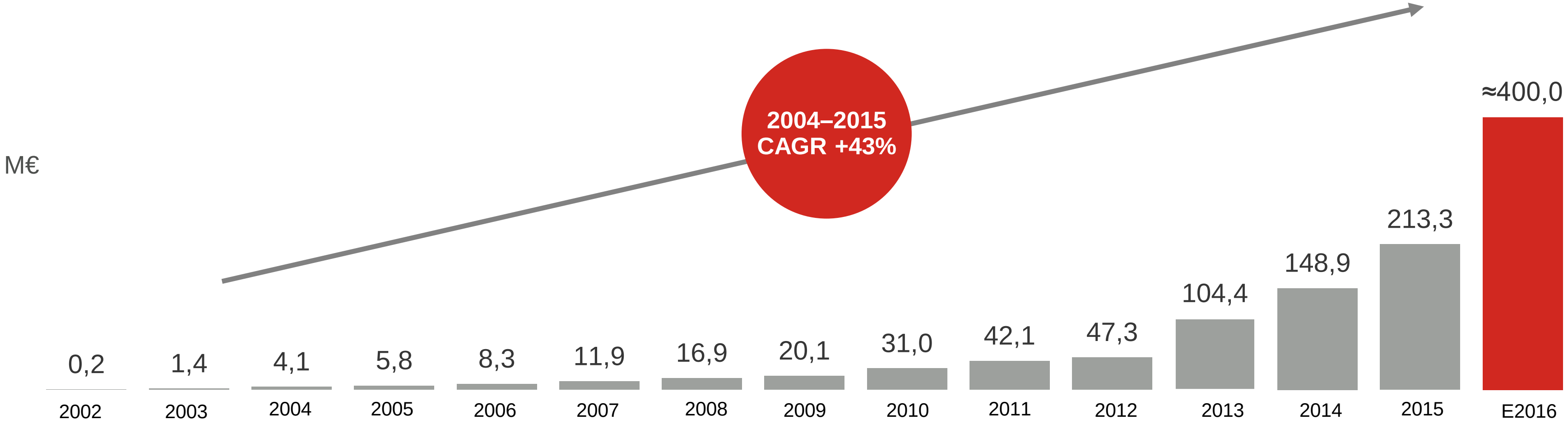
Pihlajalinna Q3

CEO
Aarne Aktan
11 November 2016

Revenue outlook adjusted



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 2004–2014 is calculated as follows: CAGR=((148.9/4.1)^(1/10)-1) x 100% = 43%.

Q3 Profitable growth continued

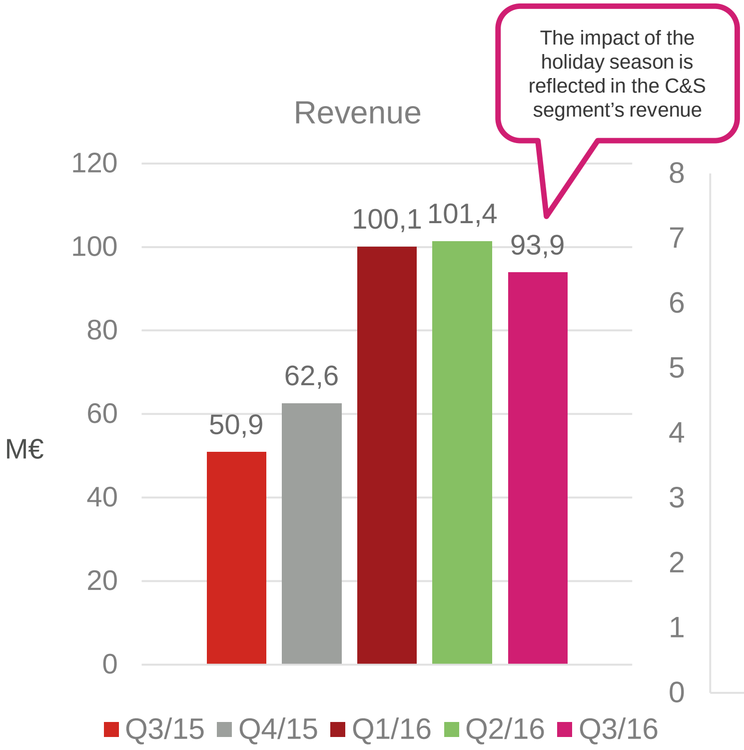
93.9
Revenue, EUR million
Increase 85%, EUR 43.1 million

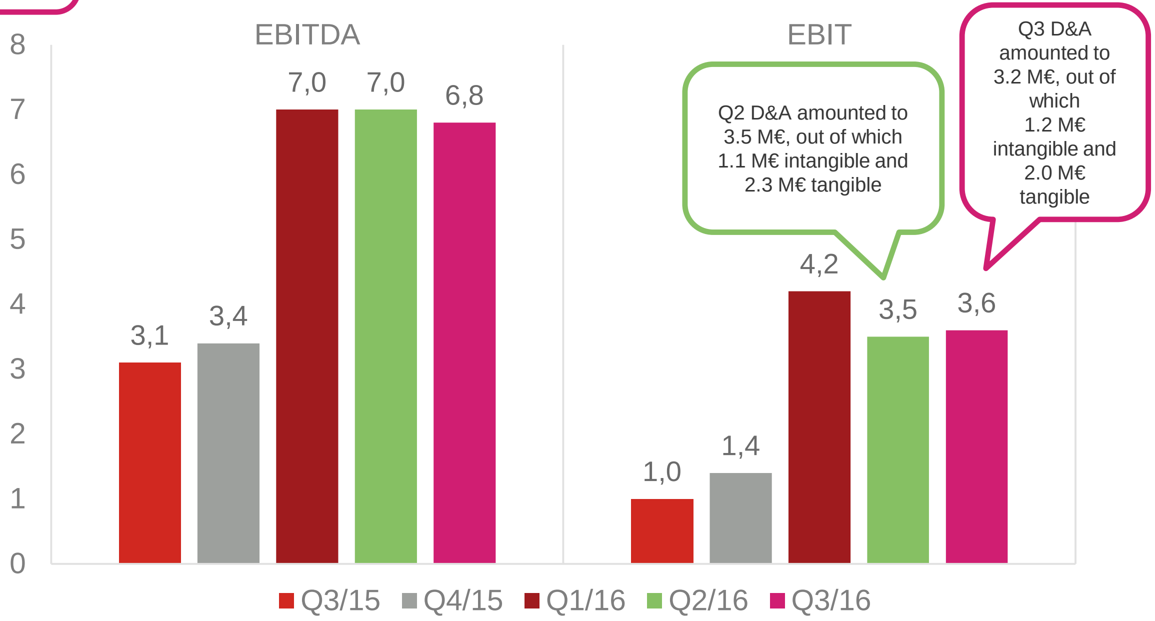
6.8
EBITDA, EUR million
Increase 124%, EUR 3.8 million

3.6
EBIT, EUR million
EBIT margin 3.8%

- Revenue growth was mainly attributable to social and healthcare outsourcing contracts in Kuusiokunnat and Jämsä and the acquisitions of Koskiklinikka and ITE
- The impact of the holiday season shows in Q3 revenue
- Share of organic growth EUR 31.8 million (74 %) and share of M&A transactions EUR 11.2 million (26%)
- Improvement in operating profit mainly due to social and healthcare outsourcings and acquisitions

Group key figures 1/2





Group key figures 2/2

Key figures and ratios	2015	Q3/15	Q3/16
INCOME STATEMENT			
Revenue, EUR million	213.3	150.7	295.4
EBITDA, EUR million	11.6	8.2	20.8
EBITDA, %	5.4	5.4	7.1
Adjusted operating profit (EBIT), EUR million	4.5	3.2	12.8
Adjusted operating profit, %	2.1	2.1	4.3
Operating profit (EBIT), EUR million	3.6	2.3	11.3
Operating profit, %	1.7	1.5	3.8
Profit before tax (EBT), EUR million	1.3	0.3	10.2
SHARE RELATED INFORMATION			
Earnings per share (EPS), EUR	0.03	-0.01	0.27
Equity per share, EUR	4.47	3.48	4.74

Key figures and ratios	2015	Q3/15	Q3/16
OTHER INFORMATION			
Return on capital employed (ROCE), %	3.4	3.7	9.0
Return on equity (ROE), %	2.3	2.5	8.7
Equity ratio, %	50.5	43.0	47.3
Interest bearing debt, EUR million	38.9	48.1	50.2
Interest bearing net debt, EUR million	23.5	28.6	27.0
Net debt/adjusted EBITDA, 12 mths	1.9	2.1	1.1
Gross investments, EUR million	44.6	17.1	21.9
Cash flow from operating activities, EUR million	17.7	10.6	19.1
Cash flow after investments, EUR million	-14.4	-1.2	-0.3
Average number of personnel	2 503	2 363	4 385
Personnel at the end of the period	3 047	2 905	4 470

Group balance sheet

Total statement of financial position EUR 213.8 million

9/2016 vs. 12/2015:

Equity ratio: 47.3 % (50.5 %)

Gearing: 26.8 (25.2)

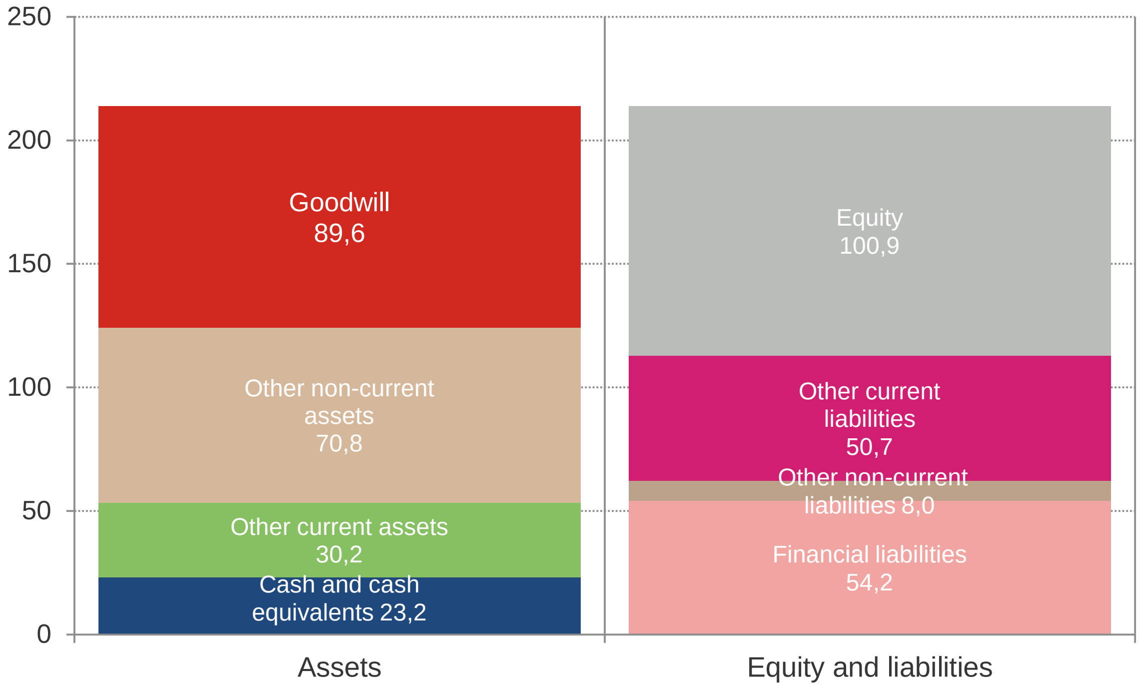
Net debt / EBITDA:
1.1x (1.9x)

Interest-bearing net debt: 27.0 M€ (23.5 M€)

Unused commited credit limits: 45.5 M€ (58.0 M€)

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

Goodwill to equity: 89% (81%)



Operating segments Q3

Private clinics and specialized care

- Revenue increased to EUR 48.6 (26.8) million
- Revenue increased especially due to public specialized care, acquisitions and occupational healthcare
- EBIT EUR -0.2 (-0.1) million – the period was burdened by a non-recurring compensation of EUR 0.9 million related to a production agreement of the Surgical Operations service area

Primary and social care

- Revenue increased to EUR 46.9 (24.8) million
- Revenue growth was mainly due to Kuusiokunnat and Jämsä social and healthcare outsourcing contracts
- EBIT EUR 4.4 (0.8) million – profitability improved especially due to Jämsä, Kuusiokunnat and Mänttä-Vilppula social and healthcare outsourcing contracts

Operating segment key figures Q3

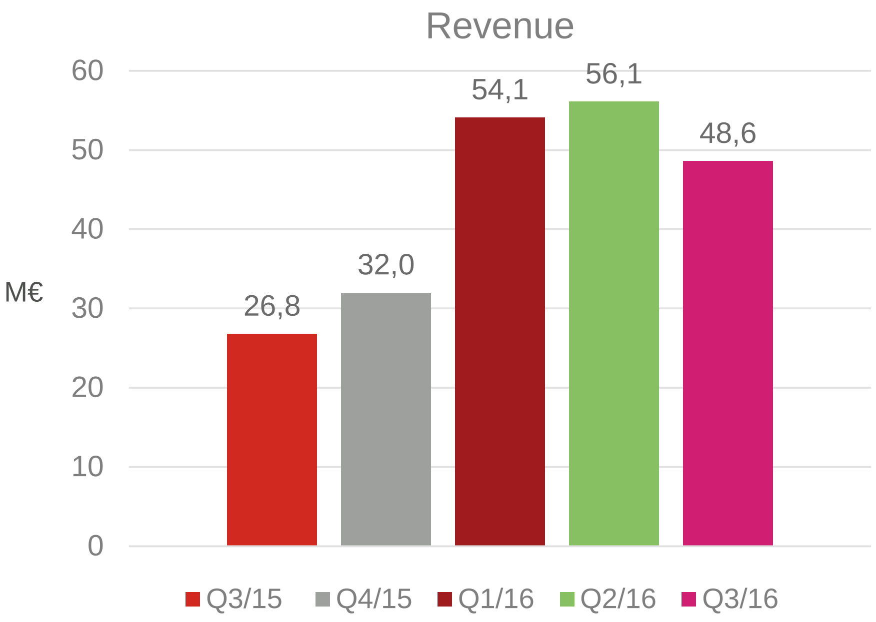
C&S

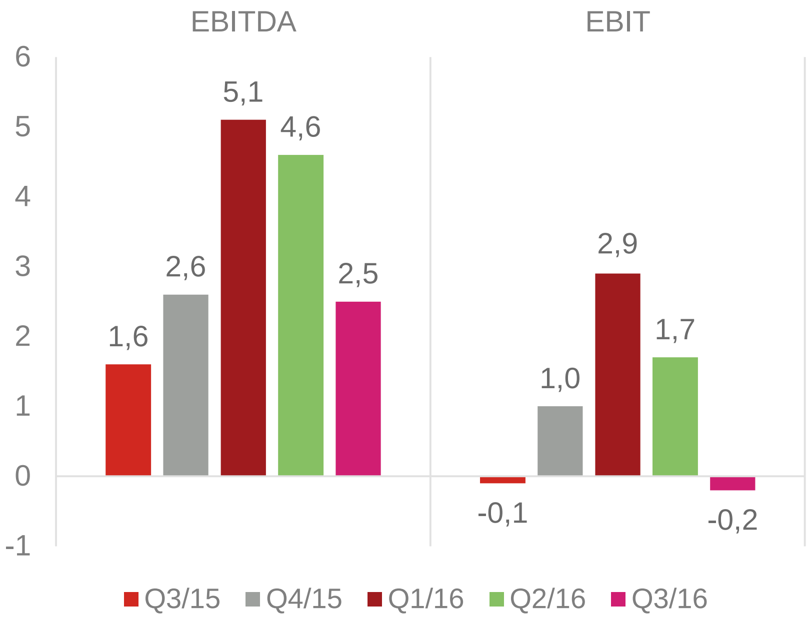
C&S segment	2015	Q3/15	Q3/16	change %
Revenue	119.5	26.8	48.6	81
EBITDA	9.2	1.6	2.5	
EBITDA %	7.7	5.8	5.1	
EBIT	2.8	-0.1	-0.2	
EBIT %	2.3	-0.5	-0.4	

P&S

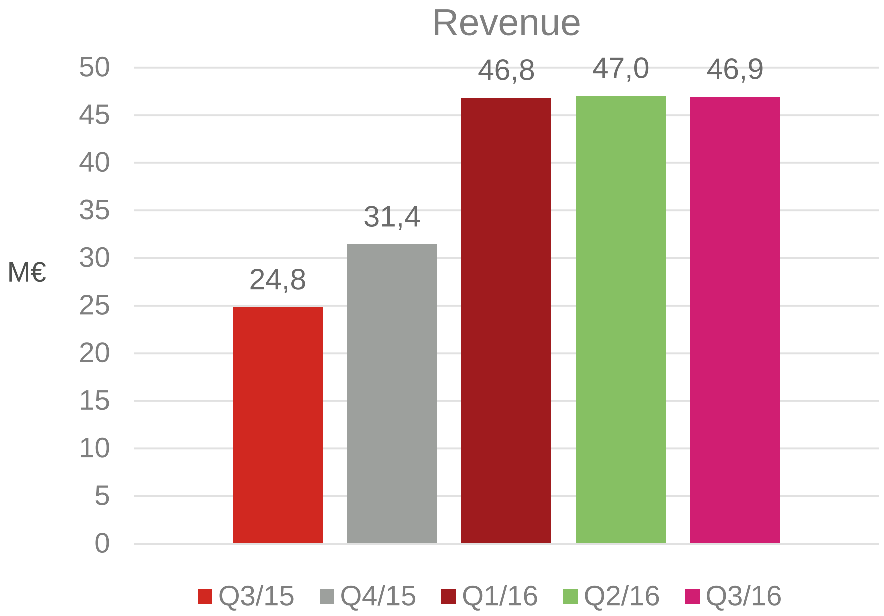
P&S segment	2015	Q3/15	Q3/16	change %
Revenue	96.8	24.8	46.9	89
EBITDA	3.9	1.3	4.9	
EBITDA %	4.1	5.2	10.6	
EBIT	2.3	0.8	4.4	
EBIT %	2.4	3.2	9.5	

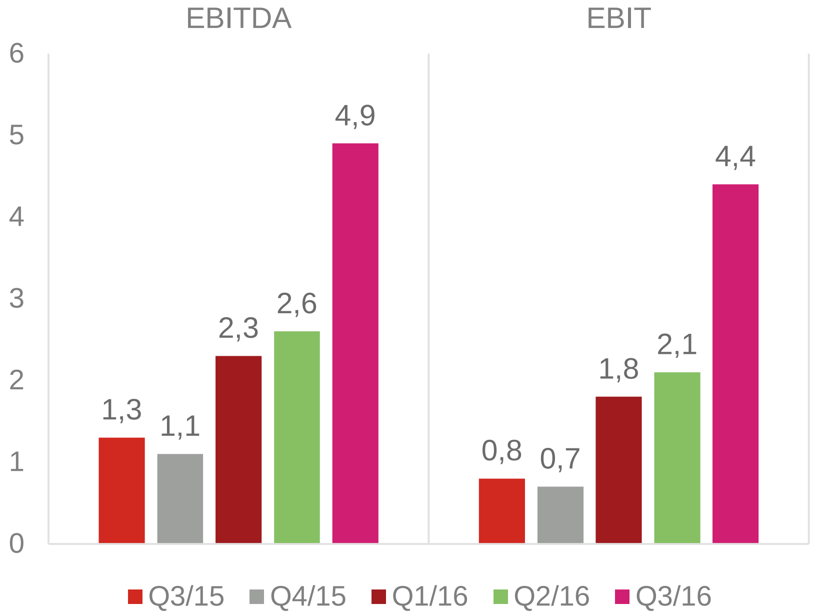
C&S segment key figures





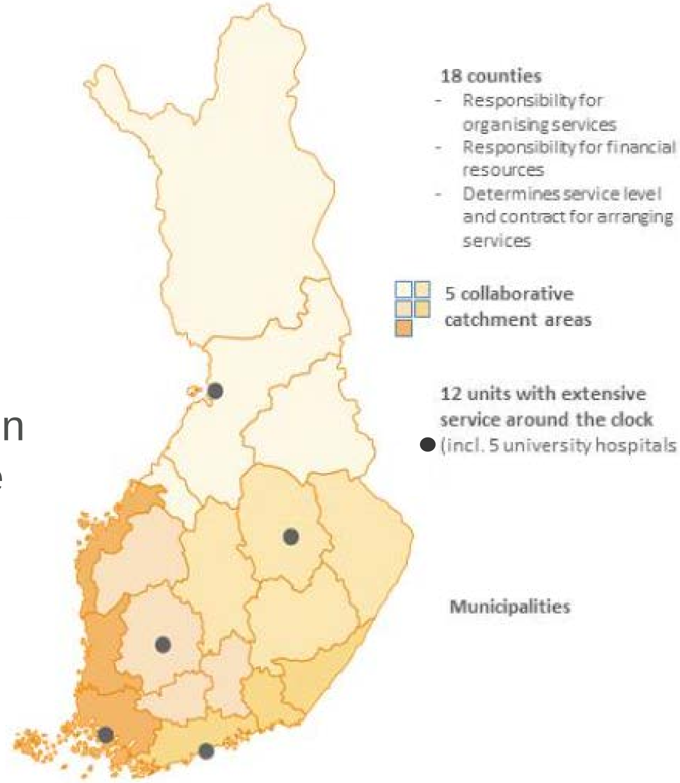
P&S segment key figures





Reform legislation proceeds

- Commenting round for the law proposal on reforming health and social services ended on 9 November
- The content of the bill is largely the same as the draft published in the summer
- Big regional cities and the metropolitan area have been critical towards the reform because in their opinion the proposal does not pay attention to big cities’ special position
- Many municipalities and the Association of Finnish Local and Regional Authorities still want municipalities to have the possibility to provide services



Model for freedom of choice prepared

- Public servants' draft for the freedom of choice model was published on 10 October, updated on 4 November
- The draft proposes introduction of freedom of choice in two phases
    - The first phase on 1 January 2019 would include only the most common primary care services
    - In the second phase on 1 January 2021 also private social and healthcare producers could evaluate patients' need for services (initially done by regional service facility)
- In Pihlajalinna's opinion a larger proportion of primary care, as well as polyclinic specialised care, should be immediately opened for competition – otherwise people in need of continuous care would have to queue to a regional service facility. In the public servants' model, regional service facility would have an extensive role as a gatekeeper.
- In social services, it would be mandatory for the regions to use personal budgeting which would expand freedom of choice for example to the housing services for the disabled and the elderly
- The law proposal for freedom of choice is supposed to start circulating for official comments in November–December

Current market situation

- Tervola municipal council chose Pihlajalinna as partner for the municipality's social and healthcare services. The decision was returned to the Council for a second examination because the Municipal Board deemed that decision-makers who were disqualified had participated in making the Council's decision. The municipality's population is about 3,200 and the contract's value is about EUR 13 million per year.
- The City of Kouvola has made preparations for outsourcing its social and healthcare services, and Pihlajalinna participates in the tendering. The population of the region of Kouvola is 86,000. The City of Kouvola has estimated that the value of the potential outsourcing contract would be EUR 84 million per year.
- Pihlajalinna participates in the tendering for the social and healthcare services of the Joint Municipal Welfare Authority in Forssa District. The population of the region is appr. 34,500. The Authority has estimated that the value of the possible complete outsourcing contract would be EUR 95–115 million per year. The scope of the contract might change.
- Pihlajalinna participates in the tendering process for the social and healthcare services of the municipality of Hattula. Hattula has a population of slightly under 10,000. The municipality has estimated that the value of the potential outsourcing contract would be around EUR 7–8 million.
- Many municipalities are interested in joining current outsourcings of other municipalities and joint municipal authorities.
- Pihlajalinna did not submit an offer in the tendering for Tesoma welfare center in Tampere

Pihlajalinna revenue outlook adjusted – financial targets remain unchanged

Short term guidance

In 2016, consolidated revenue is expected to be approximately EUR 400 million and the adjusted EBIT margin is expected to improve compared to 2015

In the financial year 2015, the adjusted EBIT margin was 2.1 per cent

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!