



Pihlajalinna

Interim report Q3 5 November 2019

Joni Aaltonen, CEO
5 November 2019

Q3 2019: Profitability strengthened by efficiency improvement and revenue growth

- Revenue amounted to EUR 122.7 (116.3) million – an increase of 5.5%, organic growth of 3.7%
- Adjusted EBITDA was EUR 17.4 (14.2) million – an increase of 21.9%
- Adjusted operating profit (EBIT) was EUR 9.3 (6) million – an increase of 53.5 per cent
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.1 (1.3) million on operating profit
- Earnings per share (EPS) was EUR -0.06 (0.10)
- A non-recurring expense of EUR 7.9 million recognised in relation to the efficiency improvement programme is reported as an adjustment item affecting comparability
- 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.

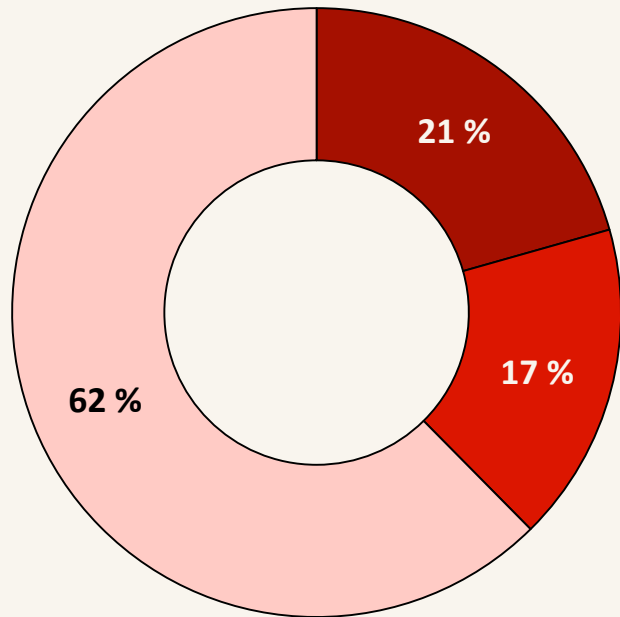
Q3 2019: Main points by region

EUR million	7–9/2019	%	7–9/2018	%	2018	%
Southern Finland	26.0	19	25.9	20	107.6	20
Mid-Finland	77.8	56	73.4	57	311.9	57
Ostrobothnia	28.6	21	26.8	21	108.8	20
Northern Finland	3.3	2	2.6	2	12.3	2
Other operations	2.4	2	0.8	1	4.8	1
Intra-Group sales	-15.4		-13.2		-57.6	
Total consolidated revenue	122.7	100	116.3	100	487.8	100

- Southern Finland: + 1%. In Southern Finland, revenue grew due to an increase in customer volumes in private clinics in the Turku region.
- Mid-Finland: + 6%. The revenue for the region was increased by the acquisition of Terveyspalvelu Verso at the turn of the year, along with the increased demand for occupational health services and the favourable development of patient guidance by insurance companies.
- Ostrobothnia: + 7%. Residential services for the elderly and mentally disabled in Laihia and the private clinic opened in Vaasa contributed to an increase in revenue for the area.
- Northern Finland: + 28%. The private clinic opened in Oulu in January 2018, Stora Enso and the municipality of Kolari as occupational healthcare customers as well as the opening of a new clinic in Rovaniemi increased the area's revenue.

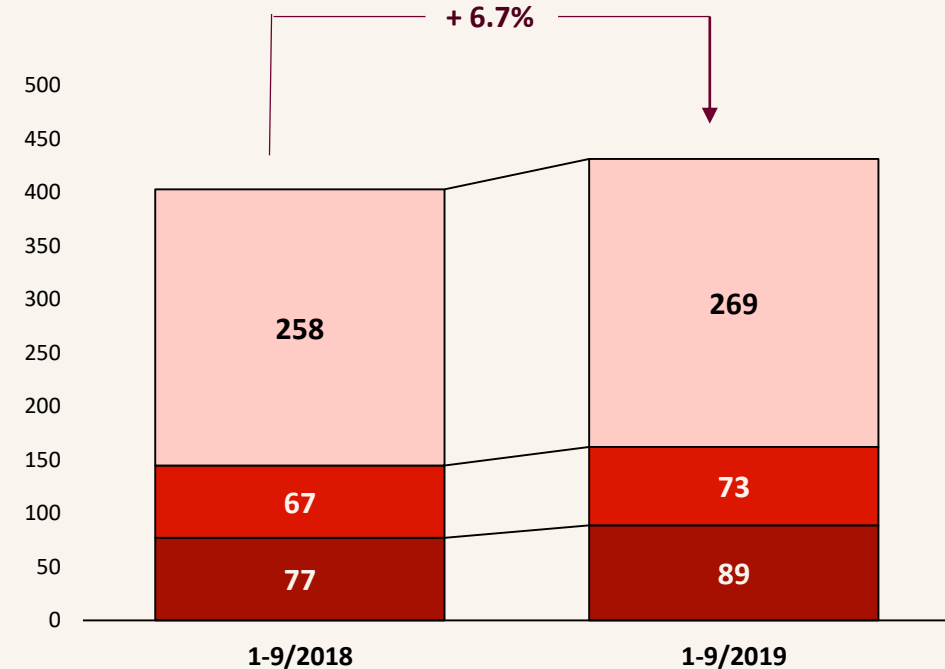
Revenue by customer group January–September

REVENUE BY CUSTOMER GROUP, CUM
2019, %



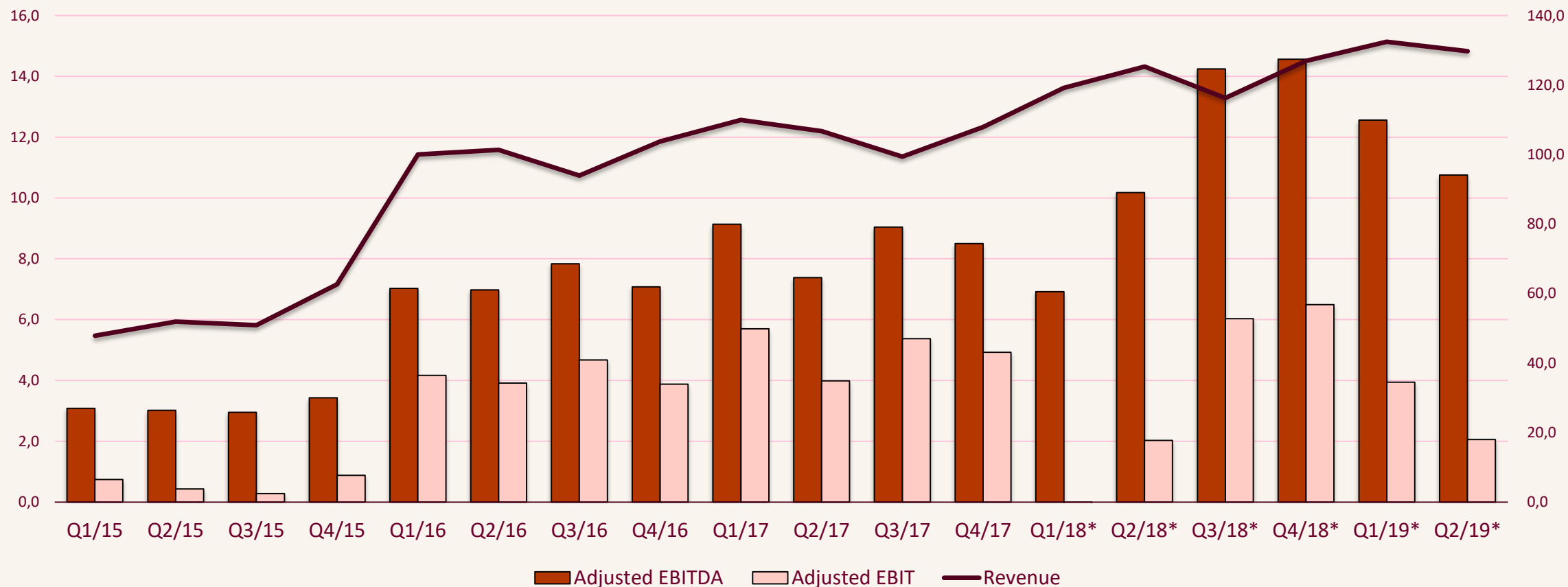
■ Corporate customers ■ Private customers ■ Public sector

REVENUE BY CUSTOMER GROUP, EUR
MILLION



■ Corporate customers ■ Private customers ■ Public sector

Development of profitability, EUR million



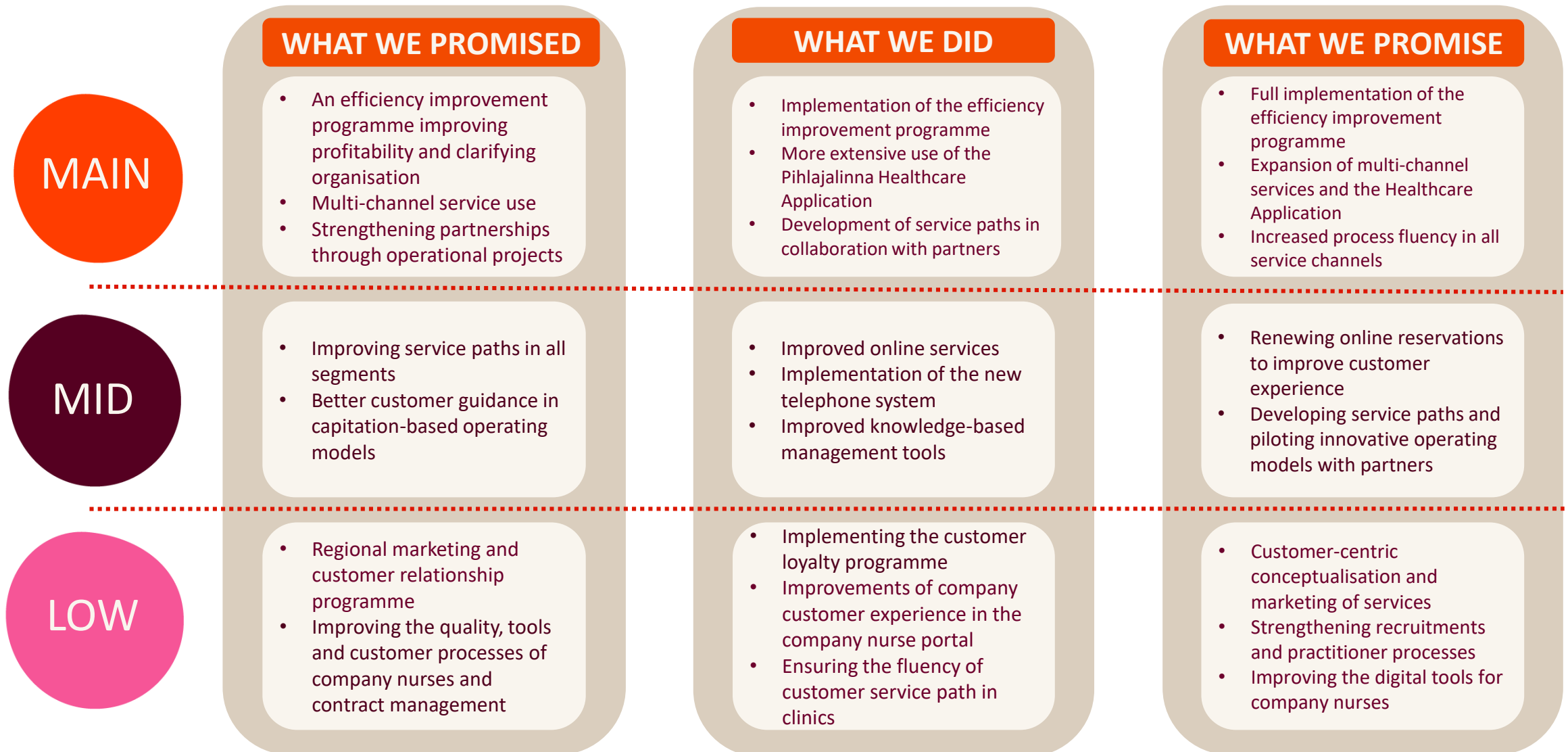
* Pihlajalinna adopted the new IFRS 16 Leases standard fully retrospectively on 1 January 2019. Restated comparable financial figures were published on 18 April 2019 for each reporting period in 2018.

Consolidated statement of comprehensive income

– IFRS16 bridge calculation

EUR million	1–9/2019 without the effect of IFRS 16	Effect of IFRS 16	1–9/2019 reported	1–9/2018 without the effect of IFRS 16	Effect of IFRS 16	1–9/2018 reported reference period
Revenue	384.8	0.0	384.8	360.8	0.0	360.8
Other operating income	1.1	-0.2	0.9	2.4	-0.1	2.3
Materials and services	-146.3	0.0	-146.3	-141.1	0.0	-141.1
Employee benefit expenses	-167.0	0.0	-167.0	-155.1	0.0	-155.1
Other operating expenses	-52.8	15.8	-37.0	-46.5	10.3	-36.2
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	19.9	15.7	35.5	20.6	10.1	30.7
Depreciation, amortisation and impairment	-13.9	-15.2	-29.0	-13.7	-9.7	-23.4
Operating profit (EBIT)	6.0	0.5	6.5	6.8	0.5	7.3
Financial income	0.1	0.0	0.1	0.1	0.0	0.1
Interest expenses on right-of-use assets	-0.7	-0.8	-1.5	-0.8	-0.7	-1.4
Financial expenses	-1.6	0.0	-1.6	-1.4	0.0	-1.4
Profit before taxes	3.9	-0.3	3.6	4.8	-0.2	4.5
Income tax	-1.3	0.1	-1.2	-1.5	0.0	-1.4
Profit for the period	2.6	-0.2	2.4	3.3	-0.2	3.1
Total comprehensive income for the period	2.6	-0.2	2.4	3.3	-0.2	3.1
Total comprehensive income for the period attributable:						
To the owners of the parent company	-0.1	-0.2	-0.3	1.1	-0.2	0.9
To non-controlling interests	2.7	0.0	2.7	2.2	0.0	2.2
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	-0.01	-0.01	-0.01	0.05	-0.01	0.04

The Group's operational projects



Efficiency improvement programme

- The employee cooperation negotiations held as part of the efficiency improvement programme were completed in August. The negotiations resulted in the termination of some 180 positions, mainly through dismissals. The number of redundancies was smaller than initially estimated.
- Besides eliminating staff positions, Pihlajalinna also enhanced its management system and administration by such means as streamlining and centralising operations at its Head Office in Tampere.
- The group also combined establishments, eliminated duplication of operations and improved general cost management.





Q4–Q1 actions to improve profitability

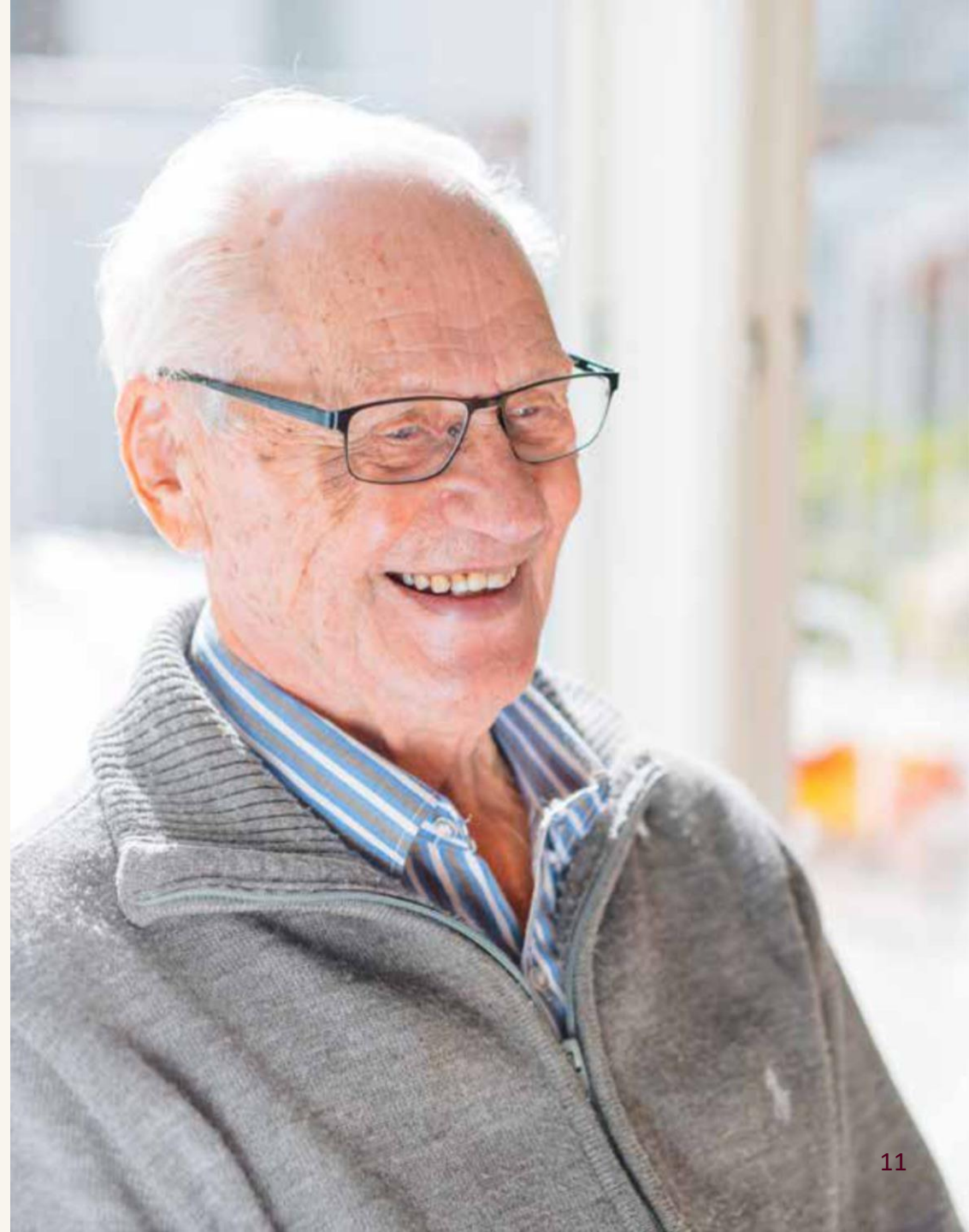
- **New customer acquisition as a result of increased municipal activity**
- **Expansion of cooperation with Pohjola to cover the entire Pihlajalinna private clinic network**
- **Beginning private clinic operation at acquired occupational healthcare business locations**
- **Strengthening private clinic customer flows and ensuring the efficiency and profitability of operations**
- **Regionally strengthening general practitioner and medical specialist services at brick-and-mortar locations and by using mobile services, establishing remote services as a part of service chain.**

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.
- As part of the health and social services reform, the Health and Social Services Centres of the Future programme was launched

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.
- In its municipal outsourcing, Pihlajalinna has already implemented many of the actions specified as objectives in the Health and Social Services Centres of the Future programme
- Pihlajalinna's partnerships with municipalities and hospital districts 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.
- The situation in the private market remains unchanged. The occupational healthcare market is expected to grow as many municipalities and other public sector entities are interested in divesting the occupational healthcare providers they currently own.



Outlook for 2019

Pihlajalinna's consolidated revenue in 2019 is expected to increase from the 2018 level.

Adjusted EBIT is expected to improve clearly compared to 2018.

Pihlajalinna's financial reporting in 2020

- Financial statements bulletin 2019: Friday, 14 February 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!

