
MEDICAL CENTER
FOR ALL OF
FINLAND
INTERIM REPORT
JANUARY-MARCH 2022
CEO Joni Aaltonen
May 5, 2022
Pihlajalinna

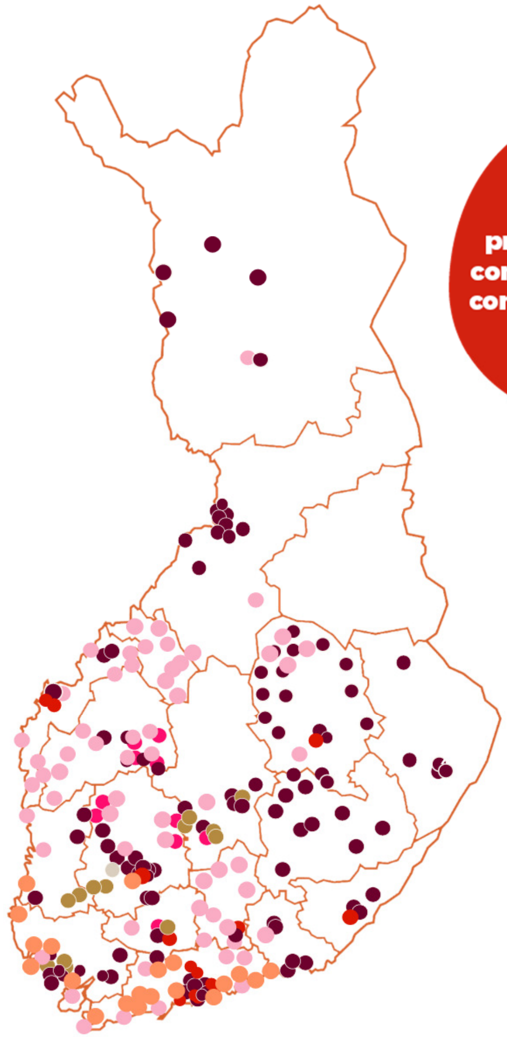
PIHLAJALINNA BUSINESS LOCATIONS 2022

- Private clinic, surgical operation, dental clinic
- Social and healthcare outsourcing
- Residential service
- Fitness centre
- Responsible doctor service
- Punkkibussi – Tick Bus
- Reception centre

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.

With the acquisition of Etelä-Savon Työterveys, the number of people within the scope of Pihlajalinna's occupational health services amounts up to approximately 270,000.

Pihlajalinna reopened its reception centre operations for asylum seekers due to the war in Ukraine.



Customers are private individuals, companies, insurance companies and public sector entities

PIHLAJALINNA IN BRIEF

One of the leading private service providers of social, healtcare and wellbeing services in Finland

Established
2001

Revenue 2021:
578 MEUR
growth **14%**

6,623 **(5,783)**
employees Q1/22 and
1,747 **(1,451)**
practitioners Q1/22

Over
160
business locations

Total number of visits in 2021
1.3
million, Remote consultations **39%**

THE PIHLAJALINNA WAY

Our mission
We help people to live
a better life

Vision
We bring wellbeing
to everyone

Strategic priorities
Renewal of services for private
customers, Cooperation in
social and healthcare services,
Enhancing digitalisation

Values
Ethics,
Energy,
Open-mindedness

TRENDS AND MEGATRENDS INFLUENCING OUR INDUSTRY

Sustainability (social and ecological sustainability)

The digital transformation continues

Healthcare reform

Urbanization continues

Increasing inequality

Growth and concentration of wealth

The population is ageing

Health remains a strong trend

Lifestyle diseases are increasing

SUSTAINABILITY IN PIHLAJALINNA

Pihlajalinna published its first GRI (Global Reporting Initiative) sustainability report.

Pihlajalinna will continue its sustainability efforts this year with a particular focus on the strategic devel-opment of clinical quality and effectiveness.

The aim is to identify the most significant aspects of quality and effectiveness with regard to Pihlajalinna and its customers, and to pursue goal-driven development in these areas.

The key sustainability themes for the year also include sharpening Pihlajalinna's environmental policy and the readiness to certification of the ISO 14001:2015 environmental management system. To facilitate the setting of climate targets, we have started Group-level carbon footprint calculations as well as projects aimed at the minimisation and recycling of waste.

PIHLAJALINNA'S STRATEGY 2021-2025

STRATEGIC PRIORITIES

Enhancing digitalisation

Employee experience

Customer experience

Renewal of services for private customers

Multichannel services

New service concepts of consumer business

Digital innovation

Cooperation in social and healthcare services

Close cooperation with the future wellbeing services counties

Strong market position in public healthcare

Business operations

Practitioners

Data orientation


Q1 RESULTS

THE OPERATING ENVIRONMENT

In addition to the prolonged COVID-19 pandemic, the war in Ukraine is straining the mental resources of many people. Russia's attack on Ukraine creates fear and anxiety in many people. It is expected that mental health problems and related service needs will increase further.

The COVID-19 pandemic continues and the number of cases is high. The situation is challenging with regard to the load it creates in hospital care, even if the number of cases requiring intensive care has decreased substantially. There are large regional differences in infection numbers. The COVID-19 pandemic continues to affect predictability.

THE OPERATING ENVIRONMENT

The care queues for non-urgent specialised care has grown further. 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 December 2021, a total of 158,485 patients were waiting for access to non-urgent specialised care at hospitals operated by the hospital districts. Out of those waiting for care, 10,819 (6.8 per cent) had been waiting for over half a year.

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. The new social and healthcare service system will significantly reshape healthcare structures and needs as the responsibility for organising services is transferred from municipalities to larger wellbeing services counties. 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 OPERATING ENVIRONMENT

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. More than 173,000 people will change their employer. The potential harmonisation of wages also increases the costs of healthcare personnel. This may also have an impact on costs in the private sector.

Centralised labour market negotiations concerning the collective agreements for healthcare services, the private social services sector and the general collective agreement for municipal personnel are under way. All of these will have an impact on the development of personnel costs for private healthcare providers. Rising inflation creates additional pressure regarding demands for higher wages. Nurses account for approximately 62 per cent of Pihlajalinna's personnel.

According to the Ministry of Finance's latest economic survey (4/2022), the Finnish GDP is expected to grow by 1.5 per cent in 2022. In response to Russia's attack on Ukraine, western countries have imposed economic sanctions against Russia, which will slow down Finland's economic growth due to their impact on exports and industrial production. Higher consumer prices will slow down GDP growth as household purchasing power becomes weaker and the growth of private consumption slows down. GDP is expected to grow by 1.7 per cent in 2023 and 1.5 per cent in 2024.

KEY FIGURES

MEUR	Q1/2022	Q1/2021	Change year-on-year
Revenue	**163.1**	**139.9**	**16.6%**
Adjusted EBITDA	16.5	15.2	8.2%
Adjusted EBITA	7.8	8.3	-6.2%
EPS	0.23	0.20	
Revenue from services related to COVID-19	8.1	8.8	-0.7 MEUR

KEY FIGURES

Revenue growth **16.6%**

The effect of M&A transactions on revenue growth was EUR **15.9** million, or **11.3** per cent.

Organic growth was **EUR 7.3** million, or **5.2** per cent.

Customer volumes grew by **23** per cent year-on-year*.

* Excluding municipal outsourcing arrangements and COVID-19 testing

Remote services represented **42** per cent of all appointments. The use of chat services via the Pihlajalinna Health App (Terveyssovellus) more than tripled, and the use of the Nurse Telephone Service doubled.

REVENUE BY CUSTOMER GROUP

Coprorate customers
Revenue from corporate customers amounted to EUR 49,3 (34,7) million, an increase of EUR 14,6 million, or 42,1 per cent. Sales to insurance company customers increased by EUR 11,3 million, or 125,9 per cent.

The acquisition of Pohjola Hospital contributed EUR 9.4 million to the increase in revenue.

The customer volumes of Pihlajalinna's private clinics increased by 37 per cent year-on-year and were 34 per cent higher than in the pre-pandemic period in 2019.

Without the acquisition of Pohjola Hospital and Työterveys Virta, customer volumes would have increased by 13 per cent year-on-year and by 11 per cent compared to 2019.

Private customers
Revenue from private customers amounted to EUR 22,8 (21,4) million, an increase of EUR 1,4 million, or 6,6 per cent.

The customer volumes of Pihlajalinna's private clinics increased by 17 per cent year-on-year and were 20 per cent lower than in 2019.

The operations of Pihlajalinna's Forever fitness centres are returning to normal after the shutdowns in January–February.

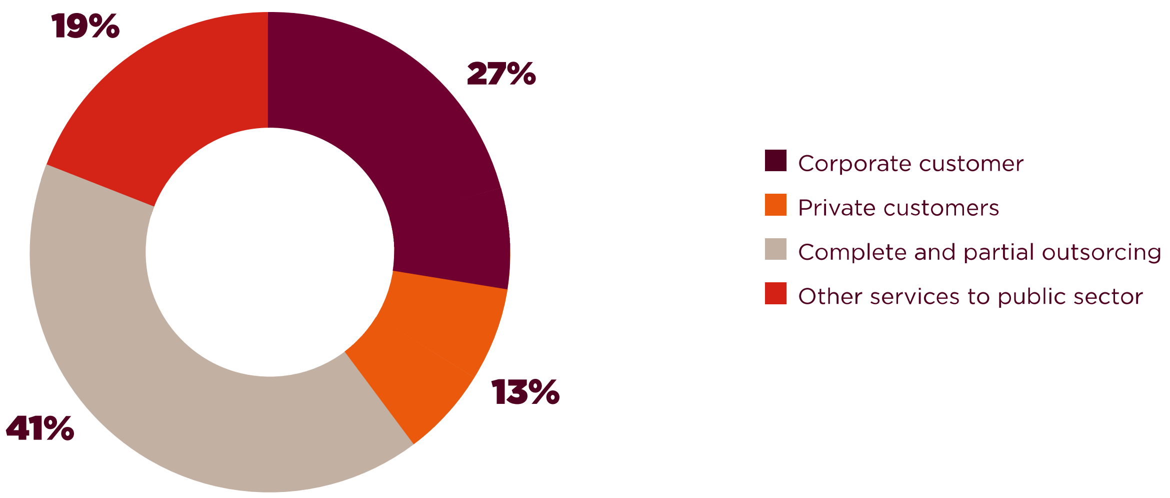
Public sector
Revenue from the public sector amounted to EUR 109,2 (102,1) million, an increase of EUR 7,1 million, or 7,0 per cent.

The acquisition of Työterveys Virta increased revenue from the public sector by EUR 3.5 million. The cus-tomer volumes of Pihlajalinna's private clinics increased by 54 per cent year-on-year and were 78 per cent higher than in 2019 due to the acquisition of Työterveys Virta.

Without the acquisition of Työterveys Virta, customer volumes would have increased by 3 per cent year-on-year and by 20 per cent compared to 2019.

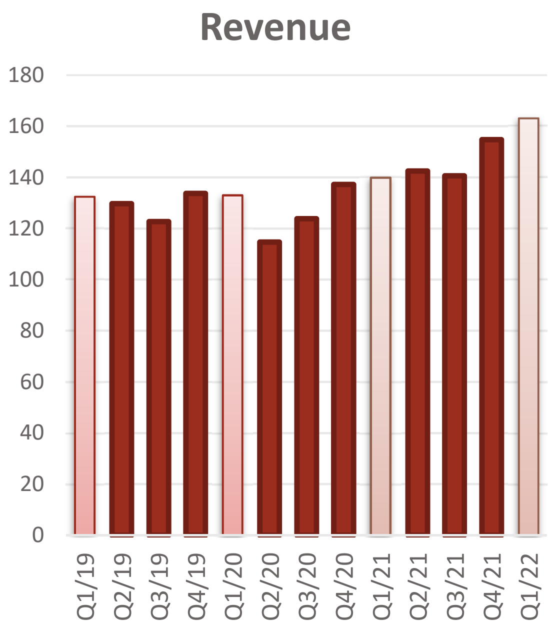
Q1/2022

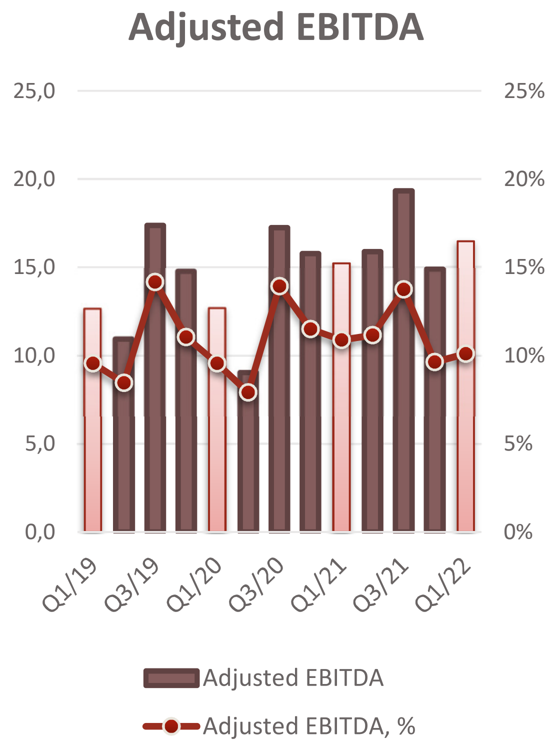
REVENUE BY CUSTOMER GROUP Q1 / 2022

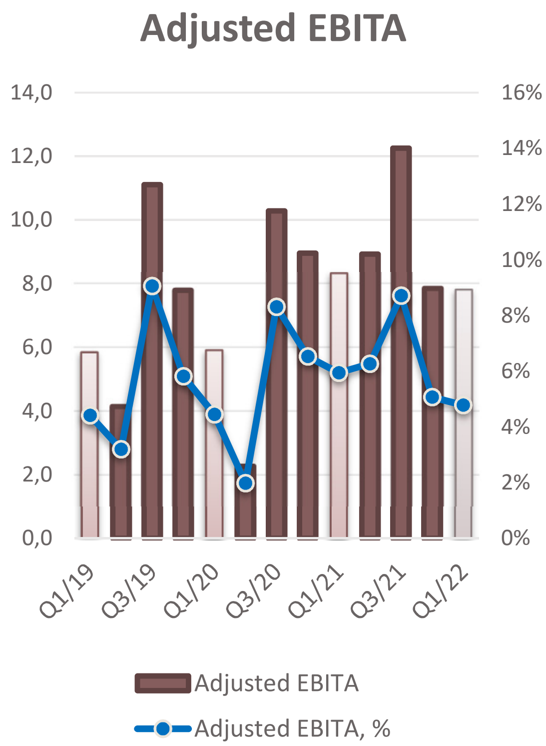


Q1/2022

CONSOLIDATED REVENUE AND PROFITABILITY, EUR MILLION





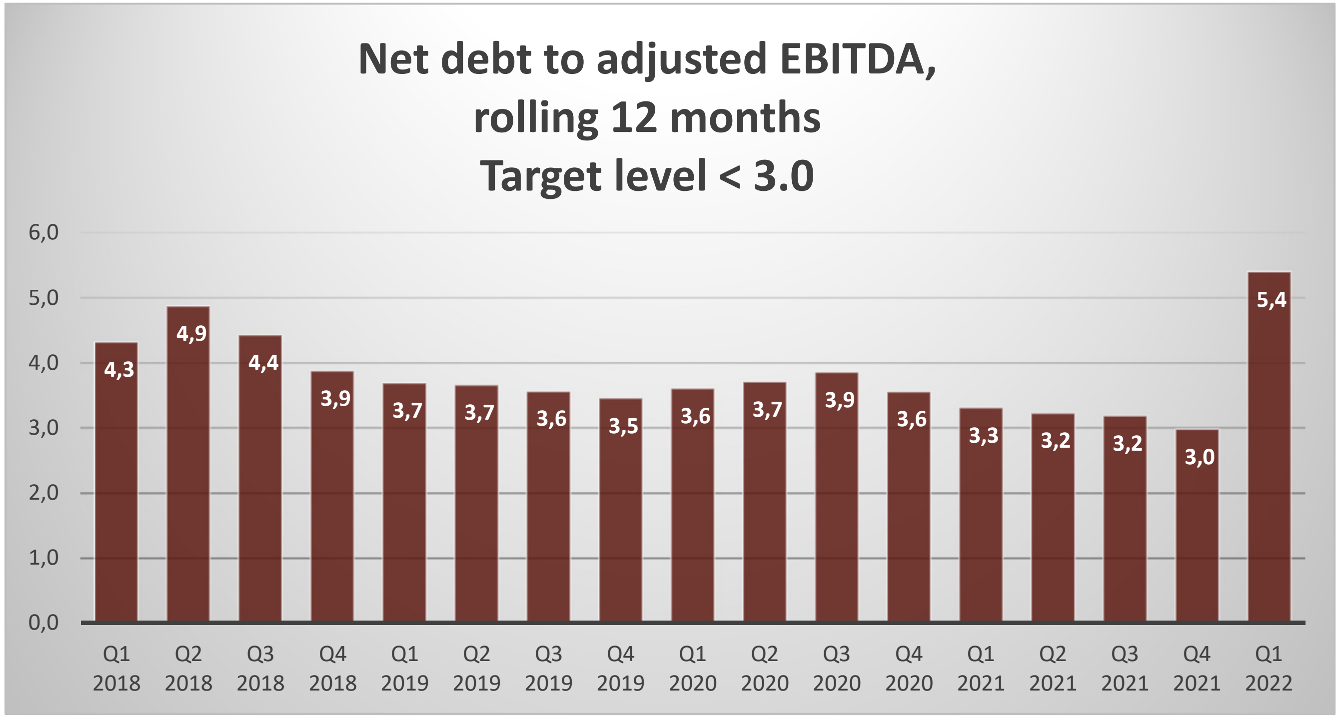


BUSINESS STRUCTURE AND PROFITABILITY

Complete and partial outsourcing, eliminated	Q1 2022	Q1 2021	2021	2020	2019
Revenue, EUR million	68,3	68,6	277,0	264,2	262,4
Adjusted EBITDA, EUR million	2,3	0,7	6,7	11,0	17,5
Adjusted EBITDA, %	3,4	1,0	2,4	4,2	6,7
Adjusted operating profit (EBIT), EUR million	1,5	0,0	3,7	8,2	15,1
Adjusted operating profit (EBIT), %	2,3	-0,1	1,3	3,1	5,8
Adjusted EBITA, EUR million	1,6	0,1	4,1	8,5	15,4
Adjusted EBITA, %	2,4	0,1	1,5	3,2	5,9
Profit before tax (EBT), EUR million	-3,9	-0,1	3,6	8,1	12,8

Group excluding complete and partial outsourcing, eliminated	Q1 2022	Q1 2021	2021	2020	2019
Revenue, EUR million	105,1	82,3	343,7	282,0	290,8
Adjusted EBITDA, EUR million	14,2	14,5	58,6	43,8	38,2
Adjusted EBITDA, %	13,5	17,6	17,1	15,5	13,1
Adjusted operating profit (EBIT), EUR million	4,4	6,7	26,6	12,7	6,3
Adjusted operating profit (EBIT), %	4,2	8,2	7,7	4,5	2,2
Adjusted EBITA, EUR million	6,2	8,3	33,3	18,9	13,4
Adjusted EBITA, %	5,9	10,0	9,7	6,7	4,6
Profit before tax (EBT), EUR million	2,2	6,5	21,6	6,6	3,9

INDEBTEDNESS, EUR MILLION



Q1/2022

PIHLAJALINNA'S REMOTE SERVICES

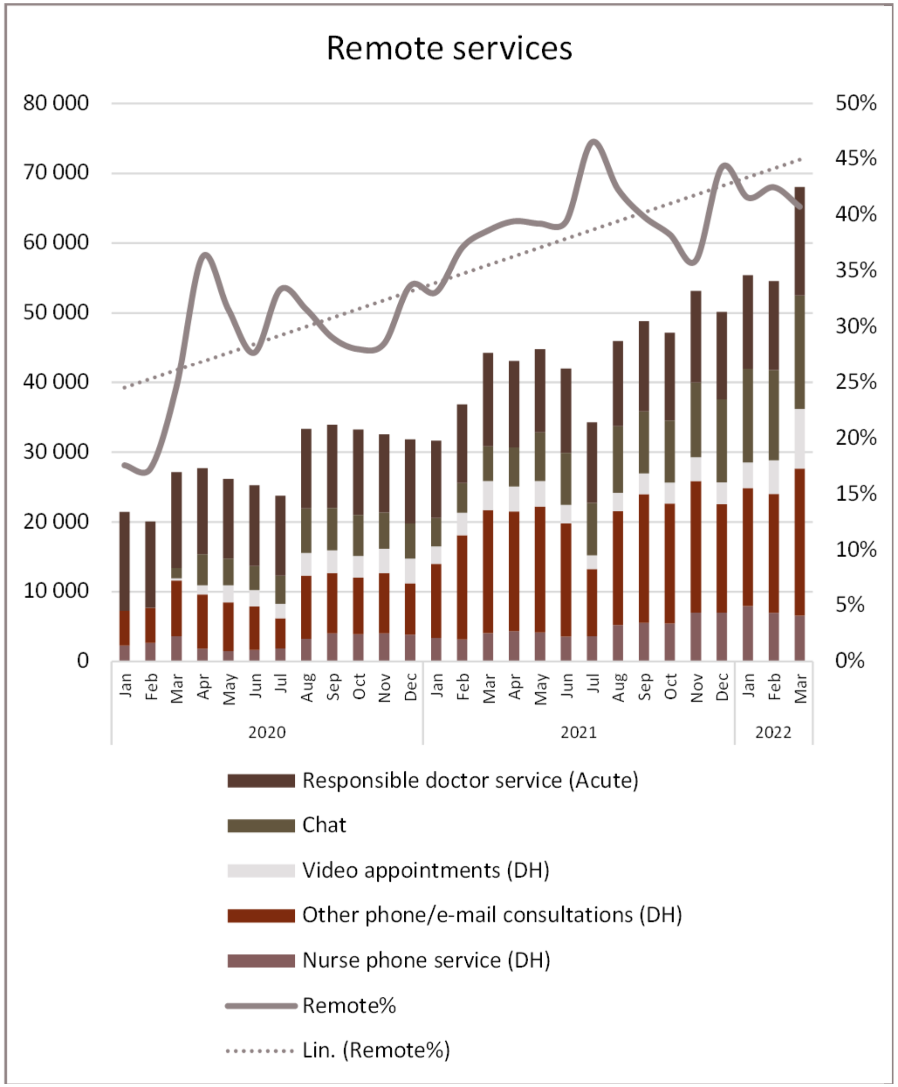
42 per cent of all appointments, excluding municipal outsourcing and COVID-19 testing, took place via remote services.

The use of chat services via the Pihlajalinna Health App (Terveyssovellus) more than tripled.

The use of the Nurse Telephone Service doubled.

The use of remote services grew particularly in the areas of pediatric health and psychiatry.

Expanding our remote services and ensuring scalability are key focus areas for us as we increase the supply of our services.



PIHLAJALINNA'S OUTLOOK FOR 2022

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 first half of the year will be below the bar of the previous year.

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.

PIHLAJALINNA'S OBJECTIVES FOR THE STRATEGY PERIOD

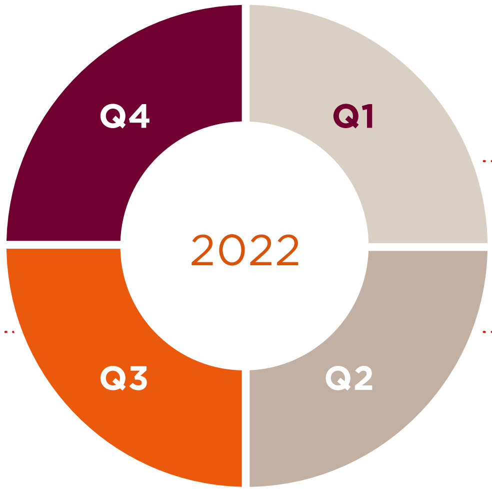
Revenue growth of EUR 250 million by the end of 2025, using 2021 as the baseline. One third of the growth is expected to arise from the public sector and the rest two thirds from corporate and private customers.

Adjusted operating profit before the amortisation and impairment of intangible assets (EBITA) over 9 per cent of revenue in the long term.

Long term target for net debt is less than 3x adjusted EBITDA. In the beginning of the strategy period due to Pohjola Hospital acquisition the net debt will decline close to 5.

Distributing at least one-third of the profit for each financial year to shareholders as dividends or capital repayment.

PIHLAJALINNA'S FINANCIAL REPORTING IN 2022



Interim report January-March:
Thursday, 5 May 2022

Half-year financial report January-June:
Friday 12 August 2022

Interim report January-September:
Friday, 4 November 2022


THANK YOU!
Laboratorio | Laboratoriet
Pihlajalinna
KOKO SUOMEN LÄÄKÄRIKESKUS