EBITDA, %	**9.0**	**10.5**	**7.4**	**10.6**	**10.8**

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Adjusted EBITDA, %					
Adjusted EBITDA/	16.9	15.9	33.3	31.1	65.3
Revenue x 100	173.7	142.5	336.8	282.4	577.8
Adjusted EBITDA, %	**9.7**	**11.1**	**9.9**	**11.0**	**11.3**

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	2.1	4.5	4.7	8.9	19.1
Income tax	-0.3	-1.1	4.9	-2.2	-5.1
Financial expenses	-1.7	-1.0	-3.3	-2.0	-4.0
Financial income	0.1	0.1	0.2	0.1	0.2
Operating profit (EBIT)	**4.1**	**6.5**	**2.9**	**12.9**	**27.9**
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation) -	-0.1	-0.1	-0.2	-0.1	-0.3
Other adjustments to amortisation and impairment		**-0.2**		**-0.2**	0.0
Total EBITDA adjustments [1)]	1.3	0.9	8.5	1.2	2.7
Total operating profit (EBIT) adjustments	**1.2**	**0.6**	**8.3**	**0.9**	**2.4**
Adjusted operating profit (EBIT)	**5.2**	**7.2**	**11.2**	**13.8**	**30.3**

PPA amortisation	0.7	0.8	1.4	1.5	3.0
Amortisation and impairment of other intangible assets	1.3	1.0	2.5	1.9	4.0
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.2	0.1	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	**7.3**	**8.9**	**15.1**	**17.2**	**37.3**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Operating profit (EBIT), %					
Operating profit/	4.1	6.5	2.9	12.9	27.9
Revenue x 100	173.7	142.5	336.8	282.4	577.8
Operating profit (EBIT), %	**2.4**	**4.6**	**0.9**	**4.6**	**4.8**

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Adjusted operating profit (EBIT), %					
Adjusted operating profit/	5.2	7.2	11.2	13.8	30.3
Revenue x 100	173.7	142.5	336.8	282.4	577.8
Adjusted operating profit (EBIT), %	**3.0**	**5.0**	**3.3**	**4.9**	**5.3**
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %					
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) /	7.3	8.9	15.1	17.2	37.3
Revenue x 100	173.7	142.5	336.8	282.4	577.8
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA), %	**4.2**	**6.3**	**4.5**	**6.1**	**6.5**

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Cash flow after investments					
Net cash flow from operating activities	20.3	12.6	35.8	23.3	56.9
Net cash flow from investing activities	-21.0	-20.6	-64.7	-23.6	-32.1
Cash flow after investments	**-0.7**	**-7.9**	**-28.9**	**-0.3**	**24.9**

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.

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Profit before taxes					
Profit for period	2.1	4.5	4.7	8.9	19.1
Income tax	-0.3	-1.1	4.9	-2.2	-5.1
Profit before taxes	**2.5**	**5.6**	**-0.2**	**11.1**	**24.2**

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Gross investments					

Property, plant and equipment at end of period	54.6	44.2	54.6	44.2	45.0
Right-of-use assets at end of period	198.2	97.4	198.2	97.4	95.6
Other intangible assets at end of period	22.3	15.7	22.3	15.7	14.9
Goodwill at end of period	249.1	188.6	249.1	188.6	188.9
Depreciation, amortisation and impairment for period are added	11.5	8.5	22.0	16.9	34.7
-					
Property, plant and equipment at beginning of period	52.8	44.2	45.0	44.0	44.0
Right-of-use assets at beginning of the period	204.6	98.5	95.6	102.8	102.8
Other intangible assets at beginning of period	20.1	14.4	14.9	15.3	15.3
Goodwill at beginning of period	229.9	173.6	188.9	173.6	173.6
Proceeds from the sale of property, plant and equipment during period	-0.2	-0.2	-2.8	-0.9	-1.5
Gross investments	**28.5**	**23.9**	**204.6**	**28.0**	**44.8**

EUR million	**4–6/2022 3 months**	**4–6/2021[1] 3 months**	**1–6/2022 6 months**	**1–6/2021[1] 6 months**	**2021**
Organic revenue growth, %					
Revenue for period -	173.7	142.5	336.8	282.4	577.8
Revenue from M&A transactions during period	23.7	**3.7**	39.6	**3.7**	15.9
Revenue for previous period	142.5	114.7	282.4	247.6	508.7
Organic revenue growth /	**7.5**	**24.1**	**14.9**	**31.1**	**53.2**
Revenue for previous period x 100	142.5	114.7	282.4	247.6	508.7
Organic revenue growth, %	**5.3**	**21.1**	**5.3**	**12.5**	**10.5**
Revenue growth due to M&A transactions, %	**16.6**	**3.3**	**14.0**	**1.5**	**3.1**
Revenue growth	31.2	27.9	54.4	34.8	69.1
Revenue growth, %	21.9	24.3	19.3	14.1	13.6

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.

[1] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Deci-sion published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangements (Software as a Service, SaaS)

Description of adjustment items applied to adjusted EBITDA and adjusted operating

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
EBITDA	**15.6**	**15.0**	**24.9**	**29.9**	**62.6**
Adjustments to EBITDA					
Dismissal-related expenses	0.2	0.1	0.2	0.3	0.4
Costs arising from integration of acquired businesses	0.7		1.4		
District Court's ruling, Jämsän Terveys	0.1		4.7		
Onerous contracts		-0.2		-0.2	-0.2
IFRS 3 costs	0.2	0.7	0.9	0.7	1.4
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements	0.1	0.2	0.2	0.4	0.6
Other items with cash flow effect			0.4		0.5
Other items with no cash flow effect			0.7		
Adjustments to EBITDA in total	**1.3**	**0.9**	**8.5**	**1.2**	**2.7**
Adjusted EBITDA	**16.9**	**15.9**	**33.3**	**31.1**	**65.3**
Depreciation, amortisation and impairment	-11.5	-8.5	-22.0	-16.9	-34.7
Adjustments to depreciation, amortisation and impairment					
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	-0.1	-0.1	-0.2	-0.1	-0.3
Closure of operating locations		-0.2		-0.2	0.0
Adjustments to depreciation, amortisation and impairment in total	**-0.1**	**-0.3**	**-0.2**	**-0.3**	**-0.3**
Adjustments to operating profit in total	**1.2**	**0.6**	**8.3**	**0.9**	**2.4**
Adjusted operating profit (EBIT)	**5.2**	**7.2**	**11.2**	**13.8**	**30.3**
PPA amortisation	0.7	0.8	1.4	1.5	3.0
Other amortisation and impairment of intangible assets	1.2	0.9	2.3	1.8	3.7
Entries related to the IFRIC Agenda Decision concerning cloud computing arrangements (reversal of amortisation)	0.1	0.1	0.2	0.1	0.3
Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA)	**7.3**	**8.9**	**15.1**	**17.2**	**37.3**
Operating profit (EBIT)	**4.1**	**6.5**	**2.9**	**12.9**	**27.9**

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

EUR million	4–6/2022 3 months	4–6/2021[1)] 3 months	1–6/2022 6 months	1–6/2021[1)] 6 months	2021
Revenue			2.4		
Materials and services			2.0		
Employee benefit expenses	0.4	0.1	0.9	0.3	0.4
Other operating expenses	0.8	0.7	3.2	0.9	2.3
EBITDA adjustment items total	**1.3**	**0.9**	**8.5**	**1.2**	**2.7**
Depreciation, amortisation and impairment	-0.1	-0.3	-0.2	-0.3	-0.3
Operating profit adjustment items total	**1.2**	**0.6**	**8.3**	**0.9**	**2.4**

[1)] Pihlajalinna has changed its accounting policies and begun to retrospectively apply, effective from 1 January 2020, the IFRS Interpretations Committee's Agenda Decision published in April 2021 regarding the recognition of configuration or customisation costs in a cloud computing arrangements (Software as a Service, SaaS).