



Pihlajalinna

HALF-YEAR FINANCIAL REPORT H1 15.8.2019

Joni Aaltonen
CEO

H1 2019: PIHLAJALINNA'S PROFITABILITY WEIGHED DOWN BY LOSS-MAKING UNITS, THE GROUP LAUNCHED AN EFFICIENCY PROGRAMME



- Revenue amounted to EUR 129.7 (125.3) million – an increase of 3.5%, organic growth of 1.5%
- Adjusted EBITDA was EUR 10.8 (10.2) million – an increase of 5.6%
- Adjusted EBIT was EUR 2.1 (2.0) million
- IFRS 3 costs and amortisation related to M&A reduced operating profit by EUR 1.4 (1.8) million
- Earnings per share (EPS) was EUR -0.02 (0.00)
- 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.

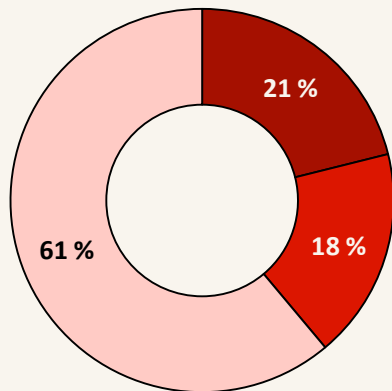
Q2 APRIL-JUNE 2019 KEY FIGURES BY BUSINESS AREA

MEUR	4–6 2019	%	4–6 2018	%	2018	%
Southern Finland	30.0	21	28.5	20	107.6	20
Mid-Finland	80.8	56	80.1	57	311.9	57
Ostrobothnia	29.1	20	27.0	19	108.8	20
Northern Finland	3.8	3	3.2	2	12.3	2
Other	1.8	1	1.1	1	4.8	1
Internal sales of the Group	-15.7		-14.6		-57.6	
Group Revenue	129.7	100	125.3	100	487.8	100

- Southern Finland: +5 %. Revenue grew mainly due to the acquisition of the Forever fitness centre chain last year, the opening of Forever Lahti, the acquisition of Kouvola Työterveys, and an increase in customer volumes in private clinics in the Turku region.
- Mid-Finland: + 1 %. The acquisition of Terveyspalvelu Verso health service at the turn of the year, along with an increased rate of occupancy of Pihlajalinna's special housing services, brought increased revenue for the region. Closure of the Omapihlaja health centres in Tampere reduced revenue for the region.
- Ostrobothnia: + 8%. The provision of housing services for the elderly and disabled in Laihia contributed to an increase in revenue for the region.
- Northern Finland: +18 %. The private clinic opened in Oulu in January 2018 increased its revenue, as did the start of occupational healthcare services for Kolari municipality and the Kuusamo on call service outsourcing.

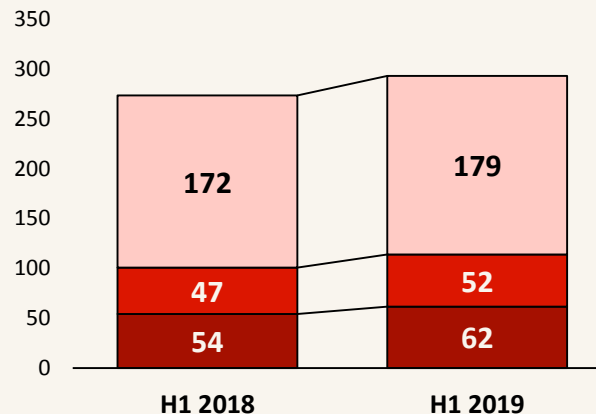
REVENUE BY CUSTOMER GROUP

REVENUE BY CUSTOMER GROUP H1 2019, %



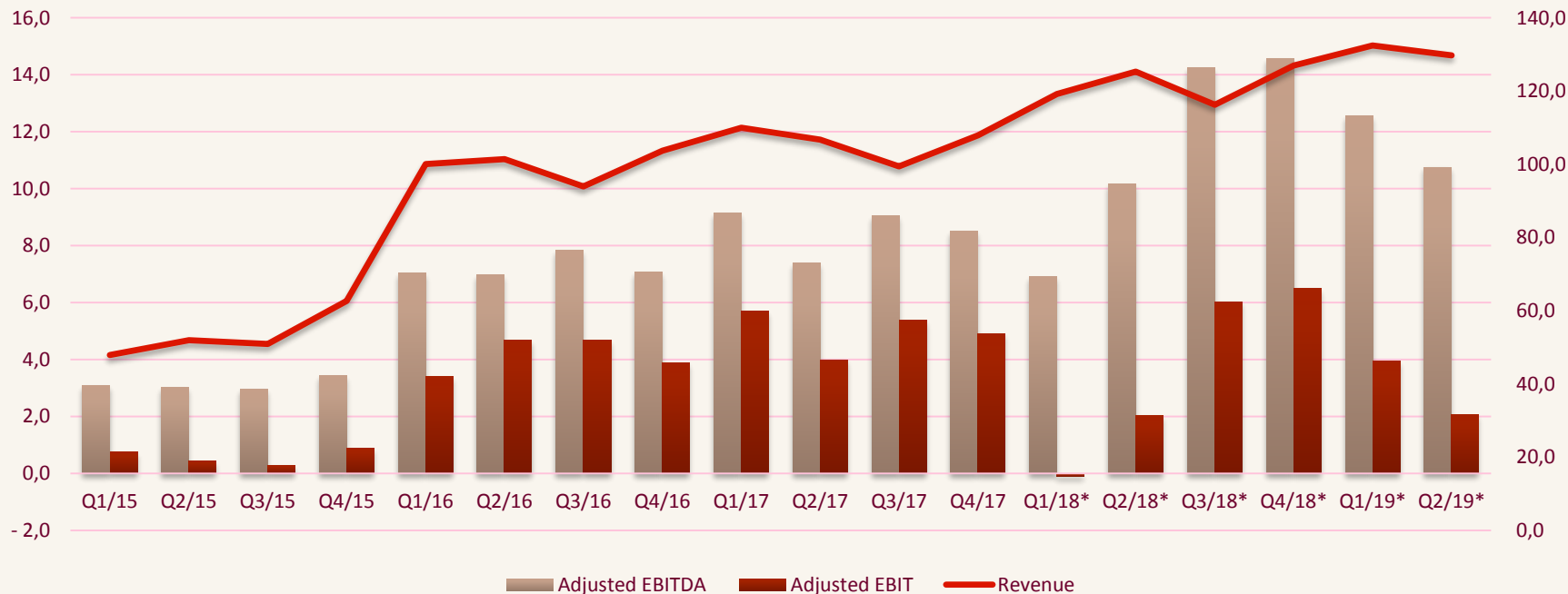
■ Corporate customers ■ Private customers ■ Public sector

REVENUE BY CUSTOMER GROUP H1 2019, EUR MILLION



■ Corporate customers ■ Private customers ■ Public sector

PROFITABILITY, EUR MILLION

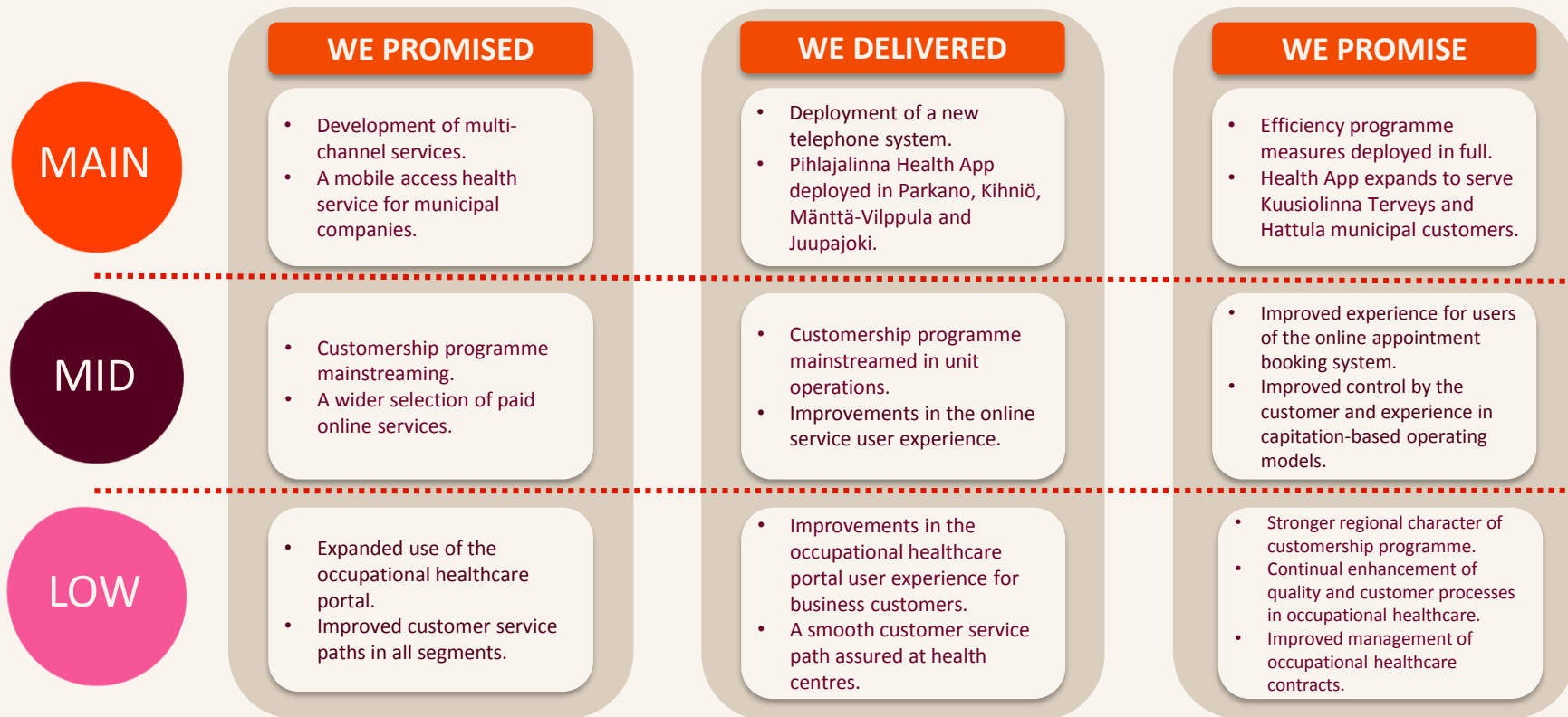


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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - IFRS 16 BRIDGE

EUR million	1-6/2019 excl. IFRS 16 effect	IFRS 16 effect	1-6/2019 restated	1-6/2018 reported IFRS 16 effect	1-6/2018 restated	
Revenue	262,2	0,0	262,2	244,5	0,0	244,5
Other operating income	0,8	-0,1	0,7	2,0	-0,1	1,9
Materials and services	-100,3	0,0	-100,3	-98,3	0,0	-98,3
Employee benefit expenses	-114,6	0,0	-114,6	-106,3	0,0	-106,3
Other operating expenses	-33,7	8,3	-25,4	-32,1	6,6	-25,4
Share of profit in associated companies and joint ventures	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	14,3	8,3	22,6	9,9	6,6	16,4
Depreciation, amortisation and impairment	-9,5	-8,0	-17,5	-9,0	-6,2	-15,2
Operating profit (EBIT)	4,9	0,3	5,1	0,9	0,4	1,3
Financial income	0,0	0,0	0,0	0,1	0,0	0,1
Interest expenses on right-of-use assets	-0,5	-0,5	-1,0	-0,5	-0,4	-1,0
Financial expenses	-1,0	0,0	-1,0	-0,9	0,0	-0,9
Profit before taxes	3,4	-0,3	3,2	-0,4	-0,1	-0,5
Income tax	-1,0	0,1	-0,9	-0,3	0,0	-0,3
Profit for the period*	2,5	-0,2	2,2	-0,7	-0,1	-0,8
Total comprehensive income for the period	2,5	-0,2	2,2	-0,7	-0,1	-0,8
Total comprehensive income for the period attributable:						
to the owners of the parent company	1,2	-0,2	0,9	-1,2	-0,1	-1,3
to non-controlling interests	1,3	0,0	1,3	0,5	0,0	0,5
Earnings per share calculated on the basis of the result for the period attributable to the owners of the parent company (EUR)						
Basic and diluted	0,05	-0,01	0,04	-0,06	0,00	-0,06

GROUP OPERATIONAL PROJECTS



EFFICIENCY PROGRAMME

- The group has launched an efficiency programme targeting annual cost savings of EUR 17 million.
- The efficiency programme seeks to ensure good operating conditions for the company in all services and establishments.
- The programme is expected to save approximately 5 million euros in costs between September and the end of the year.
- Total savings unrelated to personnel costs will be approximately 7 million euros.
- The efficiency programme will incur non-recurrent costs of approximately 8 million euros, to be reported as an adjustment item.



EMPLOYEE CO-OPERATION NEGOTIATIONS

- Pihlajalinna has completed employee co-operation negotiations that began on 17 June 2019.
- The negotiations will result in terminating some 180 positions, mainly through dismissals. The number of redundancies is smaller than was initially estimated when the negotiations began.
- Besides eliminating positions, the company is enhancing its management system and administration by such means as streamlining and centralising operations at its headquarters in Tampere.
- The company will also combine some establishments, eliminate some overlapping functions and enhance general cost management.
- The cost savings and redundancies will largely be realised before the end of the year, taking full effect during 2020.

MANAGEMENT TEAM

- As part of its efficiency programme, Pihlajalinna is modernising its management system and restructuring the management team.
- The company will also establish an operations management team as a new management team level directed by the COO.

Management team as of 15 August 2019:

- **Joni Aaltonen**, CEO
- **Teija Kulmala**, COO
- **Tarja Rantala**, CFO
- **Elina Heliö**, Head of Human Resources
- **Marko Savolainen**, General Counsel
- **Sanna Määttä**, Head of Service Development and CIO

Q3-Q4 MEASURES TO IMPROVE PROFITABILITY

- Piloting of new operating models with Pohjola Insurance and Pirkanmaa Hospital District, with a view to launching a broader partnership.
- Launching private clinic operations in acquired occupational healthcare units
- Management attention to improving the viability and resourcing of underperforming and loss-making units
- Strengthening medical services regionally through both mobile services and local establishments
- Mainstreaming remote services as part of the service chain
- Expanding services and clientele in Laihia and Hattula

OPERATING ENVIRONMENT – SOCIAL AND HEALTHCARE REFORM PART OF NEW GOVERNMENT PROGRAMME

- Structural reforms to Finland's social and healthcare services have long been planned but were not implemented in spring 2019.
- According to the government programme adopted by the new Finnish government, preparations for social and healthcare reform will be resumed within the current term of government (2019–2023).
- According to the government programme, provinces will provide these services mainly as public services with the private and tertiary sectors acting as complementary service providers. The government also intends to prepare reforms of the voucher system for social and healthcare services and will also adopt a policy for the introduction of personal budgets.



OPERATING ENVIRONMENT – FROM THE PIHLAJALINNA PERSPECTIVE

- Pihlajalinna partnership projects with both municipalities and hospital districts have demonstrated that the costs of public services can be reduced while providing swifter access to care. There is clear demand for Pihlajalinna service models in the municipal sector.
- Pihlajalinna wants to complement public-sector service offerings, especially in basic specialised care and non-urgent specialised care, in areas where the public sector has reduced its role and is centralising specialised medical care in fewer units.
- The private market situation remains the same. The occupational healthcare market is expected to grow because many municipalities and other public bodies are interested in ending co-operation with companies that provide their own occupational healthcare services.



2019 STRATEGIC TARGETS: GROWTH IN ALL CUSTOMER SEGMENTS

– PROFITABILITY THROUGH GROWTH AND AN EFFICIENCY PROGRAMME

- Extension of the service network to county centres through acquisitions and smooth and rapid integration
- Effective cross-selling of services
- Organic growth with a strong focus on sales and marketing
- Expansion and establishment of the municipal service portfolio



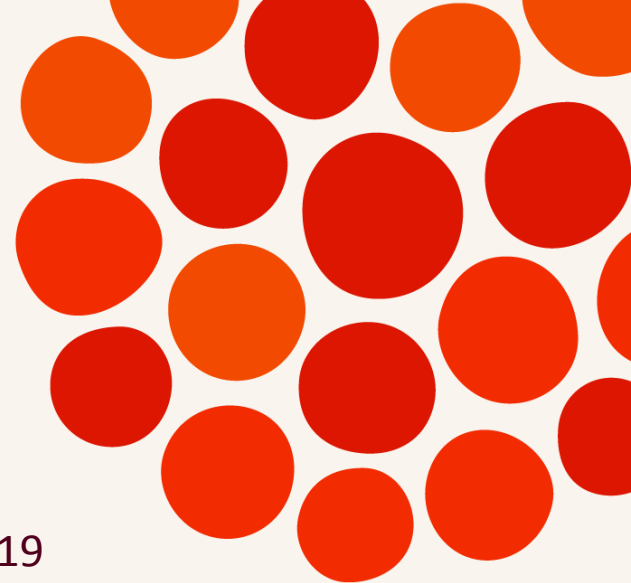
OUTLOOK 2019

- Pihlajalinna's consolidated revenue is expected to increase from the 2018 level.
- Adjusted EBIT is expected to improve clearly compared to 2018.



PIHLAJALINNA FINANCIAL REPORTING IN 2019

Interim Report January–September: Tuesday 5 November 2019



THANK YOU!

