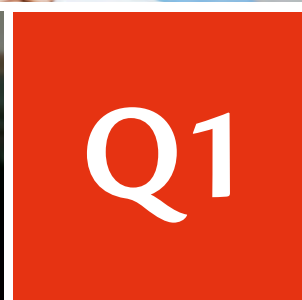




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Pihlajalinna Interim Report

1 January–31 March 2016

Pihlajalinna Interim Report

1 January–31 March 2016 (3 months)

Consolidated operating profit improved, revenue growth continued Brief look at january–march 2016 (year-on-year comparison in brackets):

- Revenues amounted to EUR 100.1 (47.9) million – an increase of 109 per cent
- EBITDA amounted to EUR 7.0 (3.0) million – an increase of 132 per cent
- Operating profit (EBIT) amounted to EUR 4.2 (1.3) million
- Net cash flow from operating activities amounted to EUR 14.0 (6.9) million
- Gross investments in the reporting period amounted to EUR 10.3 (14.1) million
- Number of personnel at the end of the reporting period was 4,228 (2,261)
- Earnings per share was EUR 0.10 (0.03)

Key figures and ratios	1–3/2016	1–3/2015	change %	2015
	3 mths	3 mths		12 mths
INCOME STATEMENT				
Revenue, EUR million	100.1	47.9	109	213.3
EBITDA, EUR million	7.0	3.0	132	11.6
EBITDA %	7.0	6.3	11	5.4
Operating profit excluding non-recurring items (EBIT), EUR million	4.2	1.3	220	4.5
Operating profit % excluding non-recurring items	4.2	2.7	53	2.1
Operating profit (EBIT), EUR million	4.2	1.3	232	3.6
Operating profit %	4.2	2.6	59	1.7
Profit before tax (EBT), EUR million	3.8	0.6	559	1.3
SHARE RELATED INFORMATION				
Earnings per share (EPS), EUR	0.10	0.03	216	0.03
Equity per share, EUR	4.56	0.73	527	4.47
OTHER INFORMATION				
Return on capital employed, % (ROCE)	4.8	5.5	–13	3.4
Return on equity, % (ROE)	3.5	22.8	–84	2.3
Equity ratio, %	43.8	8.1	440	50.5
Gearing, %	21.5	633.8		25.2
Net debt/adjusted EBITDA, 12 mths	1.3	5.0	–75	1.9
Interest bearing net debt, EUR million	20.7	69.5	–70	23.5
Gross investments, EUR million	10.3	14.1	–27	44.6
Cash flow from operating activities	14.0	6.9	101	17.7
Cash flow after investments	3.9	2.8	40	–14.4
Average number of personnel	4,206	2,073	103	2,503
Personnel at the end of the period	4,228	2,261	87	3,047

Mikko Wirén, CEO of Pihlajalinna:



Pihlajalinna Group's consolidated revenue grew by 109 per cent during the first quarter, reaching EUR 100.1 (47.9) million. A significant part of this growth was organic, particularly from the new social and healthcare outsourcing contracts in Kuusiokunnat, Jämsä and Kihniö. Profitability developed favourably. EBITDA amounted to EUR 7.0 million – an increase of 132 per cent – and operating profit improved by 232 per cent year-on-year to EUR 4.2 million.

Our revenue grew according to plan, which considerably decreased the relative proportion of administrative costs and thereby improved the year-on-year profitability of all of our businesses. We have successfully implemented part of the social and healthcare outsourcing contracts and reached a satisfactory profitability level in these. Our goal for this financial year is to improve our profitability from last year, and so far we have succeeded in this as planned.

On 6 April 2016, the Finnish Government's ministerial working group on reforms published further policy outlines on the healthcare and social welfare reform. The main objectives of the reform have remained unchanged: to bridge the sustainability gap in public finances by EUR 3 billion and narrow down differences in health and wellbeing. The governing principle is to improve cost management. The ambitious timetable has remained unchanged: the reform is intended to come into force in January 2019.

The Act on Organising Healthcare and Social Welfare Services will be circulated for consultation in May 2016. Let us hope that a sufficiently large group of private and third-sector operators are also allowed to comment on the proposed Act, not only the representatives of the present public operators.

The particularly positive aspects of the Government's policy included the freedom of choice and equal operating opportunities for public, private and third sector service providers. In practice, this will require considerably better cost transparency, uniform quality criteria for all operators and a more customer-oriented operating model.

We must ensure that true freedom of choice is put into practice, including in specialised care. Otherwise, the targeted cost savings from the healthcare and social welfare reform will not materialise. A public monopoly is justified only in the most demanding specialised care. The crucial elements of healthcare and social welfare include effective prevention, quick and easy access to primary care and social services, and well-functioning integrated care pathways to cost-effective specialised care services.

Pihlajalinna's outlook for 2016 unchanged

Pihlajalinna's consolidated revenue is expected to exceed EUR 400 million in 2016 and the EBIT margin, excluding non-recurring items, is expected to improve compared to 2015.

In the financial year 2015, the EBIT margin, excluding non-recurring items, was 2.1 per cent.

Consolidated revenue and result

January–March 2016

Pihlajalinna's revenue during the period amounted to EUR 100.1 (47.9) million, an increase of EUR 52.2 million or 109 per cent. Organic growth amounted to about EUR 39.2 million, including the new social and health service outsourcings in Kuusiokunnat, Jämsä and Kihniö. M&A transactions accounted for approximately EUR 13.0 million of the growth in revenue.

Depreciation and amortisation for the period totalled EUR 2.9 (1.8) million. Amortisation of intangible assets during the period was EUR 1.0 (0.7) million, of which the amortisation of the intangible assets separate from goodwill, allocated from the costs of business combinations on the date of acquisition, totalled EUR 0.8 (0.6) million. Depreciation of property, plant and equipment totalled EUR 1.9 (1.1) million.

Pihlajalinna's operating profit for the period amounted to EUR 4.2 (1.3) million, an increase of EUR 2.9 million or 232 per cent. The EBIT-to-revenue ratio (EBIT margin) was 4.2 (2.6) per cent. The operating profit for the comparison period included EUR -0.01 million in costs related to the preparations for the Initial Public Offering.

Transfer taxes and expert fees relating to the M&A transactions during the period added an extra burden of EUR 0.3 (0.1) million on the result.

The Group's net financial expenses for the period totalled EUR -0.4 (-0.7) million.

Pihlajalinna's profit before tax for the reporting period amounted to EUR 3.8 (0.6) million.

Taxes for the period amounted to EUR -1.0 (0.0) million. The profit for the period amounted to EUR 2.7 (0.6) million. Earnings per share (EPS) was EUR 0.10 (0.03).

Strategic measures during the reporting period

The operational focus areas of Pihlajalinna's strategy include the improvement of profitability, increasingly efficient service provision, coordination of customer flows in specialised care services, customer-oriented coordination of outsourced housing services, and the management of

net expenses associated with Pihlajalinna's complete social and healthcare outsourcing contract municipalities.

- Pihlajalinna strengthened its referral coordination by further developing its ERP system. The geographical area most extensively implementing the ERP system is Mänttä-Vilppula.
- Pihlajalinna began implementing a customer-oriented steering model in its outsourced housing services in the Parkano-Kihniö area.
- Pihlajalinna managed to increase the capacity utilisation rate of its private clinics by intensifying its cooperation with insurance companies.
- The Koskiklinikka takeover will enable continued growth in capacity utilisation rates.
- The acquisition of Itä-Suomen Lääkärikeskus Oy will further strengthen Pihlajalinna's position in Eastern Finland.
- At the beginning of the reporting period, Pihlajalinna performed several subsidiary mergers in order to achieve a clearer Group structure.

In connection with its Q2/2015 interim report, Pihlajalinna announced that it would launch a restructuring programme aiming at annual cost savings of EUR 3 million. The company has continued to focus on fixed cost management and other efficiency improvement measures as planned. In all likelihood, the target cost savings level will be achieved during 2016.

Market review

The municipalities of the Suupohja area (Isojoki, Kauhajoki, Karijoki and Teuva) are considering the formation of a local government co-management area with Kuusiokunnat, for the organisation of their social and healthcare services. Kuusiokunnat has outsourced the production of its social and health services to Kuusiolinna Terveys Oy, a joint venture by Pihlajalinna and the municipalities concerned. The outsourcing agreement includes a customer option according to which Kuusiokunnat may request that the service provider produce services for the entire potential

local government co-management area. The municipal council of Isojoki has decided that Isojoki will join the local government co-management area, but the other municipalities of the Suupohja area have not yet decided on the matter. The formation of a local government co-management area requires an affirmative decision from all four municipalities concerned.

The town council of Mänttä-Vilppula chose Pihlajalinna as the town's social and health service provider on 9 February 2016. An appeal process against Mänttä-Vilppula's decision is still pending. Pihlajalinna has a valid contract for the provision of social and health services for Mänttä-Vilppula, and will continue the uninterrupted provision of these services.

The Parliamentary Ombudsman of Finland and the Administrative Court have stated that the Jokilaakso Hospital in Jämsä falls within the framework of freedom

of choice in public specialised care. This will enable the growth of the hospital's patient volumes.

The Ministry of Social Affairs and Health and the Ministry of Finance are preparing temporary legislation to limit municipalities and joint municipal authorities' large hospital investments and social and healthcare complete outsourcing contracts. The processing of the bill has been delayed, but the Ministries intend to present it to Parliament during the spring of 2016. The facts available to Pihlajalinna suggest that municipalities and joint municipal authorities will be able to continue outsourcing their social and healthcare services after the entry into force of the temporary Act, but a working group established by the Ministry will assess the continuation of these complete outsourcing contracts after the possible entry into force of the healthcare and social welfare reform.

Operating segments

January–March 2016

Private Clinics and Specialised Care (C&S)

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

The C&S segment's revenues during the reporting period amounted to EUR 54.1 (29.9) million, an increase of EUR 24.2 million, or 81 per cent. Most of this growth was attributable to the transfer of the specialised care services of Kuusiokunnat and Jämsä to the service provision responsibility of Pihlajalinna. Furthermore, the acquisitions of Koskiklinikka and Itä-Suomen Lääkärikeskus considerably increased the C&S segment's revenues year on year.

C&S segment's operating profit for the period amounted to EUR 2.9 (1.6) million. The improved profitability was mainly attributable to successful cost management in the specialised care of Mänttä-Vilppula and Parkano during the reporting period, as well as the relative reduction in general administration costs.

Primary and Social Care (P&S)

The Primary and Social Care segment (P&S) is divided into four service areas: Complete Social and Healthcare Outsourcings, Health Centre Outsourcings, Staffing and Care Services.

The P&S segment's revenues during the reporting period amounted to EUR 46.8 (18.5) million, an increase of EUR 28.3 million, or 153 per cent. This growth was mainly due to the social and healthcare outsourcing contracts of Kuusiokunnat and Jämsä.

The P&S segment's operating profit for the period amounted to EUR 1.8 (0.0) million. Year-on-year profitability improved, mainly as a result of the social and healthcare outsourcings of Jämsä, Kuusiokunnat and Mänttä-Vilppula.

Consolidated cash flow and financial position

At the end of the reporting period, the Pihlajalinna Group's total statement of financial position was EUR 219.6 (147.6) million. Consolidated cash and cash equivalents stood at EUR 32.4 (11.2) million.

Performance of the segments

Quarter	C & S			P & S		
	1–3/2016	1–3/2015	Change %	1–3/2016	1–3/2015	Change %
Revenue, EUR million	54.1	29.9	81	46.8	18.5	153
Operating profit, EUR million	2.9	1.6	89	1.8	0.0	
Operating profit, %	5.4	5.2		3.8	–0.2	

The Group's net cash flow from operating activities during the reporting period amounted to EUR 14.0 (6.9) million. A total of EUR 7.4 (4.2) million in working capital was released.

Net cash flow from investing activities totalled EUR –10.1 (–4.2) million. The impact of the acquisitions of subsidiaries on net cash flow in the reporting period was EUR –9.1 (–10.2) million. Investments in property, plant and equipment and intangible assets during the reporting period totalled EUR –1.0 (–3.3) million, and proceeds from the disposals of property, plant and equipment totalled EUR 0.0 (9.0) million. Pihlajalinna financed the share acquisitions of the care homes in Southwest Finland carried out on 31 March 2015 by selling the Group's care home properties (proceeds from the disposals of property, plant and equipment) and the property companies (disposal of subsidiaries).

The Group's cash flow after investments was EUR 3.9 (2.8) million.

Net cash flow from financing activities totalled EUR 13.2 (–2.5) million. During the reporting period, the Group withdrew EUR 14.5 (4.3) million of new loans within its credit limits and repaid its financial liabilities to a total amount of EUR 0.4 (6.2) million.

Gearing of the Group was 21.5 (633.8) per cent at the end of the reporting period.

Interest-bearing net debt amounted to EUR 20.7 (69.5) million. Return on capital employed was 4.8 (5.5) per cent, and return on equity was 3.5 (22.8) per cent.

In September 2015, Pihlajalinna signed a five-year revolving credit facility worth EUR 60 million and credit limit agreements worth EUR 10 million. The revolving credit facility has one 12-month extension option period. The facility includes a financial covenant based on the ratio of net debt to EBITDA. The Group met the set covenants on 31 March 2016.

The Group presents drawdowns from the revolving credit facility under non-current Financial Liabilities unlike in financial statements as per 2015. The presentation of Consolidated statement of financial position as per 31.12.2015 has been changed accordingly. The true nature of the renewals from the revolving credit facility are in fact of long duration, though the maturity of a rollover is 1, 3 or 6 months.

At the end of the reporting period, Pihlajalinna had EUR 43.5 million of unused committed credit limits (31 Dec. 2015: EUR 58.0 million).

Capital expenditure

Capital expenditure in the reporting period totalled EUR 10.3 (14.1) million. The Group's gross investments in property, plant and equipment and intangible assets, which consisted of normal additional and replacement

investments required for growth, amounted to EUR 1.1 (1.7) million during the reporting period. Capital expenditure relating to the opening of new units totalled EUR 0.0 million (EUR 1.6 million). Gross investments in tangible and intangible assets attributable to M&A transactions, including goodwill, totalled EUR 9.1 million (EUR 10.8 million).

Total goodwill at the end of the period was EUR 82.9 (64.8) million.

The Group's investment commitments are related to imaging equipment and financial administration's IT system development projects. In total, these investment commitments amount to around EUR 0.5 million.

Personnel

The Group's personnel averaged 4,206 (2,073) persons in the reporting period, an increase of 103 per cent. At the end of the period, the number of personnel amounted to 4,228 (2,261), an increase of 1,967 persons or 87 per cent. The increase in personnel was mainly due to the implementation of new complete outsourcing contracts for social and healthcare services in Kuusiokunnat and Jämsä (in total approximately 1,600 persons transferred). As a result of M&A transactions, the Group's personnel increased by more than 310 persons during the period. The Group's employee benefit expenses totalled EUR 42.1 (21.3) million, an increase of 98 per cent.

Changes in group structure

On 8 February 2016, Pihlajalinna implemented the purchase of shares in Itä-Suomen Lääkärikeskus. The transaction price paid in cash on the execution date was EUR 6.8 million. The transaction includes a contingent consideration.

On 9 February 2016, Pihlajalinna further strengthened its private clinic operations in Lappeenranta by purchasing the majority of shares in Lääkäriasema DokTori Oy.

At the beginning of the reporting period, the following subsidiary mergers were implemented: On 1 January 2016, Palvelukoti Sarahovi Oy merged with Palvelukoti Sofianhovi Oy (renamed in this connection as IkiPihlaja Sofianhovi Oy); on 1 January 2016, Dextra Suunterveydenhoito Oy merged with Wiisuri Oy; on 1 February 2016, Imatran Kliininen Laboratorio Oy, Lääkärikeskus Irmeli Elomaa Oy, Lääkärikeskus Labeho Oy, Medilappi Oy, Tammerkosken Hammasklinikka Oy, Tampereen Hammashoito Oy and Zirlab Oy merged with Dextra Oy.

Management changes

Tuomas Ojala was appointed Chief Information Officer (CIO) of Pihlajalinna and a member of the Group's Management Team from 1 January 2016 onwards.

Niclas Köhler was appointed Chief Financial Officer (CFO) and a member of Pihlajalinna Group's management team on 11 March 2016.

Pihlajalinna Group's previous CFO, Virpi Holmqvist, will focus on the management and development of the Group's outsourcing business. She will also continue as the Managing Director of Jämsän Terveys Oy and as a member of the Group's management team.

On 11 March 2016, Pihlajalinna Group announced the nomination of Aarne Aktan as the company's new CEO. Aktan will take over his new position on 8 August 2016.

Pihlajalinna's Annual General Meeting of 4 April 2016 elected the present CEO, Mikko Wirén, as a member of the Board of Directors. Wirén's term as a Board member will begin on the same day as Aarne Aktan begins as the company's CEO. The largest shareholders support Wirén's election as Chairman of the Board of Directors as of the beginning of his term.

On 29 April 2016, Aarne Aktan took over as the Executive Vice President of the Private Clinics and Specialised Care (C&S) segment and as a member of the Group management team.

On the same date, Leena Niemistö, Pihlajalinna's previous Deputy CEO and EVP of the Private Clinics and Specialised Care segment, stepped down from her operative management positions in Pihlajalinna Plc and will concentrate on her Board positions in Pihlajalinna and other companies, as announced by the company on 26 April 2016. Niemistö will continue as Pihlajalinna's Senior Adviser, especially in M&As.

Management team

Pihlajalinna Group's management team had nine members: Mikko Wirén, CEO; Leena Niemistö, Deputy CEO and Director of the Private Clinics and Specialised Care segment; Joni Aaltonen, Chief Operating Officer; Juha Rautio, Director of the Primary and Social Care segment; Niclas Köhler, Chief Financial Officer; Terhi Kivinen, Senior Vice President Communications, Marketing and IR; Tuomas Ojala, Chief Information Officer; Virpi Holmqvist, Outsourcing Business Director; and Kimmo Saarinen, Medical Director.

Aarne Aktan will take over the duties of Leena Niemistö as member of the Group management team and Executive Vice President of the C&S segment as of 29 April 2016.

Shares and shareholders

At the end of the reporting period, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR

80,000 and the total number of shares outstanding was 20,613,146. The Company has one share series, with each share entitling its holder to one vote at the Annual General Meeting. All shares bestow their holders with equal rights to dividends and other distribution of the Company's assets. At the end of the reporting period, the Company had 6,118 (172) shareholders. The Company does not hold any treasury shares. A list of the largest shareholders, including management holdings, is available on the investor's website of the Company at <http://investors.pihlajalinna-konserni.fi/>.

The trading code for the shares is PIHLIS, and Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

By the end of the reporting period, a total of 1,287,517 Pihlajalinna shares (5.8 per cent) had been traded at a total exchange value of EUR 19,977,002. The highest price of the reporting period was EUR 18.87, the lowest price EUR 12.90, the average price EUR 15.52 and the closing price EUR 16.83. The market value of the share capital based on the closing price was EUR 346.9 million.

Pihlajalinna's board of directors

The Annual General Meeting on 4 April 2016 decided that the number of members of the Board of Directors shall be six (6) at a time. Ms. Leena Niemistö, Mr. Jari Sundström and Mr. Aarne Aktan were re-elected and Ms. Seija Turunen, Mr. Jari Eklund, Mr. Timo Everi and Mr. Mikko Wirén were elected as new members of the Board of Directors for a term ending at the end of the next Annual General Meeting.

The term of office of Mr. Mikko Wirén as a member of the Board of Directors will begin when his appointment as the CEO of the Company ends. Mr. Aarne Aktan has announced that he will resign from the Board of Directors when his term as the new CEO of the Company commences.

Pihlajalinna Plc Board of Directors elected Leena Niemistö as Chairman and Jari Sundström as Deputy Chairman in its constitutive meeting on 4 April 2016. Leena Niemistö will chair the Board until Mikko Wirén's term begins.

Committees nominated by the board

At its constitutive meeting of 4 April 2016, the Board of Directors resolved upon the membership of its committees.

Seija Turunen was elected chairman of the Audit Committee; the other members are Jari Eklund and Aarne Aktan.

Leena Niemistö was elected chairman of the Nomination and Remuneration Committee; the other members are Jari Sundström and Timo Everi.

Remuneration of the members of the board of directors

The Annual General Meeting of 4 April 2016 decided that remuneration shall be paid to the members of the Board of Directors as follows: to the Chairman EUR 3,500, to the Vice-Chairman EUR 2,500 and to the other members EUR 2,000 per month.

In addition, the AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. Moreover, travel compensation will be paid according to the collective agreement concerning compensation for travelling expenses.

Auditing

KPMG Oy Ab, a firm of authorised public accountants, was elected as the Auditor of the Company for the financial year 1 January–31 December 2016. Ms. Lotta Nurminen, APA, will be the Auditor with principal responsibility.

Authorisation for the acquisition of the company's own shares

The Annual General Meeting on 4 April 2016 decided to authorise the Board of Directors to resolve on the repurchase of an aggregate maximum of 2,061,314 of the Company's own shares. The authorisation remains in force until the end of the next AGM, however, no longer than until 30 June 2017.

The authorisation revokes all previous authorisations to resolve on the repurchase of the Company's own shares.

Own shares may be repurchased on the basis of the authorisation only by using non-restricted equity. Own shares may be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. Own shares may be repurchased using, inter alia, derivatives. The Board of Directors resolves on how shares are repurchased. Own shares may be repurchased otherwise than in proportion to the shares held by the shareholders (directed repurchase).

Authorisation to decide on a share issue

The Annual General Meeting decided to authorise the Board of Directors to resolve on the issuance of shares and special rights entitling to shares. The aggregate number of shares to be issued on the basis of the authorisation may not exceed 4,122,629 shares. The authorisation remains in force until the end of the next AGM, however, no longer than until 30 June 2017.

The authorisation revokes all previous authorisations to resolve on the issuance of shares and special rights entitling to shares.

The authorisation concerns both the issuance of new shares as well as the transfer of the Company's own shares. The Board of Directors decides on all other terms and conditions of the issuance of shares and special rights entitling to shares. The authorization includes a right to deviate from the shareholders pre-emptive right to subscription (directed issue).

Risks and uncertainties in business operations

As the population ages and the structures of healthcare services change, social policies may have a material impact on the private healthcare sector's business environment both in the short and long term. New policies may impact on business opportunities in the future, particularly with respect to the availability of skilled expert personnel.

In addition to the aforementioned factors, possible appeals and trials related to public contracts, Pihlajalinna Group's contractual and operational risks and uncertainties in the long term concern the continuity of key existing customer relationships and contracts, and the financial impacts of new commitments and contracts, which are continuously increasing in value. It is estimated that the competitive situation in Pihlajalinna Group's business areas will remain unchanged.

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

The company closely monitors political decision-making processes.

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

Current incentive schemes

As part of the contract terms of the new CEO, Aarne Aktan, Pihlajalinna Plc's Board of Directors decided on a new long-term share-based incentive scheme for the years 2016–2018.

There are three earnings periods in the incentive scheme, each equivalent to one full calendar year: 1 January–31 December 2016, 1 January–31 December 2017 and 1 January–31 December 2018. The earnings criteria of the share-based incentive scheme have been connected to the profitability development of the Company's business operations. The amount of possible share compensation to the CEO is conditional on achieving the results according to the earnings criteria.

The maximum total incentive to the CEO consists of company shares and a monetary contribution. Based on the incentive scheme, the CEO can be granted a maximum of 37,500 shares (gross amount before applicable taxes) as a compensation. The possible share compensation will be paid after the financial statements of each earnings period (financial year) have been confirmed, in 2017, 2018 and 2019.

A transfer restriction applies to the incentive scheme shares during a commitment period. The commitment period begins when the compensation is paid and ends after two years of the compensation payment date.

The Company does not use any share-based incentive schemes for members of the Board of Directors.

Events after the end of the reporting period

On 7 March 2016, Pihlajalinna announced that it would acquire the majority of the shares of Kompassi Hammaslääkärikeskus Oy, Kompassi Lääkärikeskus Oy and Etelä-Pohjanmaan Sydäntutkimuspalvelu Oy, all of them based in Seinäjoki. The acquisition was finalised on 1 April 2016.

The changes in Group management and management team after the end of the reporting period are specified in this interim report under the subheadings Management changes and Management team.

Annual General Meeting was held on 4th April 2016. The decisions of the AGM are specified in this interim report under the subheadings Pihlajalinna's Board of Directors, Remuneration of the Members of the Board of Directors, Auditing and Authorisations.

Accounting policies

This Interim Report has been prepared in compliance with the recording and valuation principles of the IFRS Standards, but not all of the requirements of the IAS 34 Standard have been complied with. All of the figures presented in the tables and notes have been rounded, due to which the actual total of individual figures may differ from the total presented.

The preparation of the financial statements 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 the recognition of the amount of income and expenses. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates.

The figures presented in this interim report are unaudited.

Tables and notes

1 January–31 March 2016

Consolidated statement of comprehensive income

EUR million	1–3/2016 3 mths	1–3/2015 3 mths	Change %	2015 12 mths
Revenue	100.1	47.9	109	213.3
Other operating income	0.3	0.1	123	0.8
Materials and services	–42.1	–18.2	131	–81.9
Employee benefit expenses	–42.1	–21.3	98	–97.4
Other operating expenses	–9.1	–5.5	66	–23.2
EBITDA	7.0	3.0	132	11.6
Depreciation, amortisation and impairment	–2.9	–1.8	61	–8.0
Operating profit (EBIT)	4.2	1.3	232	3.6
Financial income	0.0	0.0	30	0.2
Financial expenses	–0.4	–0.7	–43	–2.5
Profit before tax	3.8	0.6	559	1.3
Income tax	–1.0	0.0		–0.1
Profit for the period **	2.7	0.6	353	1.2
Total comprehensive income for the period	2.7	0.6	353	1.2
Total comprehensive income for the period attributable:				
To the owners of the parent	2.0	0.4	386	0.5
To non-controlling interests	0.8	0.2	285	0.8
Earnings per share calculated on the basis of the profit for the period attributable to owners of the parent (EUR)				
Basic and diluted	0.10	0.03		0.03

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

Consolidated statement of financial position

EUR million	03/2016	03/2015	Change %	12/2015
ASSETS				
Non-current assets				
Property, plant and equipment	48.3	37.7		48.6
Goodwill	82.9	64.8		76.1
Other intangible assets	16.0	11.2		15.1
Interests in associates	3.0	0.0		2.8
Available-for-sale financial assets	0.0	0.1		0.0
Other receivables	2.8	1.7		2.8
Deferred tax assets	2.7	1.4		2.5
Total non-current assets	155.8	116.9	33	148.0
Current assets				
Inventories	2.0	1.6		1.8
Trade and other receivables	29.1	17.8		19.7
Current tax assets	0.3	0.2		0.3
Cash and cash equivalents	32.4	11.2		15.3
Total current assets	63.8	30.8	107	37.1
Total assets	219.6	147.6	49	185.1
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	0.1	0.0		0.1
Reserve for invested unrestricted equity	87.9	5.1		87.9
Retained earnings	4.1	4.3		3.6
Result for the review period	2.0	0.4		0.5
	94.1	9.8		92.1
Non-controlling interests	2.1	1.2		1.3
Equity	96.1	11.0	777	93.5
Non-current liabilities				
Deferred tax liabilities	5.4	4.4		5.2
Financial liabilities*	50.5	77.7		36.3
Other non-current liabilities	1.9	0.9		1.9
Non-current provisions	0.3	0.0		0.0
Total non-current liabilities	58.1	82.9	-30	43.5
Current liabilities				
Trade and other payables	58.5	44.4		42.0
Current tax liabilities	1.7	1.2		0.7
Financial liabilities*	5.1	8.2		5.5
Total current liabilities	65.3	53.7	70	48.2
Total liabilities	123.4	136.7	-10	91.7
Total equity and liabilities	219.6	147.6	49	185.1

*The Group presents drawdowns from the revolving credit facility under non-current Financial Liabilities unlike in financial statements as per 2015. The presentation of Consolidated statement of financial position as per 31.12.2015 has been changed accordingly. The true nature of the renewals from the revolving credit facility are in fact of long duration, though the maturity of a rollover is 1, 3 or 6 months.

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Non-controlling interests	Total equity
Total equity, 1 January 2015	0.0	5.1	4.3	1.0	10.4
Profit for the period			0.4	0.2	0.6
Total comprehensive income for the period			0.4	0.2	0.6
Total equity, 31 March 2015	0.0	5.1	4.7	1.2	11.0
Total equity, 1 January 2016	0.1	87.9	4.1	1.3	93.5
Profit for the period			2.0	0.8	2.7
Total comprehensive income for the period			2.0	0.8	2.7
Changes in non-controlling interests that result in a change of control				-0.1	-0.1
Total equity, 31 March 2016	0.1	87.9	6.1	2.1	96.1

Consolidated statement of cash flows

EUR million	1–3/2016 3 mths	1–3/2015 3 mths	2015 12 mths
Cash flow from operating activities			
Cash receipts from sales	98.4	49.1	210.4
Cash receipts from other operating income	0.3	0.1	0.6
Operating expenses paid	–84.4	–42.1	–192.1
Operating cash flow before financial items and taxes	14.2	7.1	18.9
Interest received	0.0	0.0	0.1
Taxes paid	–0.3	–0.1	–1.3
Net cash flow from operating activities	14.0	6.9	17.7
Cash flow from investing activities			
Investments in tangible and intangible assets	–1.0	–3.3	–7.8
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.0	9.0	7.9
Changes in other investments	0.0	0.4	0.4
Changes in loan receivables	0.0	–0.1	–0.1
Dividends received			0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	–9.1	–10.2	–33.8
Disposal of subsidiaries less cash and cash equivalents			1.3
Net cash flow from investing activities	–10.1	–4.2	–32.1
Cash flow from financing activities			
Proceeds from issuing shares	0.0		82.3
Changes in non-controlling interests			–0.5
Proceeds from borrowings	14.5	4.3	31.1
Repayment of borrowings	–0.4	–6.2	–90.4
Repayment of financial lease liabilities	–0.6	–0.2	–1.2
Interest and other operational financial expenses	–0.3	–0.5	–2.0
Dividends paid and other profit distribution	0.0		–0.6
Net cash flow from financing activities	13.2	–2.5	18.8
Changes in cash and cash equivalents	17.1	0.2	4.4
Cash at the beginning of the financial period	15.3	11.0	11.0
Cash at the end of the financial period	32.4	11.2	15.3

Operating segments

EUR million	1–3/2016 3 mths	1–3/2015 3 mths	Change %	2015 12 mths
Revenue				
C&S	54.1	29.9	81	119.5
P&S	46.8	18.5	153	96.8
Unallocated	0.1	0.0		0.0
Eliminations	–1.0	–0.6		–2.9
Total consolidated revenue	100.1	47.9	109	213.3
EBITDA				
C&S	5.1	3.1	66	9.2
P&S	2.3	0.2		3.9
Unallocated	–0.4	–0.3		–1.5
Consolidated EBITDA	7.0	3.0	132	11.6
EBITDA, % of revenue				
C&S	9.5%	10.3%	–8	7.7%
P&S	4.8%	1.1%		4.1%
Consolidated EBITDA % of revenue	7.0%	6.3%	11	5.4%
Operating profit				
C&S	2.9	1.6	89	2.8
P&S	1.8	0.0		2.3
Unallocated	–0.5	–0.3		–1.5
Consolidated operating profit	4.2	1.3	232	3.6
Operating profit, % of revenue				
C&S	5.4%	5.2%	4	2.3%
P&S	3.8%	–0.2%		2.4%
Consolidated operating profit, % of revenue	4.2%	2.6%	59	1.7%
Reconciliation	1–3/2016	1–3/2015	Change %	2015
Revenue				
Operating segments' revenue	101.0	48.5	108	216.2
Items unallocated to the segments	0.1	0.0		0.0
Elimination of inter-segment revenue	–1.0	–0.6	77	–2.9
Total consolidated revenue	100.1	47.9	109	213.3
EBITDA				
Operating segments' EBITDA	7.4	3.3	125	13.1
Items unallocated to the segments	–0.4	–0.3	42	–1.5
Consolidated EBITDA	7.0	3.0	132	11.6
Operating profit				
Operating segments' operating profit	4.7	1.5	211	5.1
Items unallocated to the segments	–0.5	–0.3	111	–1.5
Consolidated operating profit	4.2	1.3	232	3.6

Contingent liabilities and commitments

EUR million	31 March 2016	31 March 2015	31 December 2015
Collateral given on own behalf			
Pledged collateral notes	1.0	520.6	1.0
Properties		4.6	
Other shares		2.5	
Bank accounts and other receivables		4.4	
Collateral given on behalf of associates			
Other contingent liabilities	3.9	2.2	4.0
Other contingent liabilities			
Lease commitments	26.8	24.1	19.2
Value added tax (VAT) adjustment liability on property investments		0.1	

The Group's subsidiaries have provided a suretyship in the parent company's loan facility. The balance of the loan at the time of the interim report was EUR 26.5 million.

Quarterly information

EUR million	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Consolidated statement of comprehensive income								
Revenue	100.1	62.6	50.9	51.9	47.9	51.9	32.6	32.8
Other operating income	0.3	0.2	0.2	0.3	0.1	0.3	0.1	0.3
Materials and services	-42.1	-24.0	-19.4	-20.3	-18.2	-27.5	-9.8	-11.0
Employee benefit expenses	-42.1	-29.2	-23.3	-23.6	-21.3	-17.5	-14.8	-15.6
Other operating expenses	-9.1	-6.2	-5.3	-6.2	-5.5	-4.2	-5.5	-3.6
EBITDA	7.0	3.4	3.1	2.1	3.0	3.0	2.6	3.0
EBITDA excluding non-recurring items	7.0	3.4	2.9	3.0	3.1	3.6	3.8	3.5
Depreciation, amortisation and impairment	-2.9	-2.1	-2.1	-2.0	-1.8	-1.6	-1.5	-1.4
Operating profit (EBIT)	4.2	1.4	1.0	0.1	1.3	1.4	1.1	1.6
Operating profit (EBIT) excluding non-recurring items	4.2	1.4	0.9	1.0	1.3	1.9	2.3	2.0
Financial income	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Financial expenses	-0.4	-0.4	-0.6	-0.8	-0.7	-0.7	-0.9	-1.2
Profit before tax	3.8	1.0	0.4	-0.7	0.6	0.7	0.2	0.4
Income tax	-1.0	-0.3	0.1	0.1	0.0	-0.2	-0.3	-0.1
Profit for the period	2.7	0.7	0.5	-0.6	0.6	0.5	-0.1	0.3
Personnel at the end of the period	4,228	3,047	2,905	2,525	2,261	1,714	1,688	1,649
Change in personnel during the quarter	1,181	142	380	264	547	26	39	183

Share quantities

	1–3/2016 3 mths	1–3/2015 3 mths	12/2015 12 mths
No. of shares outstanding at the end of the period	20,613,146	13,398,860	20,613,146
Average no. of shares outstanding during the period	20,613,146	13,398,860	16,767,940

Financial reporting in 2016

Pihlajalinna will publish an additional two interim reports in 2016:

Report

Interim report January–June 2016
Interim report January–September 2016

Publication date

Wednesday 17 August 2016
Friday 11 November 2016

Helsinki, 10 May 2016

Pihlajalinna Plc's Board of Directors

Briefing

Pihlajalinna Plc will hold a briefing for analysts and the media on Tuesday 10 May 2016 at 9.30 a.m. at restaurant Savoy, 7th floor, meeting room 2, Eteläesplanadi 14, 00100 Helsinki, Finland.

Registration for the briefing

Participants should register for the briefing starting on 10 May at 9.30 a.m. via email: heidi.rainesalo@pihlajalinna.fi.

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Distribution

NASDAQ OMX Helsinki
Major media
www.investors.pihlajalinna-konserni.fi

Calculation of key figures

Return on equity (ROE), %	$\frac{\text{Profit for the period}}{\text{Equity (average)}} \times 100$
Return on capital employed (ROCE), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total statement of financial position} - \text{non-interest-bearing liabilities (average)}}$
Gearing, %	$\frac{\text{Interest-bearing net debt}}{\text{Equity}} \times 100$
Equity ratio, %	$\frac{\text{Equity}}{\text{Total statement of financial position} - \text{prepayments received}} \times 100$
Earnings per share (EPS), EUR	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Average number of shares during the period}}$
Equity per share, EUR	$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of shares at period end}}$
EBITDA	Operating result + depreciation, amortisation and impairment
EBITDA, %	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Net debt / Adjusted EBITDA (rolling 12 months)	$\frac{\text{Interest bearing net debt}}{\text{EBITDA excluding non-recurring items (rolling 12 months)}}$
Cash Flow after investments	Cash flow from operating activities + Cash flow from investing activities

Pihlajalinna in brief

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The Company provides social and healthcare services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics and hospitals around Finland. Pihlajalinna provides general practitioner and specialised care services,

including emergency and on-call services, a wide range of surgical services, occupational healthcare and dental care services, in private clinics and hospitals operating under the Dextra brand. Under the Pihlajalinna brand the Company, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high quality services for public pay healthcare customers.