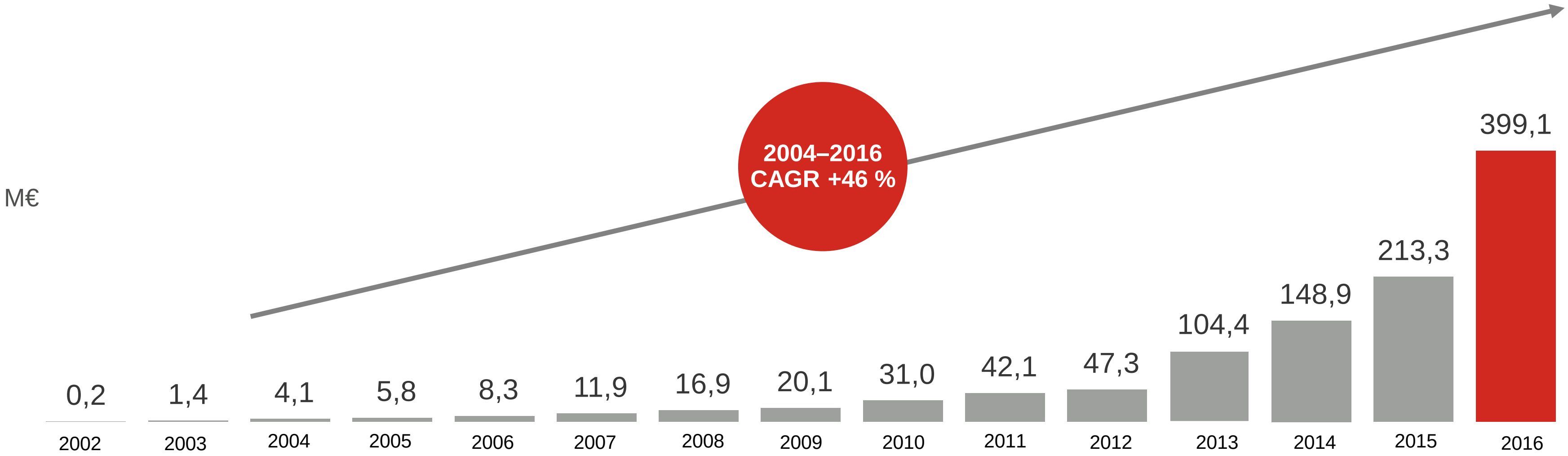
Pihlajalinna Q4

CEO
Aarne Aktan
17 February 2017

Revenue developed as expected



Note: Net sales figures for 2002–2003 based on the net sales figures of present MWW Yhtiö Oy (net sales of the parent company called Pihlajalinna Lääkärit Oy at that time), for 2004–2009 the net sales figures of present MWW Yhtiö Oy (net sales of the Group, in 2004–2005 called Pihlajalinna Lääkärit Oy, and in 2006–2009 called Pihlajalinna Oy), for 2010–2013 the net sales of present Pihlajalinna Terveys Oy (net sales of the Group, called Pihlajalinna Oy at that time), and for 2014, the net sales of Pihlajalinna Oy (the Group's net sales). The figures for 2002–2011 have been prepared according to FAS, and for 2012–2014 according to IFRS. The net sales for 2002 covers 15 months (from 1 October 2001 to 31 December 2002), and the net sales for 2010 covers 13 months (from 1 December 2009 to 31 December 2010). CAGR = Compound Annual Growth Rate. The Company's CAGR between 2004–2016 is calculated as follows: CAGR=((399,0/4.1)^(1/12)-1) x 100% = 46%.

Q4 Profitability developed as expected

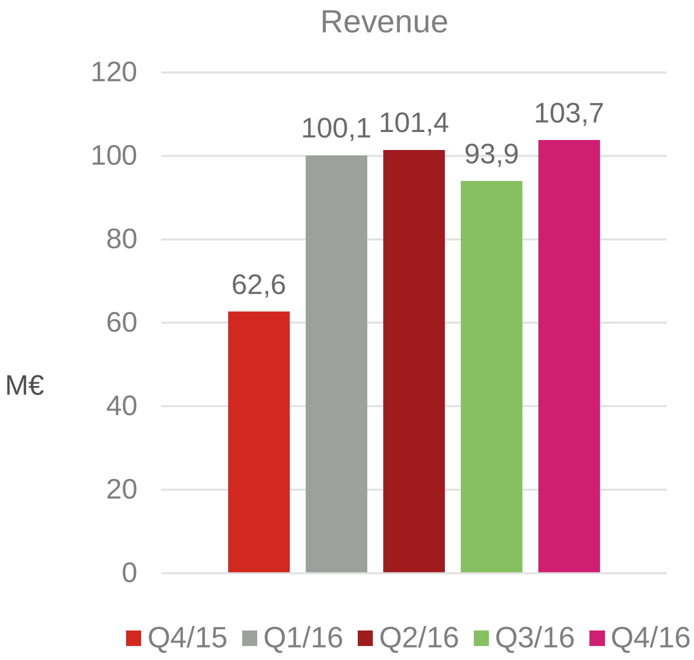
103.7 Revenue, EUR million
Increase 66%, EUR 41.1 million

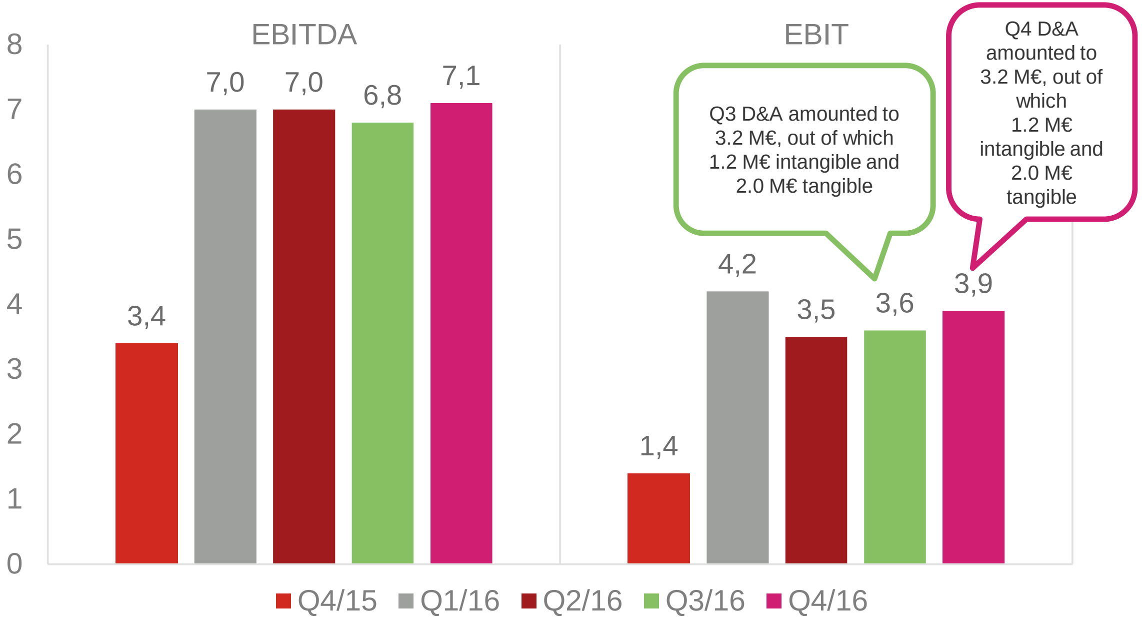
7.1 EBITDA, EUR million
Increase 107%, EUR 3.7 million

3.9 EBIT, EUR million
EBIT margin 3.7%

- Revenue growth was mainly attributable to social and healthcare outsourcing contracts in Kuusiokunnat and Jämsä and the acquisitions of Koskiklinikka and ITE Joensuu
- Share of organic growth EUR 15.0 million (63%) and share of M&A transactions EUR 26.1 million (37%)
- Improvement in operating profit mainly due to acquisitions of Koskiklinikka and ITE Joensuu as well as social and healthcare outsourcings

Group key figures 1/2





better tomorrow

PIHLAJALINNA Group

Group key figures 2/2

	2015	2016
INCOME STATEMENT		
Revenue, EUR million	213.3	399.1
EBITDA, EUR million	11.6	27.9
EBITDA, %	5.4	7.0
Adjusted operating profit (EBIT), EUR million	4.5	16.6
Adjusted operating profit, %	2.1	4.2
Operating profit (EBIT), EUR million	3.6	15.1
Operating profit, %	1.7	3.8
Profit before tax (EBT), EUR million	1.3	13.7
SHARE RELATED INFORMATION		
Earnings per share (EPS), EUR	0.03	0.39
Equity per share, EUR	4.47	4.74

	2015	2016
OTHER INFORMATION		
Return on capital employed (ROCE), %	3.4	10.8
Return on equity (ROE), %	2.3	11.1
Equity ratio, %	50.5	46.5
Interest bearing debt, EUR million	38.9	49.7
Interest bearing net debt, EUR million	23.5	22.1
Net debt/adjusted EBITDA, 12 mths	1.9	0.8
Gross investments, EUR million	44.6	27.4
Cash flow from operating activities, EUR million	17.7	32.3
Cash flow after investments, EUR million	-14.4	6.8
Average number of personnel	2 503	4 379
Personnel at the end of the period	3 047	4 407

Group balance sheet

Total statement of financial position EUR 217.7 million

2016 vs. 2015:

Equity ratio:
46.5 % (50.5 %)

Gearing:
21.9 (25.2)

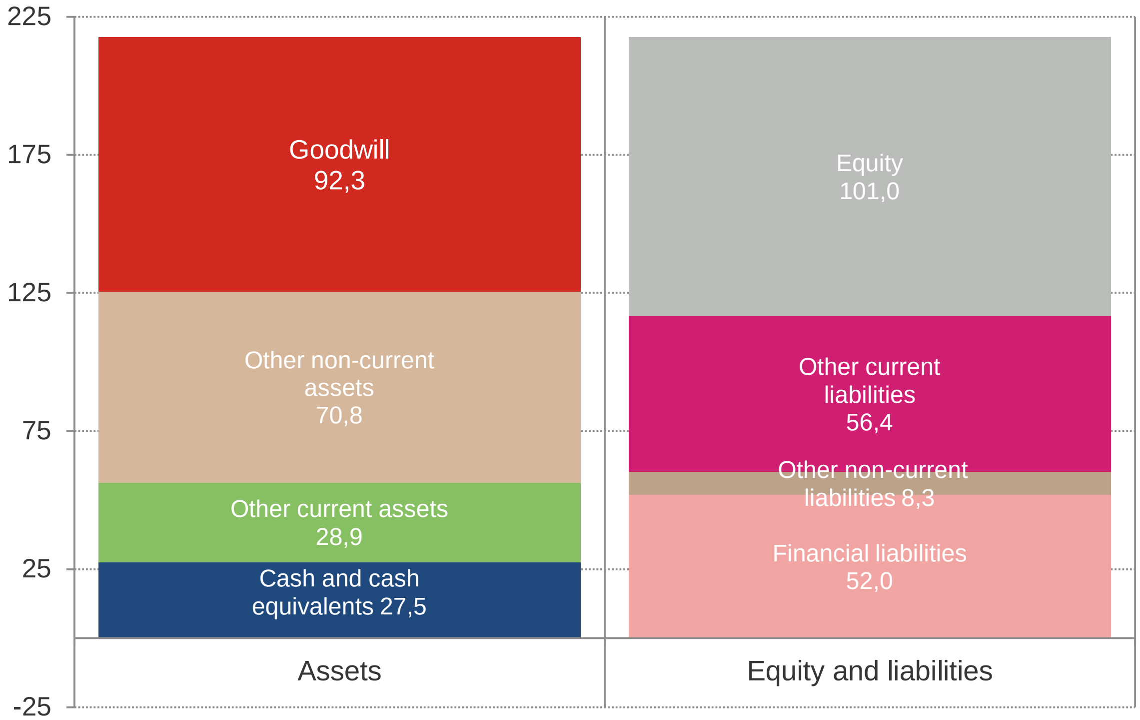
Net debt / EBITDA:
0.8x (1.9x)

Interest-bearing net debt:
22.1 M€ (23.5 M€)

Unused commited credit limits:
45.2 M€ (58.0 M€)

Goodwill to balance sheet total:
42% (41%)

Goodwill to equity:
91% (81%)



Operating segments Q4

Private Clinics and Specialized Care

- Revenue increased to EUR 56.8 (32.0) million
- Revenue increased especially due to public specialized care and acquisitions
- EBIT EUR 1.7 (1.0) million – profitability improved especially due to Private Clinics and Occupational Healthcare

Primary and Social Care

- Revenue increased to EUR 49.1 (31.4) million
- Revenue growth was mainly due to Kuusiokunnat and Jämsä social and healthcare outsourcing contracts
- EBIT EUR 2.5 (0.7) million – profitability improved especially due to Mänttä-Vilppula, Parkano and Kuusiokunnat social and healthcare outsourcing contracts

Operating segment key figures Q4

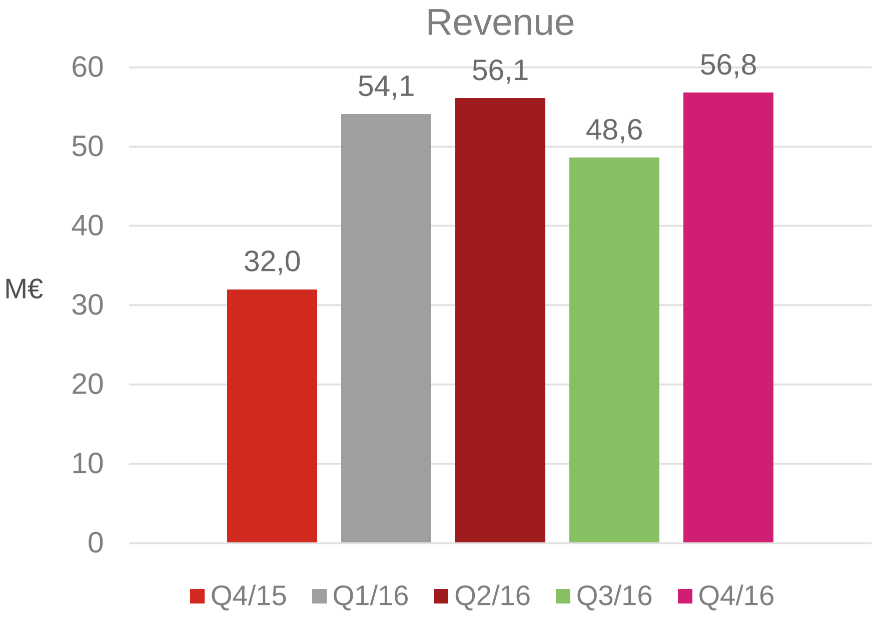
C&S

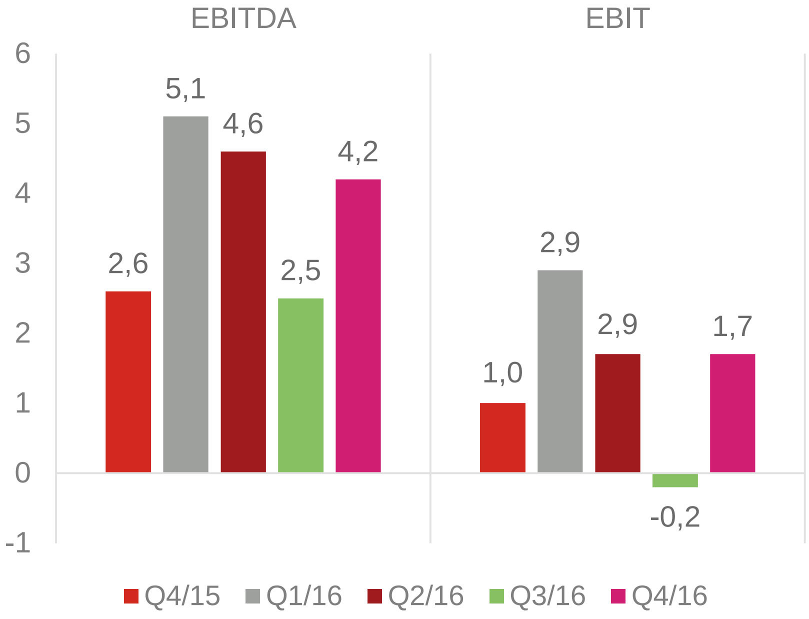
C&S segment	2015	2016	Q4/15	Q4/16	Change %
Revenue	119.5	215.6	32.0	56.8	78
EBITDA	9.2	16.4	2.6	4.2	62
EBITDA %	7.7	7.6	8.2	7.4	
EBIT	2.8	6.2	1.0	1.7	
EBIT %	2.3	2.9	3.2	3.0	

P&S

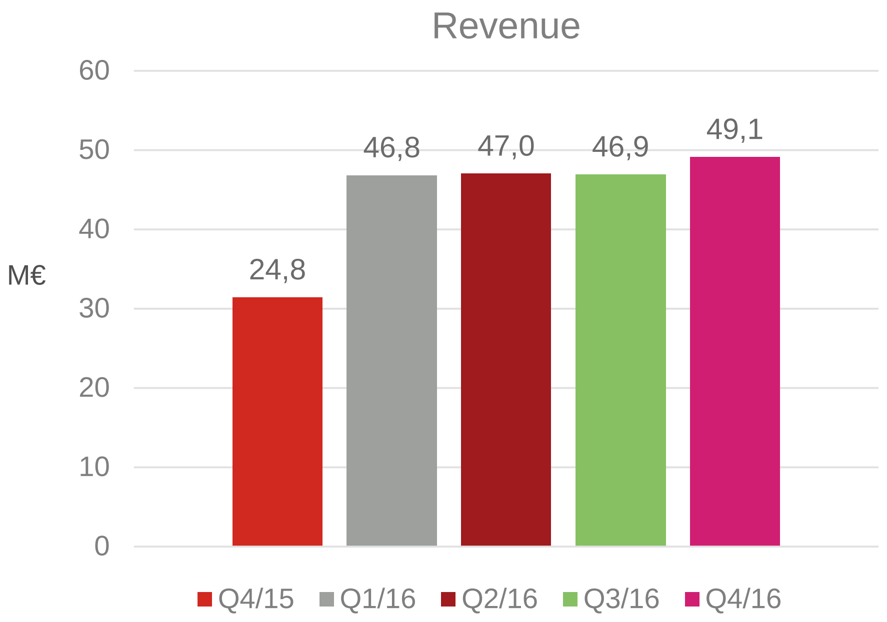
P&S segment	2015	2016	Q4/15	Q4/16	Change %
Revenue	96.8	189.8	31.4	49.1	56
EBITDA	3.9	12.9	1.1	3.1	167
EBITDA %	4.1	6.8	3.7	6.2	
EBIT	2.3	10.9	0.7	2.5	
EBIT %	2.4	5.7	2.1	5.1	

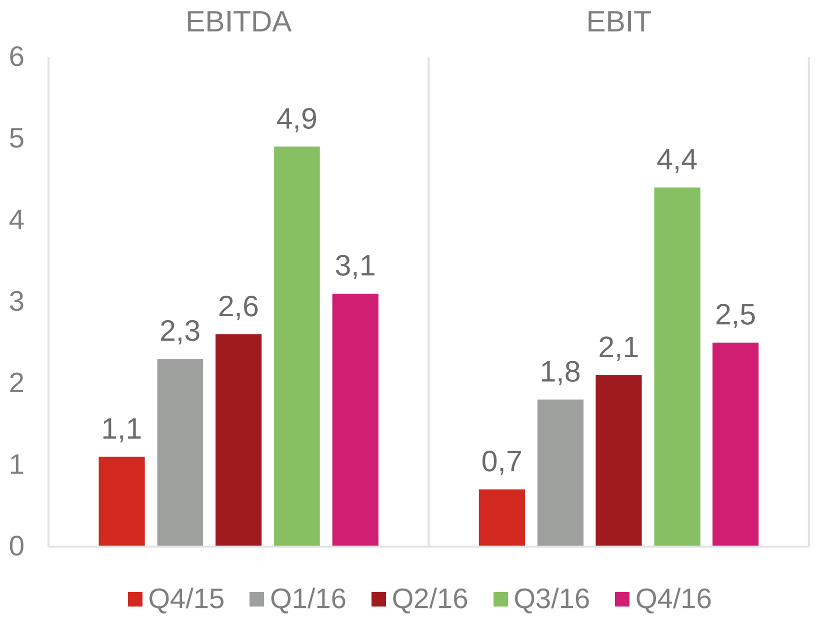
C&S segment key figures





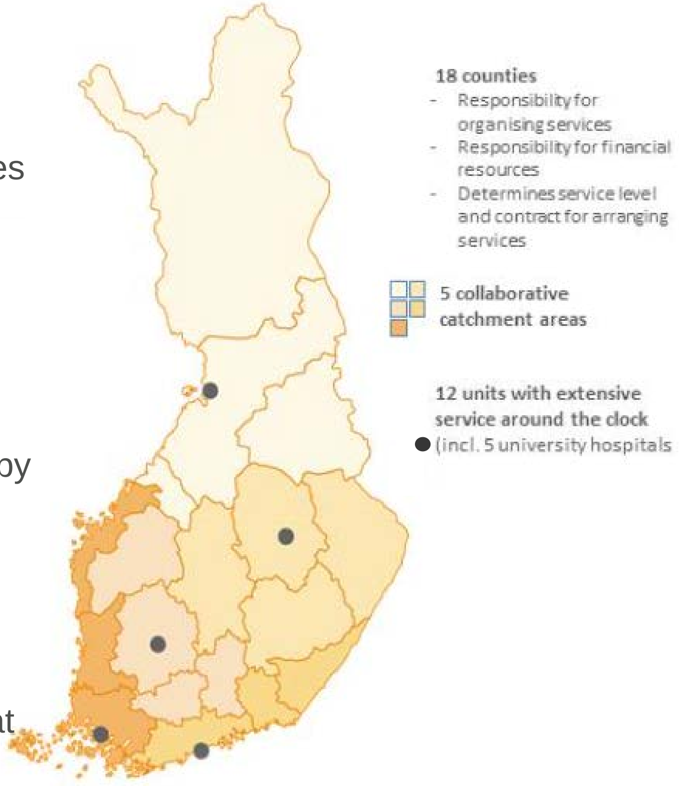
P&S segment key figures





Reform legislation proceeds

- The amendment of the law governing social and healthcare services is expected to be handled by Parliament during February
- The 18 regions will need to establish a commercial enterprise, the task of which is to produce the social and healthcare services as well as other services that are the responsibility of the region
- Urgent emergency and on-call services, intensive care and demanding specialised care services will continue to be produced by a public service provider
- The Freedom of Choice Act is proceeding separately - consultation began in January and will end in late March
- The Freedom of Choice Act is expected to receive parliamentary approval in the autumn 2017 and it is intended to come into force at the beginning of 2019



Freedom of choice and its scope

- The customer may enlist according to his/her own choice as a customer of either a public or private social and health centre and additionally choose their preferred dental clinic. The cost to the customer is the same in all.
- The customer may also receive payment vouchers, customer vouchers or a personal budget with which he/she may acquire other social and health care services they may need
- The estimate provided in the rationale behind the draft for the act on the freedom of choice is that the size of the market within the freedom of choice would be
    - EUR 3.7 billion for direct choice of basic-level social and healthcare services
    - EUR 1.5 billion for personal budgets
    - EUR 2.8 billion for service vouchers
- The company estimates that the share of private operators producing services that will be included within the framework of freedom of choice in the future is at the moment approximately EUR 1.5 billion
- Pilot projects concerning freedom of choice have been launched in five different locations. So far, Pihlajalinna has enrolled for the pilot project conducted in Tampere. The company is monitoring the development of the situation and circumstances in the other four pilot locations.

Current market situation

- Tervola chose Pihlajalinna as its social and healthcare service partner on 10 November 2016. The duration of the agreement is 10 years at the minimum and 15 years at the maximum. The service production begins on 1 July 2017. Tervola’s population is about 3,200 and the value of the agreement is approximately EUR 13 million per year.
- Hattula chose Pihlajalinna as its social and healthcare service partner on 14 December 2016. Hattula has roughly 9,700 inhabitants and the value of the agreement is approximately EUR 7 million per year. The duration of the agreement is 15 years at the minimum and 20 years at the maximum. The preliminary plan is to begin the service production for oral health care on 1 April 2017 and for other services on 1 April 2018. The procurement decision has been appealed to the Market Court.
- The City of Kouvola has made preparations for outsourcing its social and healthcare services, and Pihlajalinna participates in the tendering process. The population of the region of Kouvola is 86,000. The City of Kouvola has estimated that the value of the potential outsourcing agreement would be EUR 84 million per year.
- Pihlajalinna participates in the tendering process for the social and healthcare services of the Joint Municipal Welfare Authority in the Forssa region. The population of the region is approximately 34,500. The Joint Municipal Authority has estimated that the value of the possible outsourcing agreement would be roughly EUR 37 million per year.
- Many cities and municipalities are interested in joining current outsourcings of other municipalities and joint municipal authorities. In addition, several municipalities have expressed their interest in or are currently investigating the possibility to outsource their social and healthcare services.

Pihlajalinna's outlook for 2017 – financial targets remain unchanged

Short term guidance

Pihlajalinna's consolidated revenue and adjusted EBIT are expected to improve compared to 2016.

In the financial year 2016, revenue was EUR 399.1 million and the adjusted EBIT was EUR 16.6 million.

Long term targets

- Operating profit (EBIT) margin exceeding 7%
- Net debt to EBITDA below 3x

Dividend policy

- Dividends at least 1/3 of net profit


Thank you!