



Pihlajalinna

INTERIM REPORT

1 January – 30 September 2019



Profitability strengthened by efficiency improvement and revenue growth

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.

The figures in this interim report are unaudited.

A brief look at July–September:

- 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 EBIT was EUR 9.3 (6.0) million
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 1.1 (1.3) million on operating profit
- 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
- Earnings per share (EPS) was EUR -0.06 (0.10)

A brief look at January–September:

- Revenue amounted to EUR 384.8 (360.8) million – an increase of 6.7%, organic growth of 2.6%
- Adjusted EBITDA was EUR 40.7 (31.3) million – an increase of 29.8%
- Adjusted EBIT was EUR 15.3 (8.0) million
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 3.7 (5.3) million on operating profit
- The number of personnel at the end of the review period was 5,936 (5,867)
- Earnings per share (EPS) was EUR -0.01 (0.04)

KEY FIGURES	7–9/2019 3 months	7–9/2018 3 months	1–9/2019 9 months	1–9/2018 9 months	2018 12 months
INCOME STATEMENT					
Revenue, EUR million	122.7	116.3	384.8	360.8	487.8
EBITDA, EUR million	12.9	14.3	35.5	30.7	44.8
EBITDA, %	10.5	12.3	9.2	8.5	9.2
Adjusted EBITDA, EUR million*	17.4	14.2	40.7	31.3	45.9
Adjusted EBITDA, %*	14.2	12.3	10.6	8.7	9.4
Operating profit (EBIT), EUR million	1.4	6.0	6.5	7.3	13.2
Operating profit, %	1.1	5.2	1.7	2.0	2.7
Adjusted operating profit (EBIT), EUR million*	9.3	6.0	15.3	8.0	14.4
Adjusted operating profit, %*	7.5	5.2	4.0	2.2	3.0
Profit before tax (EBT), EUR million	0.4	5.1	3.6	4.5	9.5
SHARE-RELATED INFORMATION					
Earnings per share (EPS), EUR	-0.06	0.10	-0.01	0.04	0.16
Equity per share, EUR			5.19	5.24	5.36
OTHER KEY FIGURES					
Return on capital employed (ROCE), %			3.5	4.3	4.6
Return on equity (ROE), %			4.6	5.8	5.7
Equity ratio, %			30.4	30.1	29.9
Gearing, %			153.6	145.6	136.6
Interest-bearing net debt, EUR million			197.9	184.8	178.0
Net debt/adjusted EBITDA, 12 months*			3.6	4.4	3.9
Gross investments, EUR million**	8.6	4.4	31.0	143.5	160.1
Cash flow from operating activities, EUR million	2.6	7.4	17.1	17.1	41.2

Cash flow after investments, EUR million	-1.0	5.4	2.0	-30.7	-18.8
Average number of personnel (FTE)			4,713	4,460	4,868
Personnel at the end of the period (NOE)			5,936	5,867	5,850

* Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between review periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships as well as fines and corresponding compensation payments. Pihlajalinna does not recognise adjustments affecting comparability for acquisition-related transfer taxes and expert fees (IFRS 3 costs) or purchase price allocation (PPA) amortisation.

EBITDA adjustments amounted to EUR 4.4 (0.0) million for the quarter and EUR 5.1 (0.6) million for the review period. Adjustments to operating profit amounted to EUR 7.9 (0.0) million for the quarter and EUR 8.7 (0.6) million for the review period.

** Assets acquired via leases are regarded as equal to assets acquired by the Group itself, meaning that right-of-use assets pursuant to IFRS 16 are included in gross investments.

Pihlajalinna's outlook for 2019 unchanged

Pihlajalinna's consolidated revenue is expected to increase from the 2018 level. Adjusted EBIT is expected to improve clearly compared to 2018. Revenue in 2018 amounted to EUR 487.8 million and adjusted EBIT was EUR 14.4 million.

In June, the group launched an efficiency improvement programme to achieve annual cost savings of approximately EUR 17 million. The reduction in costs for September–December 2019 achieved through the efficiency improvement programme are estimated to be approximately EUR 5 million. A non-recurring expense of EUR 7.9 million was recognised in relation to the efficiency improvement programme and reported as an adjustment item affecting comparability.

Joni Aaltonen, CEO of Pihlajalinna:

The effects of the efficiency improvement programme launched in June can be seen as improved profitability in the third quarter. The improvement of profitability is also supported by revenue growth. Quarterly revenue grew by 5.5% year-on-year. Organic revenue growth was 3.7%.

The employee co-operation negotiations held as part of the efficiency 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.

The growth of revenue from occupational healthcare services is particularly evident in the third quarter, but the volume derived from other new agreements, such as the co-operation with Pohjola, did not have a notable impact yet. The number of people within the scope of the group's occupational healthcare services rose to about 200,000. This represents year-on-year growth of over 30%. Going forward, we expect to see growth in occupational healthcare services particularly from the occupational healthcare services maintained by non-profit organisations and public sector entities being transferred to private service providers. Service development, tools for employers and digital services give private service providers a stronger opportunity to increase their share of the occupational healthcare market.

Pihlajalinna and Pohjola Insurance Ltd signed a co-operation agreement on 31 May 2019. The partnership was launched with pilot projects in two municipalities. Based on the highly successful piloting, Pohjola Insurance has approved Pihlajalinna as a national service provider for its multi-supplier model. Pihlajalinna will continue to supply services under the co-operation agreement, which does not commit the buyer to any specific purchasing volume. Pihlajalinna estimates that annual revenue of some EUR 5–10 million could be achieved under the co-operation agreement.

A new fitness testing and clinical exercise physiology laboratory was established at the Pihlajalinna Dextra Sports Clinic in Munkkivuori. The test station is a new initiative to combine healthcare services and sports and it complements the services of the sports clinic as well as the fitness centre services of Pihlajalinna Forever. This kind of wide-ranging and high-quality combination of health and sports services is still rare in Finland. A Kuopio-based fitness centre joined Pihlajalinna's chain of fitness centres in August. These measures represent continued progress on Pihlajalinna's path to becoming a leading exercise and wellbeing operator in Finland.

Municipalities have clearly become increasingly active in making their own decisions on social and healthcare services. Negotiations are currently under way with several municipalities and joint municipal authorities. Kristiinankaupunki organised a tendering process for part of its social and healthcare services, and Pihlajalinna won the tender. The contract negotiations are currently under way and the agreement is subject to confirmation by the city council. The duration of the agreement is 15 years at a minimum and at most 20 years. According to the tendering documentation, the value of the agreement is approximately EUR 90 million, not taking index adjustments into account. The municipality of Pello has also started a tendering process, and the municipality of Askola has initiated an assessment regarding outsourcing. Vesilahti and Ruovesi are in negotiations to join the Mänttä-Vilppula partnership area, which would see Mänttävuoren Terveys expand its services to include the municipalities in question.

Pihlajalinna is well positioned in private clinic services as well as in public services, which will grow due to the ageing of the population. Profitability improvement enables further investments in service development, smooth use of services and improving the customer experience. This will strengthen Pihlajalinna's market position. Digital service development will continue. Online services and the booking of appointments, among other things, are developed even more user-friendly.

In other industries, private corporations play a strong role in innovation and the development of technologies and services. These development efforts ultimately benefit Finnish society as a whole. Why would the social and healthcare service sector be any different? Can we afford to treat it differently?

Revenue by business area

Pihlajalinna's geographical business areas are Southern Finland, Mid-Finland, Ostrobothnia and Northern Finland.

- Southern Finland includes Pihlajalinna's business operations in the regions of Uusimaa, South West Finland, Päijät-Häme, Kymenlaakso and South Karelia.
- Mid-Finland includes Pihlajalinna's business operations in the regions of Pirkanmaa, Satakunta, Kanta-Häme, Central Finland, South Savo, North Karelia and North Savo.
- Ostrobothnia includes Pihlajalinna's business operations in the regions of Southern Ostrobothnia, Ostrobothnia and Central Ostrobothnia.
- Northern Finland includes Pihlajalinna's business operations in the regions of North Ostrobothnia, Kainuu and Lapland.

July–September 2019

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

Revenue for Southern Finland for the quarter amounted to EUR 26.0 (25.9) million, an increase of EUR 0.2 million, or 1%. In Southern Finland, revenue grew due to increased customer volumes in private clinics in the Turku region.

Revenue in Mid-Finland amounted to EUR 77.8 (73.4) million, an increase of EUR 4.3 million, or 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 healthcare services and the favourable development of patient guidance by insurance companies.

The revenue of the Ostrobothnia business area amounted to EUR 28.6 (26.8) million, an increase of EUR 1.8 million, or 7%. Residential services for the elderly and mentally disabled in Laihia contributed to an increase in revenue for the area.

Revenue in Northern Finland amounted to EUR 3.3 (2.6) million, an increase of EUR 0.7 million, or 28%. The private clinic opened in Oulu in January 2018 increased the area's revenue.

January–September 2019

EUR million	1-9/2019	%	1-9/2018	%	2018	%
Southern Finland	87.1	20	78.1	19	107.6	20
Mid-Finland	241.6	56	232.6	58	311.9	57
Ostrobothnia	85.7	20	80.2	20	108.8	20
Northern Finland	10.8	3	9.1	2	12.3	2
Other operations	5.8	1	2.8	1	4.8	1
Intra-Group sales	-46.1		-42.0		-57.6	
Total consolidated revenue	384.8	100	360.8	100	487.8	100

In Southern Finland, revenue for the review period amounted to EUR 87.1 (78.1) million, an increase of EUR 9.0 million, or 11%. In Southern Finland, growth in revenue was mainly due to the acquisition of Doctagon and the Forever fitness centre chain in the previous year as well as an increase in customer volumes in private clinics in the Turku region and growth in the demand for occupational health services in the Helsinki Metropolitan Area.

Revenue in Mid-Finland amounted to EUR 241.6 (232.6) million, an increase of EUR 9.0 million, or 4%. Revenue was increased by the acquisition of Terveyspalvelu Verso, price adjustments implemented in accordance with the social and healthcare outsourcing agreements, the increased demand for occupational healthcare services, the acquisition of Linnan Klinikka and the higher occupancy ratio for Pihlajalinna Special Housing Services.

Revenue for Ostrobothnia was EUR 85.7 (80.2) million, an increase of EUR 5.5 million, or 7%. Revenue for the area was increased by providing residential services for the elderly and mentally disabled in Laihia and price adjustments in accordance with the social and healthcare outsourcing agreement.

Revenue in Northern Finland amounted to EUR 10.8 (9.1) million, an increase of EUR 1.7 million, or 18%. The private clinic opened in Oulu in January 2018 increased the area's revenue.

Revenue by customer group

Pihlajalinna's customer groups are corporate customers, private customers and public sector customers.

- The Group's corporate customer group consists of Pihlajalinna's occupational healthcare customers, insurance company customers and other corporate contract customers with the exception of public sector occupational healthcare customers.
- The Group's private customers are private individuals who pay for services themselves and may subsequently seek compensation from their insurance company.
- The Group's public sector customer group consists of public sector organisations in Finland, such as municipalities, joint municipal authorities, congregations, hospital districts and the public administration when purchasing social and healthcare outsourcing services, residential services, occupational healthcare services and staffing services.

July–September 2019

EUR million	7– 9/2019	%	7– 9/2018	%
Corporate customers	27.0	20	22.8	18
of which insurance company customers	5.9	4	5.3	4
Private customers	21.1	15	21.0	16
Public sector	90.0	65	85.7	66
Intra-Group sales	-15.4		-13.2	
Total consolidated revenue	122.7	100	116.3	100

Revenue from corporate customers amounted to EUR 27.0 (22.8) million, an increase of EUR 4.2 million, or 18%. Sales to insurance company customers increased by EUR 0.6 million, or 11%. The revenue for the quarter was increased by the Stora Enso account, which began this year, and the acquisition of Terveyspalvelu Verso in late 2018.

Revenue from private customers amounted to EUR 21.1 (21.0) million, an increase of EUR 0.1 million, or 1%. Sales to private clinic customers grew over 8% year-on-year.

Revenue from the public sector amounted to EUR 90.0 (85.7) million, an increase of EUR 4.3 million, or 5%. Revenue was increased by the start of residential service provision in Laihia in September 2018 and price adjustments in accordance with the social and healthcare outsourcing agreements. The sales of occupational healthcare services to public sector customers also increased.

January–September 2019

EUR million	1– 9/2019	%	1– 9/2018	%	2018	%
Corporate customers	88.8	21	77.2	19	105.6	19
of which insurance company customers	19.7	5	18.5	5	25.2	5
Private customers	73.2	17	67.4	17	92.0	17
Public sector	268.9	62	258.1	64	347.7	64
Intra-Group sales	-46.1		-42.0		-57.6	
Total consolidated revenue	384.8	100	360.8	100	487.8	100

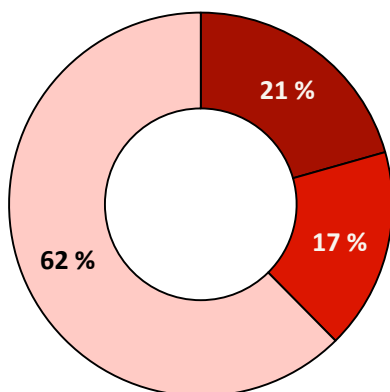
Revenue from corporate customers amounted to EUR 88.8 (77.2) million, an increase of EUR 11.6 million, or 15%. Sales to insurance company customers increased by EUR 1.2 million, or 7%. The revenue for the review period was increased by the Stora Enso account, which began this year, and the acquisition of Terveyspalvelu Verso in late 2018.

Revenue from private customers amounted to EUR 73.2 (67.4) million, an increase of EUR 5.7 million, or 8%. The growth in revenue was due to higher sales to private clinic customers and the acquisition of the Forever fitness centre chain.

Revenue from the public sector amounted to EUR 268.9 (258.1) million, an increase of EUR 10.7 million, or 4%. Revenue was increased by the start of residential service provision in Laihia in September 2018, price adjustments in accordance with the social and healthcare outsourcing agreements and the acquisition of Doctagon in March 2018 (responsible doctor services).

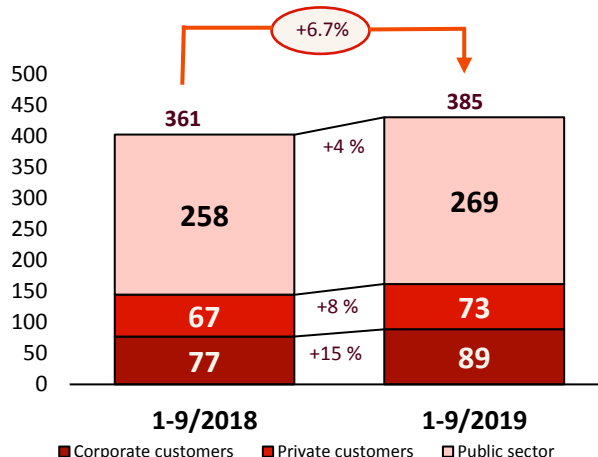
Revenue by customer group January–September 2019

REVENUE BY CUSTOMER GROUP 2019, %



■ Corporate customers ■ Private customers □ Public sector

REVENUE BY CUSTOMER GROUP, EUR MILLION



■ Corporate customers ■ Private customers □ Public sector

Consolidated revenue and result

July–September 2019

Pihlajalinna's revenue for the quarter amounted to EUR 122.7 (116.3) million, an increase of EUR 6.4 million, or 5.5%, compared to the corresponding period last year. Organic revenue growth was EUR 4.4 million, or 3.7%. Revenue grew by EUR 2.0 million, or 1.7%, as a result of M&A transactions. The most significant factor contributing to revenue growth was the acquisition of Terveyspalvelu Verso in late 2018.

EBITDA was EUR 12.9 (14.3) million, a decrease of EUR 1.3 million, or 9.4%. EBITDA was weighed down by a non-recurring expense of EUR 4.4 million recognised in relation to the efficiency improvement programme and reported as an adjustment item affecting comparability. The non-recurring expense affecting EBITDA consists of a restructuring provision of EUR 2.6 million and a provision of EUR 1.8 million concerning onerous contracts.

Adjusted EBITDA was EUR 17.4 (14.2) million, an increase of EUR 3.1 million, or 21.9%. EBITDA adjustments amounted to EUR 4.4 (0.0) million. Profitability during the otherwise quiet summer months was improved particularly by fixed-price occupational healthcare.

Depreciation, amortisation and impairment amounted to EUR 11.5 (8.2) million. Impairment of EUR 3.4 million was recognised on right-of-use assets related to business premises as a result of the efficiency improvement programme. The item in question is reported as an adjustment item affecting comparability.

Depreciation of intangible assets amounted to EUR 1.8 (1.8) million, of which depreciation related to purchase price allocations amounted to EUR 1.1 (1.3) million. Depreciation of property, plant and equipment amounted to EUR 1.6 (2.0) million. For right-of-use assets, depreciation amounted to EUR 4.6 (4.4) million and impairment amounted to EUR 3.4 (0.0) million.

Pihlajalinna's EBIT was EUR 1.4 (6.0) million, a decrease of EUR 4.7 million. EBIT was weighed down by non-recurring expenses amounting to EUR 7.9 million recognised in relation to the efficiency improvement programme and reported as adjustment items affecting comparability. Adjusted EBIT amounted to EUR 9.3 (6.0) million, an increase of EUR 3.2 million. The adjusted EBIT margin was 7.5% (5.2%).

Pihlajalinna's revenue from public specialised care included in the complete outsourcing of social and healthcare services was EUR 21.9 (21.6) million. The EBITDA for public specialised care was EUR 1.8 (1.4) million with an EBIT of EUR 1.8 (1.3) million. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care and operational economy surplus refunds may influence the costs of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The group's net financial expenses amounted to EUR -1.0 (-1.0) million. Profit before taxes amounted to EUR 0.4 (5.1) million, a decrease of EUR 4.6 million. Taxes in the income statement amounted to EUR -0.3 (-1.2) million. Profit was EUR 0.1 (3.9) million. Earnings per share (EPS) was EUR -0.06 (0.10).

January–September 2019

Pihlajalinna's revenue during the review period amounted to EUR 384.8 (360.8) million, an increase of EUR 24.0 million, or 6.7%, compared to the corresponding period last year. Revenue increased by EUR 14.5 million, or 4.0%, as a result of M&A transactions. The most significant factors contributing revenue growth were the acquisition of Terveyspalvelu Verso in late 2018 and the acquisitions of the Forever fitness centre chain and Doctagon during the first quarter last year. Organic revenue growth was EUR 9.5 million, or 2.6%.

EBITDA was EUR 35.5 (30.7) million, an increase of EUR 4.8 million, or 15.8%. EBITDA was weighed down by a non-recurring expense of EUR 4.4 million recognised in relation to the efficiency improvement programme and reported as an adjustment item affecting comparability. The non-recurring expense affecting EBITDA consists of a restructuring provision of EUR 2.6 million and a provision of EUR 1.8 million concerning onerous contracts.

Adjusted EBITDA was EUR 40.7 (31.3) million, an increase of EUR 9.3 million, or 29.8%. EBITDA adjustments amounted to EUR 5.1 (0.6) million. Adjusted EBITDA increased by EUR 2.3 million as the result of M&A transactions. Public specialised care and the growth of occupational healthcare services increased EBITDA.

Depreciation, amortisation and impairment amounted to EUR 29.0 (23.4) million, an increase of EUR 5.6 million. Impairment of EUR 3.4 million was recognised on right-of-use assets related to business premises as a result of the efficiency improvement programme. The item in question is reported as an adjustment item affecting comparability.

Depreciation of intangible assets amounted to EUR 5.5 (5.2) million, of which depreciation related to purchase price allocations amounted to EUR 3.4 (3.8) million. Depreciation of property, plant and equipment amounted to EUR 5.6 (5.7) million. For right-of-use assets, depreciation amounted to EUR 14.5 (12.5) million and impairment amounted to EUR 3.4 (0.0) million.

Pihlajalinna's EBIT was EUR 6.5 (7.3) million, a decrease of EUR 0.8 million. EBIT was weighed down by non-recurring expenses amounting to EUR 7.9 million recognised in relation to the efficiency improvement programme and reported as adjustment items affecting comparability. Adjusted EBIT amounted to EUR 15.3 (8.0) million, an increase of EUR 7.3 million. The adjusted EBIT margin was 4.0% (2.2%).

Pihlajalinna's revenue from public specialised care included in the complete outsourcing of social and healthcare services was EUR 65.8 (64.7) million. The EBITDA of public specialised care was EUR 3.2 (0.1) million with an EBIT of EUR 3.0 (-0.1) million. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care and operational economy surplus refunds may influence the costs of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The group's net financial expenses amounted to EUR -2.9 (-2.8) million. Profit before taxes amounted to EUR 3.6 (4.5) million. Taxes in the income statement amounted to EUR -1.2 (-1.4) million. Profit was EUR 2.4 (3.1) million. Earnings per share (EPS) amounted to EUR -0.01 (0.04).

Seasonal variation

Pihlajalinna's business operations are to a certain extent influenced by seasonal fluctuations. Pihlajalinna's complete outsourcing for social and healthcare services and other fixed-price invoicing is accompanied by a steady period of recognition of revenue as income. During the summer holidays, especially in July, staff costs related to such agreements are reduced and profitability improves mainly due to wage accruals. On the other hand, service demand by Pihlajalinna's private and corporate customers is lower and profitability is weaker during holiday seasons, especially in July, August and December. At the quarterly level, seasonal fluctuations have historically had a positive effect on profitability for the third quarter of the year.

Market and legislative review

In October 2019, the Finnish government provided additional information on the upcoming health and social services reform. The objectives of the health and social services reform will be to reduce inequalities in health and wellbeing, safeguard equal and quality health and social services for all and improve the availability and accessibility of services, especially at the basic level. Further objectives are to ensure the availability of skilled labour, respond to the challenges of changes in society and curb the growth of costs.

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.

The focus of the healthcare and social welfare system will be shifted towards basic-level services and prevention to reduce the need for specialised care and demanding special services. The public sector will be the primary service provider in the counties, with the private and third sectors serving as supplementary service providers. Pihlajalinna's view is that partnerships between the public sector and private corporations are a good solution for satisfying the growing demand.

The legislation associated with the health and social services reform will be drafted in co-operation between various ministries. Special arrangements for Uusimaa will be studied as part of the reform of health and social services. A separate assessment of the role of municipalities in the provision of health and social services will also be conducted before the end of 2019.

As part of the health and social services reform, *Tulevaisuuden sosiaali- ja terveyskeskus* programme was launched in October to develop the current health centres into wide-range health and social services centers. The services provided by the health and social services centers will be made more client-centered by, among other things, digital and mobile services, increasing the availability of services during weekends and evenings and by establishing new low-threshold service points. In Pihlajalinna's municipal outsourcing arrangements, mobile services for primary care have already been implemented or will be implemented before the end of the year. We serve groups such as senior citizens by offering low-threshold service points. The increased availability of services during evenings has also been piloted in certain locations, such as Hattula.

More than 50% of municipal revenue is spent on social and healthcare services and two out of three Finnish municipalities reported a deficit in 2018. The population is ageing rapidly and the proportion of over 75-year-olds is set to grow by more than 50% by 2030. The annual margins of Pihlajalinna's partner municipalities have developed very favourably under joint venture structures compared to their peer municipalities. According to the most recent population forecast by Statistics Finland, 15 years from now there will be no counties in Finland where the birth rate exceeds the death rate if the birth rate were to remain at the current level. This presents challenges in organizing social and healthcare services.

Pihlajalinna's view is that private operators in social and healthcare services must engage in innovation and service development to ensure access to services without delay. Every Finn has the right to quality services and high service availability.

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. Fast access to care has been highlighted as a key objective in the government programme. We consider this to be a good objective, and achieving it will only be possible if the services and operating models of all social and healthcare service providers are utilised.

The private market situation remains the same and the amount of health insurance policies continues to grow. The private 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.

Consolidated statement of financial position and cash flow

At the end of the review period, Pihlajalinna Group's total statement of financial position amounted to EUR 424.0 (424.1) million. Consolidated cash and cash equivalents amounted to EUR 24.4 (27.6) million.

Net cash flow from operating activities in the quarter amounted to EUR 2.6 (7.4) million. Taxes paid amounted to EUR 0.3 (-1.3) million. The change in net working capital was EUR -10.7 (-5.6) million. Cash

flow from operating activities was weakened by the transfer of the time of payment of holiday pay obligations from June to July EUR 6,7 million.

Net cash flow from operating activities during the review period amounted to EUR 17.1 (17.1) million. Taxes paid amounted to EUR -3.6 (-3.9) million. The change in net working capital was EUR -14.8 (-9.9) million.

Net cash flow from investing activities during the review period amounted to EUR -15.1 (-47.8) million. Acquisitions of subsidiaries had an impact of EUR -4.9 (-33.8) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -10.8 (-14.5) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.5 (0.4) million.

The group's cash flow after investments (free cash flow) was EUR 2.0 (-30.7) million.

Net cash flow from financing activities during the review period amounted to EUR -13.8 (21.2) million. The change in financial liabilities, including changes in credit limits, amounted to EUR 9.3 (46.5) million. Payments for financial lease liabilities amounted to EUR -16.5 (-12.1) million, and interest paid and other financial expenses amounted to EUR -3.0 (-2.6) million. The net effect of the change in non-controlling interests on cash flow was EUR -1.3 (-6.4) million. In April, Pihlajalinna Plc paid a total of EUR 2.3 (3.6) million in dividends. A total of EUR 0.0 (0.5) million in dividends was paid to non-controlling interests.

The Group's gearing was 153.6% (145.6%). Interest-bearing net debt amounted to EUR 197.9 (184.8) million. In the review period, the group paid EUR 1.5 (4.0) million in contingent considerations (earn-out payments).

Return on capital employed was 3.5% (4.3%) and return on equity was 4.6% (5.8%).

Financing arrangements

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The arrangement comprises of a EUR 50 million revolving credit facility and a long-term bullet loan of EUR 70 million. It also includes an opportunity to increase the total amount by EUR 60 million (to EUR 180 million), subject to separate decisions on a supplementary loan from the funding providers.

The financing arrangement includes the customary financial covenants concerning leverage (ratio of net debt to pro forma EBITDA) and gearing. The adoption of IFRS 16 does not affect the calculation of financial covenants. The calculation of covenants will continue with the creditor banks in accordance with the accounting principles confirmed in the original financing arrangement (frozen GAAP). The group met the set covenants on 30 September 2019.

The group has credit limit agreements valid until further notice, totalling EUR 10 million. The notice period of the credit limit agreements is one month. At the end of the review period, Pihlajalinna had a total of EUR 28.4 million in unused committed credit limits.

Capital expenditure and acquisitions

Acquired entity	Month of acquisition	Industry	Domicile
Klaari Oy (Fit1 fitness centre chain) and its subsidiaries Fit1 Fitnessclub Länsi-Suomi Oy, 100% of the share capital	2/2019	Fitness centres	Espoo, Vaasa
Dalmed Oy, 100% of the share capital	4/2019	OHS	Kemiö
Kouvola Työterveys ry (business operations)	6/2019	OHS	Kouvola
Aurinkoristeys, i.e. the occupational healthcare units of the town of Raisio (business operations)	9/2019	OHS	Raisio, Naantali

Gross investments, including acquisitions, amounted to EUR 31.0 (143.5) million. The group's gross investments in property, plant and equipment, which consisted of development, additional and replacement investments required for growth, amounted to EUR 8.4 (4.1) million in the review period. Gross investments in connection with the opening of new units amounted to EUR 4.3 (12.4) million. Gross investments in relation to M&A transactions amounted to EUR 3.8 (71.5) million. Gross investments in right-of-use assets amounted to EUR 14.6 (55.5) million.

Investment commitments for the group's development, additional and replacement investments amounted to approximately EUR 1.4 million. Pihlajalinna Koskiklinikka purchased a new 3T magnetic resonance imaging device. The new magnetic resonance imaging technology provides improved image quality and allows the imaging of larger areas faster than was previously possible.

Pihlajalinna will construct a new assisted living facility for senior citizens in Laihia, under a subletting model, with capacity for 60 residents. The facility was commissioned at the end of October 2019. Pihlajalinna also acquired an assisted living facility from the municipality of Laihia in October. In addition, Pihlajalinna has renovated two smaller care homes that it acquired earlier.

Pihlajalinna's expansion continues. In the 2017 period, Pihlajalinna announced plans to open new units in ten more localities by 2020. Expansion will be carried out mainly through acquisitions and municipality projects in the future. No new surgical units will be opened.

Acquisitions of non-controlling interests

Pihlajalinna signed a conditional agreement with the Kuusiokunnat municipalities according to which it was to increase its holding in Kuusiolinna Terveys Oy to 97% by the end of 2018. The validity of the agreement was extended until 15 March 2019. The deadline for the implementation of the deal lapsed, but the negotiations are actively ongoing.

In February 2019, the City of Parkano sold 15% of its shareholdings in Kolmostien Terveys to Pihlajalinna.

Company	Pihlajalinna's ownership on 31 December 2018	Pihlajalinna's ownership on 30 September 2019	Beginning year of service production under the current contract	Duration of con- tract (years)
Jokilaakson Terveys Oy	90%	90%	internal service provision	internal service provision
Jämsän Terveys Oy	51%	51%	2015	10
Kuusiolinna Terveys Oy	51%	51%	2016	15
Mäntänvuoren Terveys Oy	81%	81%	2016	15
Kolmostien Terveys Oy	81%	96%	2015	15
Laihian Hyvinvointi Oy	81%	81%	2018	service voucher

Changes in group structure

The following changes in group structure were implemented during the review period (mergers):

Merged company	Target company	Month of merger
Pihlajalinna Tampere Oy	Pihlajalinna Lääkärikeskukset Oy	1 January 2019
Doctagon Ab	Pihlajalinna Terveys Oy	1 January 2019
Anula Oy	Linnan Klinikka Oy	1 January 2019
Hammaslääkäripalvelu Savodent Oy, HammasPirta Oy, Paimion Hammaslääkäripalvelu Oy and Salon Hammaslääkärikeskus Oy	Tampereen Hammaspiste Oy (currently Pihlajalinna Hammasklinikat Oy)	1 January 2019
Hammaslääkärikeskus Mandibula Oy	Mandibula Raisio Oy	28 February 2019
Mandibula Raisio Oy	Pihlajalinna Hammasklinikat Oy	1 March 2019
Pihlajalinna Kymijoki Oy	Pihlajalinna Lääkärikeskukset Oy	3 June 2019
Ala-Malmin Hammaslääkärit Oy, Salon Lääkintälaboratorio Oy and Someron Lääkäriasema Oy	Pihlajalinna Lääkärikeskukset Oy	1 September 2019
Pihlajalinna Oulu Oy	Pihlajalinna Madetojanpuisto Oy (currently Pihlajalinna Oulu Oy)	1 September 2019
Etelä-Pohjanmaan Sydäntutkimuspalvelu Oy	Lääkärikeskus Kompassi Oy	1 September 2019
Pihlajalinna Parainen Oy	Pihlajalinna Turku Oy	3 September 2019

Research and development

Development costs that fulfilled the criteria for capitalisation amounted to EUR 0.5 (0.5) million during the review period.

In the financial year 2019, development operations in social and healthcare outsourcings are focused on the remote service model and mobile solutions, the occupational healthcare operating model for fixed-price agreements (occupational healthcare portal) and sports clinic and social and healthcare center concepts.

Personnel

At the end of the review period, the total number of personnel was 5,936 (5,867), an increase of 69 employees or 1%. The average number of full-time employees of the group was 4,713 (4,460), an increase of 252 or 6%. The group's employee benefit expenses amounted to EUR 167.0 (155.1) million, an increase of EUR 11.9 million or 8%. The increase in the number of personnel was mainly due to M&A transactions.

On 15 August 2019, Pihlajalinna announced that the co-operation negotiations that commenced in June had been completed. The negotiations resulted in the termination of some 180 positions, mainly through dismissals. Some of these redundancies will take the form of retirement and other staffing reductions not offset through reorganising operations.

Management Team

At its meeting on 14 August 2019, Pihlajalinna Plc's Board of Directors appointed a new Management Team as part of the company's efficiency improvement programme. CEO Joni Aaltonen will serve as the Chairman of the Management Team. The Management Team also includes COO Teija Kulmala, CFO Tarja Rantala,

Chief Legal Officer Marko Savolainen, Chief People and Culture Officer Elina Heliö and Chief Business Development Officer and CIO Sanna Määttänen.

Board of Directors

The Annual General Meeting on 4 April 2019 confirmed the number of the members of the Board of Directors as seven. Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén were re-elected and Matti Jaakola, Hannu Juvonen and Mika Manninen were elected as new members of the Board of Directors for a term of office ending at the conclusion of the next Annual General Meeting.

The Annual General Meeting elected Mikko Wirén as the Chairman of the Board and Leena Niemistö as the Vice-Chairman.

Committees nominated by the Board

At its organising meeting on 4 April 2019, Pihlajalinna Plc's Board of Directors elected the following members to its committees:

Audit Committee: Seija Turunen (chairman), Matti Jaakola, Mika Manninen and Hannu Juvonen

Remuneration Committee: Mikko Wirén (chairman), Leena Niemistö and Kati Sulin

Remuneration of the members of the Board of Directors

The Annual General Meeting held on 4 April 2019 decided that the remuneration of the Board of Directors be kept unchanged, except for a reduction in the remuneration of the Vice-Chairman, and that the following annual remuneration be paid to the members of the Board of Directors to be elected at the General Meeting for the term of office ending at the close of the Annual General Meeting 2020: to the full-time Chairman of the Board of Directors EUR 250,000 per year, to the Vice-Chairman EUR 36,000 per year, and to the other members of the Board of Directors EUR 24,000 per year.

In addition, the AGM decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the company's travel policy.

Auditors and auditing

At Pihlajalinna's Annual General Meeting held on 4 April 2019, KPMG Oy Ab, a firm of authorised public accountants, was elected as the company's auditor for the financial year 1 January–31 December 2019. Lotta Nurminen, APA, is the principal auditor.

Shares and shareholders

At the end of the financial period, Pihlajalinna Plc's share capital entered in the Trade Register amounted to EUR 80,000 and the total number of shares outstanding was 22,620,135. The company has one share series, with each share entitling its holder to one vote at the Annual General Meeting. All shares bestow their holders with equal rights to dividends and other distribution of the company's assets. At the end of the review period, the company had 13,188 (13,991) shareholders. The company does not hold any treasury shares. A list of the largest shareholders is available on the company's investor website at investors.pihlajalinna.fi.

The trading code for the shares on the Nasdaq Helsinki main market is PIHLIS. Pihlajalinna Plc has been classified as a Mid Cap company in the Healthcare sector.

Share-related information	7–9/2019	7–9/2018	1–9/2019	1–9/2018	2018
No. of shares outstanding at the end of the period	22,620,135	22,620,135	22,620,135	22,620,135	22,620,135
Average no. of shares outstanding during the period	22,620,135	22,620,135	22,620,135	22,090,819	22,224,236
Highest price, EUR	11.96	12.00	11.96	15.28	15.28
Lowest price, EUR	9.78	10.68	8.70	10.66	8.56
Average price, EUR*	10.71	11.31	10.66	12.58	12.18
Closing price, EUR	10.40	10.78	10.40	10.78	8.62
Share turnover, 1,000 shares	713	1,016	1,935	5,353	6,182
Share turnover, %	3.2	4.5	8.6	24.2	27.8
Market capitalisation at the end of the period, EUR million	235.2	243.8	235.2	243.8	195.0

* average share price weighted by trading volume

Authorisations by the Board of Directors

The Annual General Meeting on 4 April 2019 authorised the Board of Directors to decide on the acquisition of a maximum of 2,061,314 shares, which is approximately 9% of the group's current share volume. Under this authorisation, the acquisition of the group's own shares is only permitted using unrestricted equity. Targeted share acquisition is possible. The authorisation is effective until the next Annual General Meeting, or until 30 June 2020 at the latest.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and other special rights conferring an entitlement to shares under Chapter 10, Section 1 of the Limited Liability Companies Act. The amount of shares to be issued cannot exceed 3,091,971 shares, which corresponds to 14% of all the shares in the group. The authorisation concerns both the issuance of new shares and the sale or transfer of the group's own shares. The authorisation permits a targeted share issue. The authorisation is effective until the next Annual General Meeting, or until 30 June 2020 at the latest.

Risks and uncertainties in business operations

The goal of Pihlajalinna's risk management is to promote the achievement of the group's strategic and operational targets, shareholder value, the group's operational profitability and the realisation of responsible operating methods. Risk management seeks to ensure that the risks affecting the company's business operations are known, assessed and monitored.

The group employs an Enterprise Risk Management system and process. Risks are categorised into strategic, operational, financial and damage risks.

The group management is responsible for risk management according to reporting responsibilities. In addition, risk management specialists guide and develop the group's risk management. Everyone working at Pihlajalinna must also be aware of and manage risks related to their responsibilities.

In its risk management, Pihlajalinna's aim is to operate as systematically as possible and incorporate risk management in normal business processes. Furthermore, the group invests in quality management systems and the management of occupational safety and health risks. Pihlajalinna's Risk Management Policy defines and categorises the group's risks and describes the goals of risk management. In addition, it defines risk management principles, operating methods and responsibilities. Internal risk reporting is included in the regular business reporting as well as in business planning and decision-making. The material risks and their management are reported to stakeholders regularly and, when necessary, on a case-by-case basis.

The most essential risks and uncertainties affecting the group's operations are connected to the success of opening new locations, acquisitions and information system projects, tax-related risks and the commitment and recruitment of competent management.

Determining the annual profitability of the group's complete social and healthcare services outsourcing agreements may become accurate with a delay. The group may not always be aware of the actual costs of the agreements at the time of preparing the financial statements. The cost accumulation of public specialised care involves random fluctuation. In addition, individual cases falling within the scope of the hospital districts' pooling system for high-cost care and operational economy surplus refunds may influence the costs of specialised care considerably during the financial year, and between financial periods, in Pihlajalinna's municipal companies.

The group has a difference of opinion of approximately EUR 1.6 million with one of its partners regarding the determination of the annual price of the service agreement. The counterparty has taken legal action regarding the matter during the review period. Negotiations are ongoing.

The group's trade receivables include EUR 5.0 (3.6 at the end of 2018) million in substantially delayed payments from a significant customer. Active negotiations are ongoing regarding the collection of the receivable.

In its other receivables, the group has a total of EUR 2.5 (2.8 at the end of 2018) million in service provider refunds for public specialised care cost accruals, estimated on a municipality-specific basis. According to the group management's view, under the service agreements, the refunds of cost accruals are payable to Pihlajalinna because they were accumulated during Pihlajalinna's service provision and liability for costs.

At the end of the review period, goodwill on Pihlajalinna's statement of financial position amounted to EUR 173.6 (163.0) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. During the review period, Pihlajalinna observed no indications of the carrying amount of goodwill being greater than its estimated recoverable amount. If negative changes were to occur in the development of Pihlajalinna's profit and growth, this could lead to an impairment of goodwill which, in turn, could have an unfavourable impact on Pihlajalinna's operating result and equity.

A tax audit of the group's main companies, which began in spring 2017, was completed with regard to income taxation (the Act on the Taxation of Business Profits and Income from Professional Activity) and value added taxes (Value Added Tax Act) without notable sanctions. For withholding taxes (Tax Prepayment Act), the audit reports are still pending approval by the Tax Office for Major Corporations.

Flagging notifications

The company did not receive any flagging notifications under Chapter 9, Section 5 of the Securities Markets Act during the review period.

Current incentive schemes

At its meeting held on 14 February 2019, the Board of Directors of Pihlajalinna Plc approved the establishment of a share-based incentive programme for selected key employees. The programme includes an overall five-year plan period and none of the share rewards received by the key employees thereunder may be sold or transferred prior to the year 2022. In addition, the key employee shall make an investment in Pihlajalinna shares as a precondition for participation in the programme.

The fixed matching share plan comprises the individual key employee's investment in Pihlajalinna's shares and the delivery of one matching share for each invested share without consideration (gross before the deduction of the applicable payroll tax) in the calendar year 2020. Both the invested shares and the matching shares will be subject to a two-year transfer restriction.

The performance matching plan comprises three separate one-year performance periods. The potential share rewards will be delivered after the respective performance periods during the calendar years 2020, 2021 and 2022 respectively if the performance targets set by the Board of Directors are achieved. The maximum amount of performance-based share rewards payable based on each individual one-year performance period is two matching shares for each three shares invested by the key employee (gross before the deduction of the applicable payroll tax). A precondition for a key employee's participation in the performance matching plan is the aforementioned investment in Pihlajalinna's shares. The share rewards will be subject to a two-year transfer restriction. The performance criteria applied to the performance matching plan are the adjusted EBIT of Pihlajalinna Group and key operative targets.

A maximum of 25 key employees are initially eligible for participating in the share-based incentive programme. If all the eligible key employees participate in the programme by fulfilling the investment precondition in full and if the targets set for the three performance periods are fully achieved, the maximum aggregate amount of share rewards that may be delivered based on the programme is approximately 369,000 shares (gross before the deduction of the applicable payroll tax). If the programme is realised in full, the aforementioned number of shares is equivalent to approximately 1.6% of the company's shares.

The aggregate maximum value of the programme, assuming that the eligible participants fulfil the investment requirement in full, is approximately EUR 3.8 million.

According to a share ownership recommendation applied by the company, each participant of the programme who is a member of Pihlajalinna's Management Team is expected to accumulate and, once achieved, maintain a share ownership in the company corresponding in value to the individual's annual base salary. Each such individual is expected to retain at least 50 per cent of the shares received under the share-based incentive programme in his/her ownership until the above ownership level is fulfilled.

Events after the review period

No events after the review period.

Accounting policies

This (unaudited) Interim Report has been prepared in compliance with IFRS standards and the requirements of IAS 34 (Interim Financial reporting). All figures have been rounded, due to which the actual total of individual figures may differ from the total presented. Key figures and figures reflecting changes have been calculated using the exact figures.

The preparation of interim reports in accordance with IFRS requires the management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and contingent assets and liabilities on the statement of financial position, and recognition of the amount of income and expenses. Although the estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the estimates.

The interim report has been prepared in compliance with the IFRS standards currently approved for application in the European Union. The interim report has been prepared according to the accounting policies applied in the financial statements of 31 December 2018, taking into account the new and amended standards and interpretations that became effective on 1 January 2019.

IFRS 16 Leases

Pihlajalinna has adopted IFRS 16 fully retrospectively by adjusting the financial figures for 2018 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Pihlajalinna issued a release on 18 April 2019 to present restated comparable financial figures for each reporting period in 2018.

Tables

1.1.–30.9.2019

Consolidated statement of comprehensive income

EUR million	7–9/2019 3 months	7–9/2018 3 months	1–9/2019 9 months	1–9/2018 9 months	2018
Revenue	122.7	116.3	384.8	360.8	487.8
Other operating income	0.2	0.4	0.9	2.3	4.2
Materials and services	-45.9	-42.8	-146.3	-141.1	-189.2
Employee benefit expenses	-52.4	-48.7	-167.0	-155.1	-208.4
Other operating expenses	-11.5	-10.8	-37.0	-36.2	-49.5
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
EBITDA	12.9	14.3	35.5	30.7	44.8
Depreciation, amortisation and impairment	-11.5	-8.2	-29.0	-23.4	-31.6
Operating profit (EBIT)	1.4	6.0	6.5	7.3	13.2
Financial income	0.0	0.0	0.1	0.1	0.1
Financial expenses	-1.0	-1.0	-3.0	-2.9	-3.9
Profit before taxes	0.4	5.1	3.6	4.5	9.5
Income tax	-0.3	-1.2	-1.2	-1.4	-2.7
Profit for the period*	0.1	3.9	2.4	3.1	6.8
Total comprehensive income for the period	0.1	3.9	2.4	3.1	6.8
Total comprehensive income for the period attributable:					
To the owners of the parent company	-1.3	2.2	-0.3	0.9	3.5
To non-controlling interests	1.4	1.7	2.7	2.2	3.3
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	-0.06	0.10	-0.01	0.04	0.16

* The Group has no other comprehensive income items

Consolidated statement of financial position

EUR million	30.9.2019	30.9.2018	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	47.6	41.0	43.3
Goodwill	173.6	163.0	169.9
Other intangible assets	19.9	22.1	22.9
Right-of-use assets	110.5	117.6	116.0
Interests in associates	0.0	0.0	0.0
Other investments	0.2	0.1	0.1
Other receivables	1.9	1.7	1.8
Deferred tax assets	6.4	4.0	4.1
Total non-current assets	360.0	349.6	358.1
Current assets			
Inventories	2.5	2.5	2.5
Trade and other receivables	36.0	42.1	38.1
Current tax assets	1.0	2.4	1.7
Cash and cash equivalents	24.4	27.6	36.3
Total current assets	63.9	74.6	78.6
Total assets	424.0	424.1	436.8
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	116.5	116.5	116.5
Retained earnings	1.0	1.1	1.1
Result for the review period	-0.3	0.9	3.5
	117.3	118.6	121.2
Non-controlling interests	11.5	8.3	9.2
Total equity	128.8	126.9	130.3
Non-current liabilities			
Deferred tax liabilities	5.6	6.5	6.1
Lease liabilities	98.9	103.6	102.0
Financial liabilities	104.2	92.3	95.7
Other non-current liabilities	1.3	1.5	1.5
Provisions	0.0	0.7	0.3
Total non-current liabilities	210.1	204.6	205.6
Current liabilities			
Provisions	3.2	0.1	0.0
Trade and other payables	59.7	71.0	79.5
Current tax liabilities	1.6	2.4	1.9
Lease liabilities	17.6	16.3	16.5
Financial liabilities	2.9	3.0	3.0
Total current liabilities	85.1	92.6	100.8
Total liabilities	295.1	297.3	306.4
Total equity and liabilities	424.0	424.1	436.8

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent company			Non-controlling interests	Equity total
	Share capital	Reserve for invested unrestricted equity	Retained earnings		
Total equity on 31.12.2017	0.1	87.9	12.3	5.6	105.9
IFRS 15 adoption			0.0		0.0
IFRS 9 adoption			0.0		0.0
IFRS 16 adoption			-0.3	-0.1	-0.4
Total equity on 1.1.2018	0.1	87.9	12.0	5.4	105.4
Profit for the period			0.9	2.2	3.1
Total comprehensive income for the period			0.9	2.2	3.1
Directed share issue		28.6			28.6
Dividends paid			-3.6	-1.2	-4.8
Investments in group subsidiaries				2.4	2.4
Total transactions with owners		28.6	-3.6	1.2	26.1
Changes in NCI without a change in control			-7.2	-0.6	-7.8
Total changes in subsidiary shareholdings			-7.2	-0.6	-7.8
Total equity on 30.9.2018	0.1	116.5	2.1	8.3	126.9

EUR million	Equity attributable to owners of the parent company			Non-controlling interests	Equity total
	Share capital	Reserve for invested unrestricted equity	Retained earnings		
Total equity on 1.1.2019	0.1	116.5	4.6	9.2	130.3
Profit for the period			-0.3	2.7	2.4
Total comprehensive income for the period			-0.3	2.7	2.4
Dividends paid			-2.3		-2.3
Investments in group subsidiaries			0.1	-0.1	0.0
Total transactions with owners			-2.2	-0.1	-2.3
Changes in NCI without a change in control		0.0	-1.3	-0.2	-1.6
Total changes in subsidiary shareholdings		0.0	-1.3	-0.2	-1.6
Total equity on 30.9.2019	0.1	116.5	0.7	11.5	128.8

Consolidated statement of cash flows

EUR million	7–9/2019 3 months	7–9/2018 3 months	1–9/2019 9 months	1–9/2018 9 months	2018
Cash flow from operating activities					
Profit for the period	-1.3	2.2	-0.3	0.9	3.5
Cash flow adjustments for business operations:					
Taxes	0.3	1.2	1.2	1.4	2.7
Depreciation, amortisation and impairment	11.5	8.2	29.0	23.4	31.6
Financial income and expenses	1.0	1.0	2.9	2.7	3.7
Other	1.4	1.7	2.6	2.3	3.5
Net cash generated from operating activities before change in working capital	12.9	14.3	35.4	30.8	45.0
Change in working capital	-10.7	-5.6	-14.8	-9.9	1.6
Interest received	0.0	0.0	0.1	0.1	0.1
Taxes paid	0.3	-1.3	-3.6	-3.9	-5.5
Net cash flow from operating activities	2.6	7.4	17.1	17.1	41.2
Cash flows from investing activities					
Investments in tangible and intangible assets	-3.7	-2.1	-10.8	-14.5	-19.6
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.2	0.2	0.5	0.4	0.4
Changes in other receivables and investments	0.0	0.0	0.0	0.0	0.0
Dividends received	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	0.0	-0.2	-4.9	-33.8	-41.0
Disposal of subsidiaries less cash and cash equivalents at date of disposal		0.1		0.1	0.1
Net cash flow from investing activities	-3.5	-2.0	-15.1	-47.8	-60.1
Cash flows from financing activities					
Changes in non-controlling interests	2.3	4.1	-1.3	-6.4	-6.4
Withdrawals and repayments of loans	6.6	0.0	9.3	46.5	49.4
Payments of lease liabilities	-6.7	-4.2	-16.5	-12.1	-16.3
Interest and other operational financial expenses	-1.1	-0.9	-3.0	-2.6	-3.5
Dividends paid and other profit distribution	-2.3	-4.1	-2.3	-4.1	-5.0
Net cash flow from financing activities	-1.2	-5.1	-13.8	21.2	18.1
Changes in cash and cash equivalents	-2.1	0.2	-11.9	-9.5	-0.8
Cash at beginning of period	26.6	27.4	36.3	37.1	37.1
Cash at end of review period	24.4	27.6	24.4	27.6	36.3

Contingent liabilities and commitments

EUR million	30.9.2019	30.9.2018	31.12.2018
Collateral given on own behalf			
Pledged collateral notes	0.0	1.5	1.3
Sureties	0.7	2.2	0.4
Lease deposits	1.9	1.7	1.8

The investment commitments for the group's development, supplementary and replacement investments are approximately EUR 1.4 million.

Pihlajalinna will construct a new assisted living facility for senior citizens in Laihia, under a subletting model, with capacity for 60 residents. The facility was commissioned at the end of October 2019. Pihlajalinna also acquired an assisted living facility from the municipality of Laihia in October.

Changes in intangible assets

EUR million	30.9.2019	30.9.2018	31.12.2018
Acquisition cost at beginning of period	217.4	137.8	137.8
Additions	2.5	3.3	5.4
Business combinations	3.8	66.5	74.2
Transfers between items	0.1	0.0	0.1
Acquisition cost at end of period	223.8	207.7	217.4
Accumulated depreciation at beginning of period	-24.5	-17.3	-17.3
Depreciation and amortisation for the period	-5.5	-5.2	-7.1
Transfers between items	-0.2	-0.1	-0.1
Accumulated depreciation at end of period	-30.2	-22.6	-24.5
Carrying amount at end of period	193.5	185.1	192.8

Changes in property, plant and equipment

EUR million	30.9.2019	30.9.2018	31.12.2018
Acquisition cost at beginning of period	72.5	52.4	52.4
Additions	10.2	13.1	19.3
Business combinations	0.0	3.6	2.9
Transfers between items	1.3	0.8	0.3
Disposals	-1.3	-0.8	-2.4
Acquisition cost at end of period	82.7	69.2	72.5
Accumulated depreciation at beginning of period	-29.2	-22.1	-22.1
Depreciation and amortisation for the period	-5.6	-5.7	-7.5
Transfers between items	-1.3	-0.9	
Accumulated depreciation on disposals	1.0	0.5	0.3
Accumulated depreciation at end of period	-35.1	-28.2	-29.2
Carrying amount at end of period	47.6	41.0	43.3

Changes in right-of-use assets

EUR million	30.9.2019	30.9.2018	31.12.2018
Acquisition cost at beginning of period	162.7	102.9	102.9
Additions	10.8	23.3	25.3
Disposals	-4.6		
Business combinations	3.8	33.7	34.5
Acquisition cost at end of period	172.7	159.8	162.7
Accumulated depreciation at beginning of period	-46.7	-29.8	-29.8
Depreciation and amortisation for the period	-17.9	-12.5	-16.9
Accumulated depreciation on disposals	2.5		
Accumulated depreciation at end of period	-62.1	-42.3	-46.7
Carrying amount at end of period	110.5	117.6	116.0

Acquired business operations, total

The acquisitions for the 2019 review period (Klaari Oy, Fit1 Fitnessclub LänsiSuomi Oy, Dalmed Oy, the business operations of Kouvola työterveys ry and the advance payment for the business operations of Aurinkoristeys) and the update of acquisition costs previously presented as preliminary are presented in total in the table below as they are not material in terms of individual review.

EUR million	1–9/2019
Consideration transferred:	
Cash	3.7
Total acquisition cost	3.7
The preliminary values of the assets and liabilities acquired for consideration at the time of acquisition were as follows:	
Property, plant and equipment	0.0
Intangible assets	0.1
Right-of-use assets	3.8
Available-for-sale financial assets	0.0
Deferred tax assets	0.0
Inventories	0.0
Trade and other receivables	0.2
Cash and cash equivalents	0.3
Total assets	4.4
Deferred tax liabilities	0.0
Interest-bearing financial liabilities	-4.0
Other liabilities	-0.3
Total liabilities	-4.4
Preliminary net assets	0.1
Goodwill generated in the acquisition:	
Consideration transferred	3.7
Share of the acquisition allocated to non-controlling interests	0.0
Net identifiable assets of acquirees	-0.1
Preliminary goodwill	3.7
Transaction price paid in cash:	3.7
Cash and cash equivalents of acquirees	-0.3
Preliminary effect on cash flow*	3.4
*The line item Acquisition of subsidiaries less cash and cash equivalents on date of acquisition in the consolidated statement of cash flows presents the following items as a net amount:	
Acquisitions in the financial year, effect on cash flow	3.4
Contingent consideration paid during the period	1.5
Total	4.9

EUR 0.1 million of the costs related to the foregoing acquisitions have been recorded under other operating expenses (IFRS 3 costs).

Revenue and profits from acquired business operations from the date of acquisition, revenue totalling EUR 1.7 million, and operating profit totalling EUR 0.1 million are included in the group's comprehensive income statement.

Pro forma

Had the acquisitions of 2019 been consolidated since the beginning of the financial year, the consolidated revenue for the review period would have amounted to EUR 386.3 million and operating profit would have totalled EUR 6.3 million.

Quarterly information

EUR million	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17
INCOME STATEMENT								
Revenue	122.7	129.7	132.5	127.0	116.3	125.3	119.2	107.9
EBITDA	12.9	10.4	12.2	14.1	14.3	9.1	7.3	10.0
EBITDA, %	10.5	8.1	9.2	11.1	12.3	7.3	6.1	9.3
Adjusted EBITDA	17.4	10.8	12.6	14.6	14.2	10.2	6.9	10.4
Adjusted EBITDA, %	14.2	8.3	9.5	11.5	12.3	8.1	5.8	9.6
Depreciation and amortisation	-11.5	-8.8	-8.6	-8.2	-8.2	-8.1	-7.0	-5.3
Operating profit (EBIT)	1.4	1.6	3.5	5.9	6.0	1.0	0.3	4.7
Operating profit, %	1.1	1.2	2.7	4.7	5.2	0.8	0.2	4.4
Adjusted EBIT	9.3	2.1	3.9	6.5	6.0	2.0	-0.1	5.1
Adjusted EBIT, %	7.5	1.6	3.0	5.1	5.2	1.6	-0.1	4.7
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9	-0.9	-0.5
Profit before taxes	0.4	0.6	2.5	4.9	5.1	0.1	-0.6	4.2
Income tax	-0.3	-0.3	-0.7	-1.3	-1.2	-0.2	0.0	-0.6
Profit for the period	0.1	0.4	1.9	3.6	3.9	-0.1	-0.7	3.6
Share of the result for the period attributable to owners of the parent company	-1.3	-0.5	1.4	2.5	2.2	0.0	-1.3	2.5
Share of the result for the period attributable to non-controlling interests	1.4	0.9	0.4	1.1	1.7	-0.1	0.6	1.1
EPS	-0.06	-0.02	0.06	0.11	0.10	0.00	-0.06	0.12
Personnel at end of period (NOE)	5,936	6,100	5,871	5,850	5,867	5,918	5,638	4,753
Change in personnel during the quarter	-164	230	21	-17	-51	280	885	-14

Tax footprint

EUR million	1–9/2019	1–9/2018	2018
Direct tax payable for the period			
Income tax	4.0	3.3	5.1
Employer's pension contributions	22.5	21.9	30.5
Social security contributions	1.1	1.1	1.5
Employer's unemployment insurance contributions	3.5	3.6	3.2
Contribution to accident insurance and group life insurance	0.7	0.8	0.9
Employer contributions, total	27.7	27.4	36.1
Property taxes	0.1	0.0	0.1
Transfer taxes	0.2	1.2	1.2
Direct tax payable for the period, total	32.0	31.9	42.4
Value added tax of acquisitions payable by the company			
Value added taxes, estimate	9.2	9.3	12.4
Tax for the period			
Withholding taxes	33.4	33.6	44.7
Employee pension contributions, deferred	9.9	10.7	11.7
Employee unemployment insurance contributions, notional	2.1	2.6	3.3
Payroll tax, total	45.3	46.9	59.7
Net value-added tax	0.5	0.4	0.6
Total tax for the period	45.8	47.3	60.3
Revenue	384.8	360.8	487.8
Profit before taxes	3.6	4.5	9.5
Average number of personnel (FTE)	4,713	4,460	4,868
Public subsidies	0.5	0.7	1.3

Calculation of key financial figures and alternative performance measures

Key figures		
Earnings per share (EPS)	$\frac{\text{Profit for the financial period attributable to owners of the parent company}}{\text{Average number of shares during the financial year}}$	
Alternative performance measures		
Equity per share	$\frac{\text{Equity attributable to owners of the parent company}}{\text{Number of shares at the end of the financial period}}$	
Dividend per share	$\frac{\text{Dividend distribution for the financial year (or proposal)}}{\text{Number of shares at the end of the financial year}}$	
Dividend/result, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}}$	x 100
Effective dividend yield, %	$\frac{\text{Dividend per share}}{\text{Closing price for the financial year}}$	x 100
P/E ratio	$\frac{\text{Closing price for the financial year}}{\text{Earnings per share (EPS)}}$	
Share turnover, %	$\frac{\text{Number of shares traded during the period}}{\text{Average number of shares}}$	x 100
Return on equity (ROE), %	$\frac{\text{Profit for the period (rolling 12 months)}}{\text{Equity (average)}}$	x 100
Return on capital employed, % (ROCE)	$\frac{\text{Profit before taxes (rolling 12 months) + financial expenses (rolling 12 months)}}{\text{Total statement of financial position – non-interest-bearing liabilities (average)}}$	x 100
Equity ratio, %	$\frac{\text{Equity}}{\text{Total statement of financial position – prepayments received}}$	x 100
Gearing, %	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Equity}}$	x 100
EBITDA	Operating profit + depreciation, amortisation and impairment	
EBITDA, %	$\frac{\text{Operating profit + depreciation, amortisation and impairment}}{\text{Revenue}}$	x 100
Adjusted EBITDA*	Operating profit + depreciation, amortisation and impairment + adjustment items	
Adjusted EBITDA, %*	$\frac{\text{Operating profit + depreciation, amortisation and impairment + adjustment items}}{\text{Revenue}}$	x 100

Net debt/Adjusted EBITDA*, rolling 12 months	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Adjusted EBITDA (rolling 12 months)}}$	
Cash flow after investments	Net cash flow from operating activities + net cash flow from investing activities	
Adjusted operating profit (EBIT)*	Operating profit + adjustment items	
Adjusted operating profit, %*	$\frac{\text{Adjusted operating profit (EBIT)}}{\text{Revenue}} \times 100$	
Profit before taxes	Profit for the financial year + income tax	
Gross investments	Increase in tangible and intangible assets and in right-of-use assets	
Organic revenue growth, %	$\frac{\text{Revenue for the period - revenue from M\&A transactions for the period - revenue for the previous period}}{\text{Revenue for the previous period}} \times 100$	

* Significant valuation items that are not part of the normal course of business, are infrequently occurring or do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Pihlajalinna's definition, such items include, for example, restructuring measures and group refinancing, impairment of assets and the remeasurement of previous assets held by subsidiaries, the costs of closing down businesses and business locations, gains and losses on the sale of businesses, costs arising from operational restructuring and the integration of acquired businesses, costs related to the termination of employment relationships, as well as fines and corresponding compensation payments.

Reconciliations with alternative key figures and ratios

Pihlajalinna publishes a wide range of alternative performance measures, i.e. key figures that are not based on financial reporting standards, because they are considered to be significant for investors, the management and the Board of Directors in assessing the group's financial position and profitability. The alternative performance measures should not be considered to be replacements for the key figures defined in IFRS standards. The table below presents the reconciliation calculations for the alternative performance measures and the justifications for their presentation.

Reading notes:

/	divide by the following number(s)
-	deduct the following number(s)
+	add the following number(s)

EUR million, unless otherwise stated	7-9/2019 3 months	7-9/2018 3 months	1-9/2019 9 months	1-9/2018 9 months	2018
Return on equity (ROE), %					
Profit for the period (rolling 12 months) /			6.0	6.7	6.8
Equity at beginning of period			130.3	105.4	105.4
Equity at end of period			128.8	126.9	130.3
Equity (average) x 100			129.6	116.1	117.9
Return on equity (ROE), %			4.6	5.8	5.7

Return on equity is one of the most important indicators of a company's **profitability** used by shareholders and investors. The indicator illustrates the company's ability to look after the capital invested by shareholders in the company. The figure indicates how much return was accumulated on equity during the financial year.

Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			8.5	8.8	9.5

Financial expenses (rolling 12 months)			4.1	3.4	3.9
/			12.6	12.1	13.4
Total statement of financial position at beginning of period -			436.8	295.6	295.6
non-interest-bearing liabilities at beginning of period			78.2	76.7	76.7
			358.6	218.8	218.8
Total statement of financial position at end of period -			424.0	424.1	436.8
Non-interest-bearing liabilities at end of period			67.2	74.2	78.2
			356.8	349.9	358.6
Average x 100			357.7	284.4	288.7
Return on capital employed (ROCE), %			3.5	4.3	4.6

Return on capital employed is one of the most important indicators produced by financial statements analysis. It measures the company's relative **profitability**, or the return on capital invested in the company that requires interest or other returns.

Equity ratio, %					
Equity /			128.8	126.9	130.3
Total statement of financial position -			424.0	424.1	436.8
Advances received x 100			0.7	2.0	0.9
Equity ratio, %			30.4	30.1	29.9

The equity ratio measures the company's **solvency**, the capacity to tolerate losses and the ability to manage commitments in the long term. The indicator shows the percentage of the company's assets that are financed by equity.

Gearing, %					
Interest-bearing financial liabilities -			222.3	212.4	214.3
Cash and cash equivalents /			24.4	27.6	36.3
Equity x 100			128.8	126.9	130.3
Gearing, %			153.6	145.6	136.6

Gearing illustrates the company's **indebtedness**. The figure reveals the ratio between the equity invested in the company by shareholders and the interest-bearing debt borrowed from lenders.

Net debt / adjusted EBITDA, rolling 12 months					
Interest-bearing financial liabilities -			222.3	212.4	214.3
Cash and cash equivalents			24.4	27.6	36.3
Net debt /			197.9	184.8	178.0
Adjusted EBITDA (rolling 12 months)			55.2	41.7	45.9
Net debt / adjusted EBITDA, rolling 12 months			3.6	4.4	3.9

This figure illustrates how quickly, at the current profit rate, the company would have paid off its debts if the EBITDA were to be used in full to repay the debts, if the company does not, for example, invest or distribute any dividend.

	7-9/2019 3 months	7-9/2018 3 months	1-9/2019 9 months	1-9/2018 9 months	2018
EBITDA and adjusted EBITDA					
Profit for the period	0.1	3.9	2.4	3.1	6.8

Income tax	-0.3	-1.2	-1.2	-1.4	-2.7
Financial expenses	-1.0	-1.0	-3.0	-2.9	-3.9
Financial income	0.0	0.0	0.1	0.1	0.1
Depreciation, amortisation and impairment	-11.5	-8.2	-29.0	-23.4	-31.6
EBITDA	12.9	14.3	35.5	30.7	44.8
Total EBITDA adjustments	4.4	0.0	5.1	0.6	1.1
Adjusted EBITDA	17.4	14.2	40.7	31.3	45.9

EBITDA indicates how much is left of the company's revenue after deducting operating expenses. Assessments of whether EBITDA is sufficiently high should take into account the company's financial expenses, depreciation requirements and intended profit distribution. Adjusted EBITDA provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted EBITDA improves comparability between periods and is frequently used by analysts, investors and other parties.

The Group Management Team and operative management monitor and forecast adjusted EBITDA on a monthly basis.

EBITDA, %					
EBITDA /	12.9	14.3	35.5	30.7	44.8
Revenue x 100	122.7	116.3	384.8	360.8	487.8
EBITDA, %	10.5	12.3	9.2	8.5	9.2
Adjusted EBITDA, %					
Adjusted EBITDA /	17.4	14.2	40.7	31.3	45.9
Revenue x 100	122.7	116.3	384.8	360.8	487.8
Adjusted EBITDA, %	14.2	12.3	10.6	8.7	9.4
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	0.1	3.9	2.4	3.1	6.8
Income tax	-0.3	-1.2	-1.2	-1.4	-2.7
Financial expenses	-1.0	-1.0	-3.0	-2.9	-3.9
Financial income	0.0	0.0	0.1	0.1	0.1
Operating profit (EBIT)	1.4	6.0	6.5	7.3	13.2
Total adjustments to depreciation, amortisation and impairment	3.4	0.0	3.6	0.0	0.1
Total EBITDA adjustments	4.4	0.0	5.1	0.6	1.1
Total operating profit (EBIT) adjustments	7.9	0.0	8.7	0.6	1.2
Adjusted operating profit (EBIT)	9.3	6.0	15.3	8.0	14.4

Operating profit indicates how much is left of the proceeds of actual business operations before financial items and taxes. With operating profit, the company must cover, among other things, financial expenses, taxes and the distribution of dividends. Adjusted operating profit provides significant additional information on profitability by eliminating items that do not necessarily reflect the profitability of the company's operative business. Adjusted operating profit improves comparability between periods and is frequently used by analysts, investors and other parties.

The Group Management Team and operative management monitor and forecast adjusted operating profit on a monthly basis.

Operating profit (EBIT), %					
Operating profit /	1.4	6.0	6.5	7.3	13.2
Revenue x 100	122.7	116.3	384.8	360.8	487.8
Operating profit (EBIT), %	1.1	5.2	1.7	2.0	2.7
Adjusted operating profit (EBIT), %					

Adjusted operating profit (EBIT) /	9.3	6.0	15.3	8.0	14.4
Revenue x 100	122.7	116.3	384.8	360.8	487.8
Adjusted operating profit (EBIT), %	7.5	5.2	4.0	2.2	3.0
Cash flow after investments					
Net cash flow from operating activities	2.6	7.4	17.1	17.1	41.2
Net cash flow from investing activities	-3.5	-2.0	-15.1	-47.8	-60.1
Cash flow after investments	-1.0	5.4	2.0	-30.7	-18.8

Cash flow after investments (free cash flow) indicates how much cash is left for the company after deducting the cash tied up in operative business and investments. It indicates how much the company has left for its shareholders and creditors. Free cash flow indicates how sustainable the foundation of the company's profitability is, and it is used as the basis of the company's valuation.

Profit before taxes					
Profit for the period	0.1	3.9	2.4	3.1	6.8
Income tax	-0.3	-1.2	-1.2	-1.4	-2.7
Profit before taxes	0.4	5.1	3.6	4.5	9.5
Gross investments					
Property, plant and equipment at the end of the period	47.6	41.0	47.6	41.0	43.3
Right-of-use assets at the end of the period	110.5	117.6	110.5	117.6	116.0
Other intangible assets at end of period	19.9	22.1	19.9	22.1	22.9
Goodwill at end of period	173.6	163.0	173.6	163.0	169.9
Depreciation, amortisation and impairment for the period are added	11.5	8.2	29.0	23.4	31.6
-					
Property, plant and equipment at the start of the period	45.1	41.7	43.3	30.3	30.3
Right-of-use assets at the start of the period	116.8	120.0	116.0	73.1	73.1
Other intangible assets at beginning of period	23.2	23.3	22.9	16.6	16.6
Goodwill at beginning of period	171.6	162.7	169.9	103.9	103.9
Proceeds from the sale of property, plant and equipment during the period	-2.0	-0.2	-2.4	-0.4	-0.3
Gross investments	8.6	4.4	31.0	143.5	160.1
Organic revenue growth, %					
Revenue for the period -	122.7	116.3	384.8	360.8	487.8
Revenue from M&A transactions during the period (rolling 12 months) -	2.0	15.8	14.5	47.7	65.7
Revenue for the previous period	116.3	99.4	360.8	316.1	424.0
Organic revenue growth /	4.4	1.1	9.5	-3.0	-2.0
Revenue for the previous period x 100	116.3	99.4	360.8	316.1	424.0
Organic revenue growth, %	3.7	1.1	2.6	-0.9	-0.5
Revenue growth due to M&A transactions, %	1.7	15.9	4.0	15.1	15.5
Revenue growth	6.4	16.9	24.0	44.7	63.8
Revenue growth, %	5.5	17.0	6.7	14.2	15.0

Organic revenue growth is growth in existing business operations that has not come about as a result of M&A transactions. Organic growth can be achieved through increasing the service offering, new customer acquisition, growth in custom from existing customers, price increases and digitalisation. Social and healthcare outsourcing

contracts won through public competitive bidding and new business locations established by the group itself are included in organic growth.

Description of adjustment items applied to adjusted EBITDA and adjusted operating result

EUR million	7– 9/2019 3 month s	7– 9/2018 3 month s	1– 9/2019 9 month s	1– 9/2018 9 month s	201 8
EBITDA	12.9	14.3	35.5	30.7	44.8
Adjustments to EBITDA					
Closure of operating locations					0.0
Previous holding of subsidiary at fair value				-1.0	-1.0
Dismissal-related expenses	2.6		3.0	0.6	0.6
Profit from divestment of business operations		-0.1		-0.1	0.0
Change in fair value of contingent consideration		0.1	0.3	1.1	1.2
Other, including onerous contracts	1.8		1.9		0.3
Adjustments to EBITDA in total	4.4	0.0	5.1	0.6	1.1
Adjusted EBITDA	17.4	14.2	40.7	31.3	45.9
Depreciation, amortisation and impairment	-11.5	-8.2	-29.0	-23.4	-
Adjustments to depreciation, amortisation and impairment					
Closure of operating locations	3.4		3.6		0.1
Adjustments to depreciation, amortisation and impairment in total	3.4	0.0	3.6	0.0	0.1
Adjusted operating profit (EBIT)	9.3	6.0	15.3	8.0	14.4
Operating profit (EBIT)	1.4	6.0	6.5	7.3	13.2

The adjustment items are presented in the income statement lines as follows:

EUR million	7–9/2019 3 months	7–9/2018 3 months	1–9/2019 9 months	1–9/2018 9 months	2018
Other operating income		-0.1		-1.0	-1.0
Employee benefit expenses	2.6		3.3	0.6	0.6
Other operating expenses	1.8	0.1	1.9	1.1	1.5
EBITDA adjustment items total	4.4	0.0	5.1	0.6	1.1
Depreciation, amortisation and impairment	3.4		3.6		0.1
Operating profit adjustment items total	7.9	0.0	8.7	0.6	1.2

Pihlajalinna's financial reporting and Annual General Meeting 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.

Briefing

Pihlajalinna will hold a briefing for analysts and media in Helsinki on Tuesday, 5 November 2019 at 10 am in the Paavo Nurmi Cabinet at Hotel Kämp (Pohjoisesplanadi 29, 00100 Helsinki).

Helsinki, 4 November 2019

The Board of Directors of Pihlajalinna Plc

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Pihlajalinna in brief

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The company provides social and healthcare services as well as wellbeing services for households, companies, insurance companies and public sector entities in private clinics, health centres, dental clinics, hospitals and fitness centres around Finland. Pihlajalinna provides general practitioner and specialised care services, including emergency and on-call services, a wide range of surgical services, occupational healthcare and dental care services, in private clinics and hospitals. The company, in cooperation with the public sector, offers social and healthcare service provision models to public sector entities with the aim of providing high quality services for public pay healthcare customers.