Pihlajalinna

Financial statements 2019

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14 February 2020

Q4 2019: Revenue and profitability at the expected level, Mehiläinen announced a tender offer for shares in Pihlajalinna

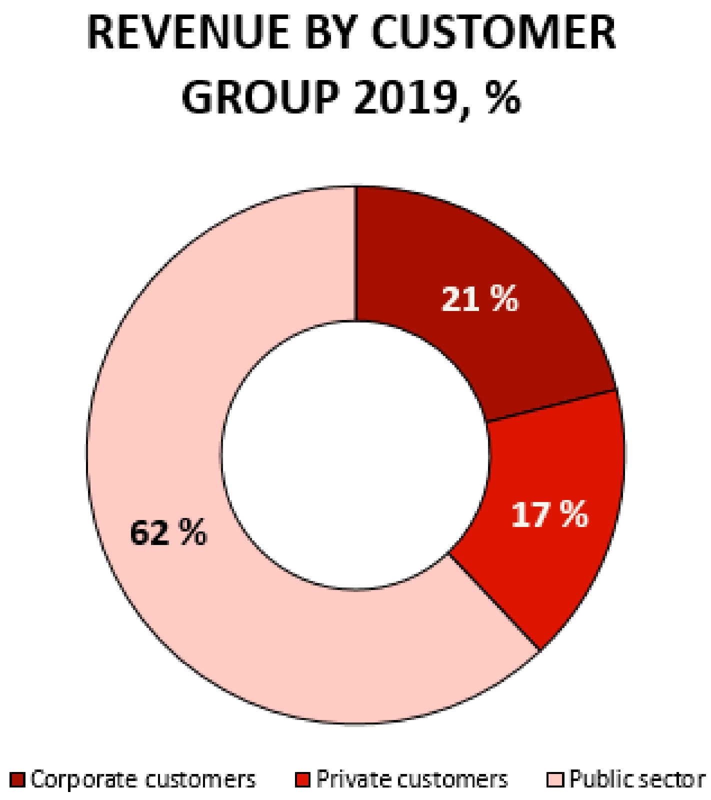
- Revenue amounted to EUR 132.7 (127.0) million – an increase of 4.6%, organic growth of 2.3%
- Adjusted EBITDA was EUR 14.4 (14.6) million
- Adjusted EBIT was EUR 5.6 (6.5) million
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.4 (1.4) million on operating profit
- Earnings per share (EPS) was EUR 0.16 (0.11)
- Mehiläinen announced a recommended cash tender offer for all shares in Pihlajalinna Plc on 5 November 2019
- Pihlajalinna adopted the new IFRS 16 Leases standard fully retrospectively on 1 January 2019. Restated comparable financial figures were published on 18 April 2019 for each reporting period in 2018.

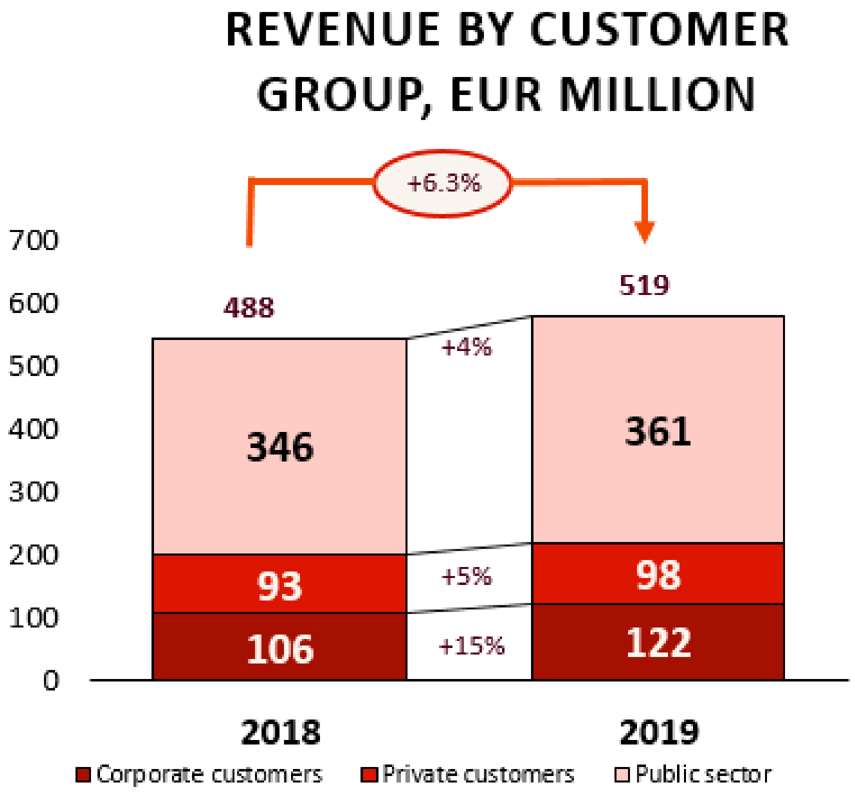
Q4 2019: Main points by region

Revenue, EUR million	10–12/2019	%	10–12/2018	%	change	10–12/2019
Southern Finland	31.1	21	29.5	21	1.6	31.1
Mid-Finland	81.5	55	79.3	56	2.2	81.5
Ostrobothnia	30.0	20	28.6	20	1.4	30.0
Northern Finland	3.9	3	3.2	2	0.7	3.9
Other operations	1.9	1	2.0	1	-0.1	1.9
Intra-Group sales	-15.8		-15.7		-0.1	-15.8
Total consolidated revenue	**132.7**	**100**	**127.0**	**100**	**5.8**	**132.7**

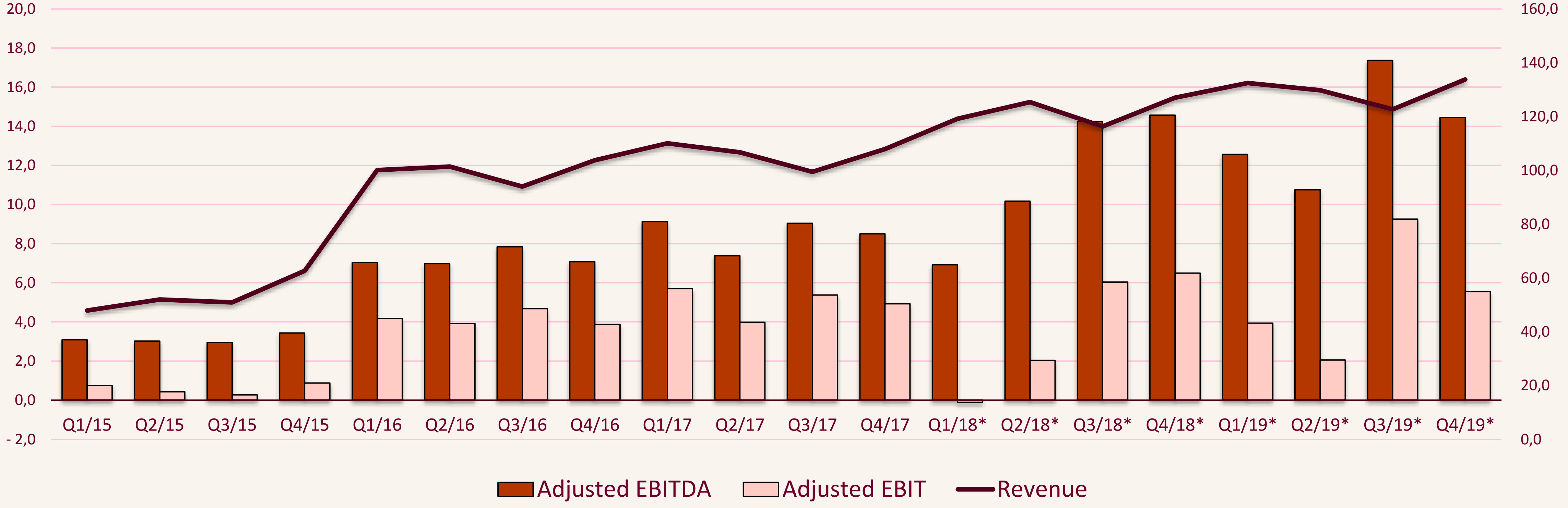
- Southern Finland: + 5.5%. In Southern Finland, revenue increased in South West Finland and the Helsinki Metropolitan Area as a result of increasing demand and expansion of the Forever fitness centre chain.
- Mid-Finland: + 2.8%. The revenue increased as a result of the acquisition of Terveyspalvelu Verso in Savo and sales to insurance companies.
- Ostrobothnia: + 5.0%. The revenue increased mainly due to a price adjustment to the service agreement on the social and healthcare outsourcing of the Kuusio municipalities.
- Northern Finland: + 22.4%. In particular, increased demand for occupational health services increased the area’s revenue.

Revenue by customer group 2019





Development of profitability, EUR million



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Consolidated income statemant – IFRS16 bridge calculation

EUR million	2019 without the effect of IFRS 16	Effect of IFRS 16	2019 according to IFRS 16
Revenue	518.6		518.6
Other operating income	1.9	-0.2	1.6
Materials and services	-200.2		-200.2
Employee benefit expenses	-222.0		-222.0
Other operating expenses	-70.0	19.8	-50.2
Share of profit in associated companies and joint ventures	0.0		0.0
EBITDA	**28.3**	**19.5**	**47.8**
Depreciation, amortisation and impairment	-18.8	-18.9	-37.7
Operating profit (EBIT)	**9.5**	**0.7**	**10.2**
Financial income	0.1	0.0	0.1
Interest expenses on right-of-use assets	-0.9	-0.9	-1.9
Financial expenses	-2.2		-2.2
Profit before taxes	**6.5**	**-0.3**	**6.3**
Income tax	-1.8	0.1	-1.8
Profit for the period	**4.7**	**-0.2**	**4.5**
Total comprehensive income for the period	4.7	-0.2	4.5
Total comprehensive income for the period attributable:			
To the owners of the parent company	3.6	-0.2	3.4
To non-controlling interests	1.1	0.0	1.1
Earnings per share (EPS)	**0.16**	**-0.01**	**0.15**

Pihlajalinna

Outlook for 2020

The revenue for 2020 is expected to increase from the 2019 level.

Adjusted EBIT is expected to inrease compared to 2019.

Tender offer

- Mehiläinen Yhtiöt Oy launched a voluntary recommended cash tender offer for all shares in Pihlajalinna Plc
- The Board of Directors of Pihlajalinna has decided to recommend that the shareholders of Pihlajalinna accept the Tender Offer
- The offer price is EUR 16.00 in cash for each issued and outstanding share in Pihlajalinna
- Together the companies can better serve the client organisations of municipalities, hospital districts and future counties as well as export Finnish social and healthcare expertise to the international market. Together the companies have the opportunity to provide treatment and care of even higher quality for the needs of an ageing Finland.

Schedule of the tender offer

- The tender offer was announced on 5 November 2019; the offer period is currently underway.
- The European Commission referred the handling of the combination between the companies to the Finnish Competition and Consumer Authority (FCCA) on 28 January 2020.
- Mehiläinen Yhtiöt Oy submitted a formal merger control notification regarding the public tender offer to the FCCA on 10 February 2020.
- The Phase I Investigation will be completed no later than on 12 March 2020.
- It is likely that the FCCA will initiate continued phase II proceedings after the Phase I Investigation. The Phase II Investigation may not take more than 69 working days, unless the Finnish Market Court grants, upon application, an extension to the FCCA for investigating the case.
- Based on currently available information, the tender offeror expects to complete the tender offer towards the end of the second quarter of 2020 or at the latest during the third quarter of 2020.

The Group's operational projects

	WHAT WE PROMISED	WHAT WE DID	WHAT WE PROMISE
MAIN	• Full implementation of the efficiency improvement programme • Expansion of multi-channel services and the Healthcare Application • Increased process fluency in all service channels	• The efficiency improvement programme was fully implemented • The customer groups of the health application expanded • Improvement of digital tools and contract management in occupational healthcare	• Heart-related symptom care pathway incorporated into the health application in cooperation with the Heart Hospital • Possibility to pay for visits using the health application
MID	• Renewing online reservations to improve customer experience • Developing service paths and piloting innovative operating models with partners	• New online reservation service launched • Renewed health centre service paths • New operating models for the service path of the company nurse customer	• Enhancing the customer experience in digital channels • New specialties in remote channels • Increasing the multi-channel nature of the health centre model
LOW	• Customer-centric conceptualisation and marketing of services • Strengthening recruitments and practitioner processes • Improving the digital tools for company nurses	• Regional benefits added to the customer relationship programme • New practitioner process in a pilot phase, recruitment process made smoother • Company nurse ERP system created, CRM for use in company nurse sales	• Expanding the ERP systems of company nurses • Improving the processes for insurance company customers

Market review – The structural reform of healthcare and social services brings the focus on basic-level services and prevention

- In October 2019, the Finnish government provided additional information on the upcoming health and social services reform.
- The structural reform of health and social services will be based on 18 counties and five collaboration areas. The counties will be responsible for organising health and social services as well as rescue services. The structural reforms are based on the desire to ensure equal availability of services throughout Finland.
- According to the coalition agreement, counties will mainly produce the services as public services, and the private and third sector act as supplementary service producers.

Market review – Pihlajalinna's situation

- Pihlajalinna's view is that partnerships between the public sector and private corporations are a good solution for satisfying the growing demand.
- During the past decade, services provided by private operators have increased strongly in care services and specialised care services. This development has taken place without government guidance or decisions.
- Pihlajalinna's partnerships with municipalities have shown that the costs of public services can be reduced while making it faster to access care. There is a clear need for Pihlajalinna's service models in the current municipal sector in Finland. For example, ten municipalities in the Päijät-Häme region are planning to outsource health centre operations with a joint venture model.
- The situation in the private market remains unchanged. The occupational healthcare market is expected to grow as many public sector entities are interested in divesting the occupational healthcare providers they currently own.

Partial outsourcing in Kristiinankaupunki

- Kristiinankaupunki selected Pihlajalinna as its partner in social and healthcare services
- The production of services is planned to begin on 1 January 2021.
- The tendered acquisition concerns some of the city's social and healthcare services (28%).
- The population of Kristiinankaupunki is approximately 6,600 people.
- The duration of the contract is at least 15 years but not more than 20 years. According to the tendering, the annual value of the contract is approximately 6 million euros. Therefore, the value is approximately 90 million euros for 15 years without index increases. With the option period taken into account, the total value is approximately 120 million euros without index increases.
- The service agreement on the partial outsourcing and shareholder agreement of the joint venture were signed in December 2019.

Pihlajalinna’s financial reporting in 2020

- Financial statements and Board of Directors’ report: no later than in week 13
- Interim report January–March: Friday, 8 May 2020
- Half-year financial report January–June: Friday, 14 August 2020
- Interim report January–September: Wednesday, 4 November 2020

- Pihlajalinna Plc’s Annual General Meeting is scheduled for Wednesday, 15 April 2020 in Tampere, Finland.

Thank you!