

Pihlajalinna

HALF-YEAR FINANCIAL REPORT

1 January – 30 June 2019



Pihlajalinna's profitability weighed down by loss-making units, the group launched an efficiency programme

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 half-year financial report are unaudited.

A brief look at April-June:

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

A brief look at January-June:

- Revenue amounted to EUR 262.2 (244.5) million – an increase of 7.2%, organic growth of 2.1%
- Adjusted EBITDA was EUR 23.3 (17.1) million – an increase of 36.4%
- Adjusted EBIT was EUR 6.0 (1.9) million
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 2.6 (4.0) million on operating profit
- The number of personnel at the end of the review period was 6,100 (5,918)
- Earnings per share (EPS) was EUR 0.04 (-0.06)

KEY FIGURES	4-6/2019 3 months	4-6/2018 3 months	1-6/2019 6 months	1-6/2018 6 months	2018 12 months
INCOME STATEMENT					
Revenue, EUR million	129.7	125.3	262.2	244.5	487.8
EBITDA, EUR million	10.4	9.1	22.6	16.4	44.8
EBITDA, %	8.1	7.3	8.6	6.7	9.2
Adjusted EBITDA, EUR million*	10.8	10.2	23.3	17.1	45.9
Adjusted EBITDA, %*	8.3	8.1	8.9	7.0	9.4
Operating profit (EBIT), EUR million	1.6	1.0	5.1	1.3	13.2
Operating profit, %	1.2	0.8	2.0	0.5	2.7
Adjusted operating profit (EBIT), EUR million*	2.1	2.0	6.0	1.9	14.4
Adjusted operating profit, %*	1.6	1.6	2.3	0.8	3.0
Profit before tax (EBT), EUR million	0.6	0.1	3.2	-0.5	9.5
SHARE-RELATED INFORMATION					
Earnings per share (EPS), EUR	-0.02	0.00	0.04	-0.06	0.16
Equity per share, EUR			5.26	5.15	5.36
OTHER KEY FIGURES					
Return on capital employed (ROCE), %			4.9	4.2	4.6
Return on equity (ROE), %			7.5	6.0	5.7
Equity ratio, %			29.7	29.0	29.9
Gearing, %			148.6	152.1	136.6
Interest-bearing net debt, EUR million			191.9	187.1	178.0
Net debt/adjusted EBITDA 12 months*			3.7	4.9	3.9
Gross investments, EUR million**	8.4	12.8	22.4	139.0	160.1
Cash flow from operating activities, EUR million	11.2	4.1	14.5	9.7	41.2

Cash flow after investments, EUR million	4.0	-1.4	2.9	-36.1	-18.8
Average number of personnel (FTE)			4,666	4,320	4,868
Personnel at end of the period (NOE)			6,100	5,918	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 totalled EUR 0.3 (1.1) million for the quarter and EUR 0.7 (0.7) million for the review period. Adjustments to operating profit totalled EUR 0.5 (1.1) million for the quarter and EUR 0.9 (0.7) 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

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

The group has launched an efficiency improvement programme that aims at annual cost savings of approximately EUR 17 million. The efficiency improvement programme will help reduce costs for the September–December period of the current year by an estimated approximately EUR 5 million. The efficiency improvement programme involves a non-recurring item of approximately EUR 8 million, which is reported as an adjustment item.

Joni Aaltonen, CEO of Pihlajalinna:

Pihlajalinna has grown strongly through M&A transactions and opening of new clinics in recent years, and several new agreements has been signed in early 2019. The new contracts are expected to increase turnover for the remainder of the year. Expansion of the service network has been a strategic goal in recent years, and except for some provincial centres we now have a nationwide service network.

In the second quarter of 2019, revenue increased by 3.5% compared with the previous year. Organic growth in revenue was 1.5%. Profitability remained reasonably stable in the established units of our service network. In the context of corporate acquisitions, we have not systematically carried out separate employee co-operation negotiations nor carried out operating efficiency measures fully in the past. Therefore, synergies have not been achieved in all units and the profitability in our service network varies considerably. The costs of administration have also risen as a result of the acquisitions. Unequal resourcing of units and general salary increases resulted in an increase in personnel costs in the quarter. For these reasons, the group's administrative and personnel costs were higher than planned and in some units the EBITDA remained negative. The whole group's EBIT was negative in April and May. Profitability improved in June.

To ensure the company's operating conditions and achieve targeted operating profit, it is necessary to take measures to streamline operations in all units and to make management of operations more efficient. We must become capable of profitable growth and of strengthening the corporate culture that supports it. We

must also be agile in various situations and better at anticipating changes in the industry, which can often occur quickly. According to our estimates, Pihlajalinna's long-term EBIT target is achievable. Revenue can also be increased significantly if demand in municipalities can be realised into actual contracts.

We accordingly began planning an efficiency improvement programme in June. In the context of this programme, we started employee co-operation negotiations on 17 June 2019 for production-related and financial reasons as well as due to the restructuring of business operations. We estimate that the efficiency improvement programme will bring direct cost savings of approximately EUR 17 million per year. The new organisation and management system will enable us to achieve more efficient implementation of costs and resourcing of various departments and maintain a good standard of service provision.

The maximum level of personnel reductions included in the efficiency improvement programme was not realised. Efficiency and direct cost savings are being implemented equally by modifying the remuneration structure and employee benefits, and by improving overall cost effectiveness. It is important for us to ensure that our efforts to improve profitability will not have a negative effect on service quality. We want to provide good care for our customers, operate ethically and develop Finnish healthcare with an open mind.

During the review period, we released a letter of intent on co-operation with Pirkanmaa Hospital District. The partnership seeks to design new and innovative service models with a strong customer focus and an emphasis on social responsibility and effective services. Concrete co-operation began with the signing of a letter of intent with Heart Hospital. This co-operation seeks to determine the current risk of serious illness in patients earlier by applying technology such as artificial intelligence, and to streamline the care of heart patients and ensure good quality of life for those who already have heart problems. Our goal is to develop Pihlajalinna private clinics into multi-faceted service centres that offer care paths for both private and public services, all the way up to the most demanding level of university hospital care.

Pihlajalinna also signed a co-operation agreement with the insurance provider Pohjola Vakuutus at the end of May concerning the piloting of a new kind of customer service model for Pohjola Vakuutus customers in two localities.

Also in May, we introduced the Pihlajalinna health application mobile service for primary care customers in Parkano, Kihniö, Mänttä-Vilppula and Juupajoki. The app now covers a total population base of around 20,000 and allows for swift and independent access to healthcare services. Use of the app will expand in autumn 2019 to Alavus, Ähtäri, Soini, Kuortane and Hattula, covering a total population of around 33,000.

Our network of business locations expanded with the opening of a private clinic in Vaasa in June and an occupational healthcare service unit in Rovaniemi in August. We also acquired the Aurinkoristeys occupational healthcare units of the municipality of Raisio and the Kouvola Työterveys occupational healthcare unit in May.

Although the planned nationwide social and healthcare reform did not materialise, the need for change in the system has not disappeared. Reform is included in the programme of the new government that took office earlier this year. The economic situation of Finnish municipalities has deteriorated further. Expenditure on social and healthcare services already accounts for more than half of all municipal expenditure, and as many as two-thirds of the country's municipalities had a deficit in 2018. Due to the postponement of the social and healthcare reform, municipalities must continue to seek solutions to existing problems and balance their finances. They have also had problems in recruiting doctors and other healthcare professionals, which makes it difficult to organise social and healthcare services as a separate activity. There is now a clear municipal demand for Pihlajalinna's service models.

In its co-operation with municipalities, Pihlajalinna is interested in a wider range of services where our operating models are better able to provide benefits to society, and where a comprehensive supply of services enables high-quality, appropriate care. Bringing services close to people speeds up access to basic care and improves service quality. Our aim when co-operating with municipalities is to create new service models that will enable municipalities to maintain their level of services, to manage costs, and to implement services in an ethically sustainable way.

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.

April–June 2019

EUR million	4–6 2019	%	4–6 2018	%
Southern Finland	30.0	21	28.5	20
Mid-Finland	80.8	56	80.1	57
Ostrobothnia	29.1	20	27.0	19
Northern Finland	3.8	3	3.2	2
Other operations	1.8	1	1.1	1
Intra-Group sales	-15.7		-14.6	
Total consolidated revenue	129.7	100	125.3	100

Revenue for Southern Finland for the quarter amounted to EUR 30.0 (28.5) million, an increase of EUR 1.4 million or 5%. In Southern Finland, revenue grew mainly due to the acquisition of the Forever fitness centre chain last year and an increase in customer volumes in private clinics in the Turku region.

Revenue in Mid-Finland amounted to EUR 80.8 (80.1) million, an increase of EUR 0.6 million or 1%. The acquisition of occupational healthcare provider Terveyspalvelu Verso at the turn of the year, along with an increased rate of occupancy of Pihlajalinna Special Housing Services, brought increased revenue for the region. The closure of the Omapihlaja health centres in Tampere had a negative effect on the revenue for the area.

Revenue for Ostrobothnia amounted to EUR 29.1 (27.0) million, an increase of EUR 2.1 million or 8% on the previous year. 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 3.8 (3.2) million, an increase of EUR 0.6 million or 18%. The private clinic opened in Oulu in January 2018 increased its revenue.

January–June 2019

EUR million	1–6 2019	%	1–6 2018	%	2018	%
Southern Finland	61.1	21	52.2	19	107.6	20
Mid-Finland	163.8	56	159.1	58	311.9	57
Ostrobothnia	57.0	19	53.4	20	108.8	20
Northern Finland	7.5	3	6.5	2	12.3	2
Other operations	3.4	1	2.0	1	4.8	1
Intra-Group sales	-30.6		-28.8		-57.6	
Total consolidated revenue	262.2	100	244.5	100	487.8	100

In Southern Finland, revenue for the review period amounted to EUR 61.1 (52.2) million, an increase of EUR 8.8 million or 17%. In Southern Finland, growth in revenue was mainly due to the acquisition of Doctagon and the Forever fitness centre chain in the previous year, and to an increase in customer volumes in private clinics in the Turku region.

Revenue in Mid-Finland amounted to EUR 163.8 (159.1) million, an increase of EUR 4.7 million or 3%. Revenue for the area was increased by the acquisition of Terveyspalvelu Verso, price adjustments in accordance with the service agreements for the outsourcing of social and healthcare services, the acquisition of Linnan Klinikka, and the higher occupancy ratio for Pihlajalinna Special Housing Services. The closure of the Omapihlaja health centres in Tampere had a negative effect on the revenue for the area.

Revenue for Ostrobothnia was EUR 57.0 (53.4) millions, an increase of EUR 3.6 million, or 7%. Revenue for the area was increased by providing residential services for the elderly and mentally disabled in Laihia, and by price adjustments in accordance with the social and healthcare service agreement.

Revenue in Northern Finland amounted to EUR 7.5 (6.5) million, an increase of EUR 1.0 million or 15%. The private clinic opened in Oulu in January 2018 increased its 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.

April–June 2019

EUR million	4–6 2019	%	4–6 2018	%
Corporate customers	30.3	21	26.7	19
of which insurance company customers	6.7	5	6.6	5
Private customers	25.6	18	24.3	17
Public sector	89.6	62	88.9	64
Intra-Group sales	-15.7		-14.6	
Total consolidated revenue	129.7	100	125.3	100

Corporate customers had revenue of EUR 30.3 (26.7) million, an increase of EUR 3.6 million or 13%. Sales to insurance company customers increased by EUR 0.1 million or 2%. Revenue for the quarter was increased by the acquisition of Terveyspalvelu Verso in late 2018, the Stora Enso account, which began this year, and the growth in customer volumes in the Turku region.

Revenue from private customers amounted to EUR 25.6 (24.3) million, an increase of EUR 1.3 million or 5%. The acquisition of the Forever fitness centre chain contributed significantly to the growth in revenue from private customers.

Revenue from public sector amounted to EUR 89.6 (88.9) million, an increase of EUR 0.6 million or 1%. Revenue was increased by the start of residential services provision in Laihia in September 2018, and price adjustments in accordance with the social and healthcare outsourcing service agreements. On the other hand, the termination of Omapihlaja health centre operations in Tampere caused a decrease in revenue from the public sector.

January–June 2019

EUR million	1–6 2019	%	1–6 2018	%	2018	%
Corporate customers	61.8	21	54.4	20	105.6	19
of which insurance company customers	13.8	5	13.2	5	25.2	5
Private customers	52.1	18	46.5	17	92.0	17
Public sector	178.9	61	172.4	63	347.7	64
Intra-Group sales	-30.6		-28.8		-57.6	
Total consolidated revenue	262.2	100	244.5	100	487.8	100

Revenue from corporate customers amounted to EUR 61.8 (54.4) million, an increase of EUR 7.5 million or 14%. Sales to insurance company customers increased by EUR 0.6 million or 5%. Revenue for the review period was increased by the acquisition of Terveyspalvelu Verso at the end of 2018, the Stora Enso account, which started this year, and the growth in customer volumes in the Turku region.

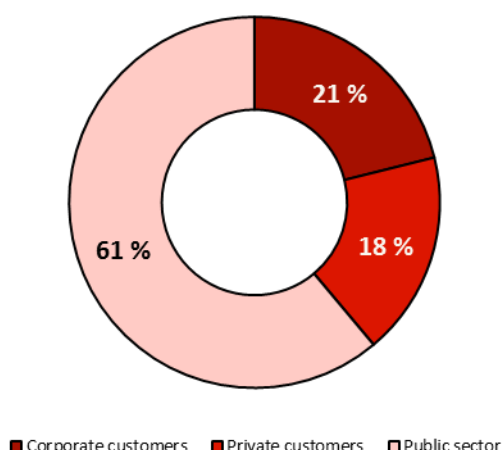
Revenue from private customers amounted to EUR 52.1 (46.5) million, an increase of EUR 5.6 million or 12%. The acquisition of the Forever fitness centre chain contributed significantly to the growth in revenue from private customers. In addition, revenue was increased by the expansion of the dental care network and the opening of new private clinics.

Revenue from public sector amounted to EUR 178.9 (172.4) million, an increase of EUR 6.5 million, or 4%. Revenue was increased by the start of the production of Laihia residential services in September 2018, price adjustments in accordance with the social and healthcare outsourcing service agreements, and the

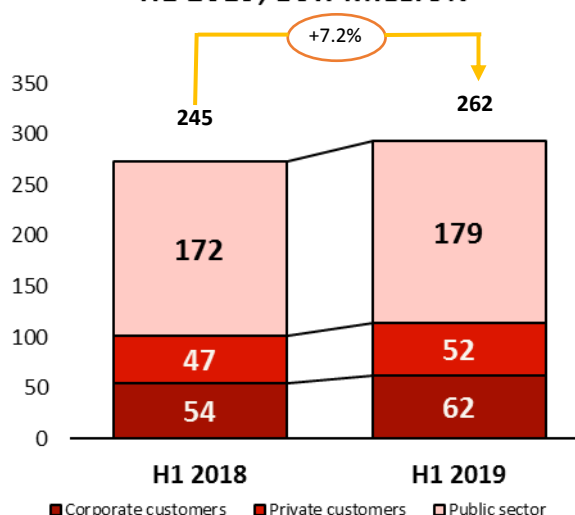
acquisition of Doctagon in March 2018 (responsible doctor services). On the other hand, the termination of Omapihlaja health centre operations caused a decrease in revenue from the public sector.

Revenue by customer group January-June 2019

REVENUE BY CUSTOMER GROUP
H1 2019, %



REVENUE BY CUSTOMER GROUP
H1 2019, EUR MILLION



Consolidated revenue and result

April–June 2019

Pihlajalinna's revenue for the quarter amounted to EUR 129.7 (125.3) million, an increase of EUR 4.4 million or 3.5% compared to the corresponding period last year. Revenue grew by EUR 2.5 million or 2.0% as a result of M&A transactions. The most significant of the M&A transactions were the acquisition of Terveyspalvelu Verso in late 2018 and the expansion of the Forever fitness centre chain. Organic growth in revenue was EUR 1.9 million or 1.5%.

EBITDA was EUR 10.4 (9.1) million, an increase of EUR 1.3 million or 14.6%. The profitability improved in public specialised care and the Forever fitness centre chain. On the other hand, the profitability decreased in outsourced primary care and social care services, private clinics, surgical operations and dental care services. Total EBITDA of the loss-making units before the allocation of the group's overheads was negative, at EUR -3.4 million. EBITDA increased by EUR 0.5 million as a result of M&A transactions and by EUR 0.2 million due to the impact of new private clinics. Transfer taxes and expert fees (IFRS 3 costs) for M&A transactions had a negative impact of EUR 0.2 (0.3) million on EBITDA.

The adjusted EBITDA was EUR 10.8 (10.2) million, an increase of EUR 0.6 million or 5.6%. EBITDA adjustments amounted to EUR 0.3 (1.1) million.

Depreciation, amortisation and impairment amounted to EUR 8.8 (8.1) million. Depreciation of intangible assets amounted to EUR 1.9 (1.8) million, of which depreciation related to purchase price allocations

amounted to EUR 1.2 (1.4) million. Depreciation of property, plant and equipment amounted to EUR 2.0 (1.0) million and depreciation of right-of-use assets amounted to EUR 4.9 (5.3) million.

Pihlajalinna's EBIT amounted to EUR 1.6 (1.0) million, an increase of EUR 0.6 million. The group's EBIT was negative in April and May. In contrast, the operating result was clearly profitable in June. Operating profit (EBIT margin) accounted for 1.2 (0.8)% of revenue. The adjusted EBIT was EUR 2.1 (2.0) million. The adjusted EBIT margin was 1.6 (1.6)%.

Pihlajalinna's revenue from public specialised care included in the complete outsourcing of social and healthcare services was EUR 22.2 (21.6) million. The EBIT for public specialised care was EUR 1.1 (-0.3) million, with an EBIT of EUR 1.1 (-0.4) million. The cost accumulation of public specialised care involves random fluctuation. 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 (-0.9) million. Profit before taxes amounted to EUR 0.6 (0.1) million, an increase of EUR 0.5 million. Taxes in the income statement amounted to EUR -0.3 (-0.2) million. Profit was EUR 0.4 (-0.1) million. Earnings per share amounted to EUR -0.02 (0.00).

January–June 2019

Pihlajalinna revenue during the review period amounted to EUR 262.2 (244.5) million, an increase of EUR 17.7 million or 7.2%, on the corresponding period last year. Revenue increased by EUR 12.4 million or 5.1% as a result of M&A transactions. The most significant of the acquisitions were the Doctagon and the Forever fitness centre chain, both acquired at the beginning of 2018, and the acquisition of the Terveystalvelu Verso at the end of 2018. Organic growth in revenue was EUR 5.2 million or 2.1%.

EBITDA was EUR 22.6 (16.4) million, an increase of EUR 6.2 million or 37.6%. Profitability improved in public specialised care and occupational healthcare services. On the other hand, there was a decrease in the profitability of Pihlajalinna's dental care services and outsourced primary care and social care services. Total EBITDA of the loss-making units before the allocation of the group's overheads was negative, at EUR -6.0 million.

EBITDA increased by EUR 1.8 million as a result of M&A transactions and by EUR 1.0 million due to the impact of new private clinics. Transfer taxes and expert fees (IFRS 3 costs) for M&A transactions caused a decrease in EBITDA of EUR 0.3 (1.5) million.

The adjusted EBITDA was EUR 23.3 (17.1) million, an increase of EUR 6.2 million or 36.4%. EBITDA adjustments amounted to EUR 0.7 (0.7) million.

Depreciation, amortisation and impairment amounted to EUR 17.5 (15.2) million. Depreciation of intangible assets amounted to EUR 3.7 (3.4) million, of which depreciation related to purchase price allocations amounted to EUR 2.3 (2.5) million. Depreciation of property, plants and equipment amounted to EUR 3.9 (3.7) million and depreciation of right-of-use assets amounted to EUR 9.8 (8.1) million.

Pihlajalinna's EBIT amounted to EUR 5.1 (1.3) million, an increase of EUR 3.9 million. Operating profit (EBIT margin) accounted for 2.0 (0.5)% of revenue. The adjusted EBIT was EUR 6.0 (1.9) million, an increase of EUR 4.1 million. The adjusted EBIT margin was 2.3 (0.8)%.

Pihlajalinna's revenue from public specialised care included in the complete outsourcing of social and healthcare services was EUR 43.9 (43.1) million. The EBITDA for public specialised care was EUR 1.3 (-1.3) million, with an EBIT of EUR 1.2 (-1.4) million. The cost accumulation of public specialised care involves

random fluctuation. 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 -2.0 (-1.8) million. Profit before taxes amounted to EUR 3.2 (-0.5) million, an increase of EUR 3.7 million. Taxes in the income statement amounted to EUR -0.9 (-0.3) million. Profit was EUR 2.2 (-0.8) million. Earnings per share amounted to EUR 0.04 (-0.06).

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

After years of planning and preparation, the structural reform of social and healthcare services in Finland ultimately collapsed. The new government may resume the process of health and social services reform because the sustainability gap in public finances still exists and savings are needed. Municipalities continue to bear the responsibility for the cost-efficient organisation of social and healthcare services.

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. With the rapid ageing of the population and the proportion of over 75-year-olds set to grow by more than 50% by 2030 (source: Valor 2019), social and healthcare service costs will increase further and municipalities will need assistance in the provision of services.

Following the collapse of social and healthcare service reform, municipalities have become more active in contacting private sector service providers. The annual margins of Pihlajalinna's partner municipalities have developed very favourably under joint venture structures compared to their peer municipalities. One of the latest outsourcing arrangements is in Hattula, where Pihlajalinna started the partial outsourcing of social and healthcare services at the beginning of 2019. In addition, Kristiinankaupunki has carried out negotiation-based tendering procedures to outsource part of its social and healthcare services. The procurement decision based on the tendering process has not yet been made. Pihlajalinna has extended the validity of its tender until 30 June 2019.

According to the government programme adopted by the new government of Finland, preparations for social and healthcare reforms will be resumed within the current term of government. In the projected social and healthcare reforms, self-governing areas that are larger than municipalities, i.e. provinces, will bear the responsibility for organising social and healthcare services.

According to the government programme, provinces will provide these services mainly as public services with the private and tertiary sectors acting as complementary service providers. The government also intends to prepare reforms of the voucher system for social and healthcare services and will also adopt a policy for the introduction of personal budgets.

Pihlajalinna wants to complement public-sector service offerings, especially in basic specialised care and in non-urgent specialised care, in areas where the public sector has reduced its role and is centralising

specialised care in fewer units. Ensuring swift access to care is a prime objective of the new government programme. We approve of this aim, and we stress that all of the services and operating models of social and health sector operators will be needed to achieve it.

The private market situation remains the same and the amount of health insurances continue to grow. 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.

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 435.7 (424.5) million. Consolidated cash and cash equivalents amounted to EUR 26.6 (27.4) million.

Net cash flow from operating activities in the quarter amounted to EUR 11.2 (4.1) million. Taxes paid amounted to EUR -1.3 (-0.7) million. The change in net working capital was EUR 2.1 (-5.5) million. Cash flow from operating activities was improved by the transfer of the time of payment of holiday pay obligations from June to July.

Net cash flow from operating activities for the review period amounted to EUR 14.5 (9.7) million. Taxes paid amounted to EUR -3.9 (-2.6) million. The change in net working capital was EUR -4.1 (-4.3) million. Cash flow from operating activities was improved by the transfer of the time of payment of holiday pay obligations from June to July and by the improved profitability.

Net cash flow from investing activities during the review period amounted to EUR -11.6 (-45.7) million. Acquisitions of subsidiaries had a negative impact of EUR -4.9 (-33.6) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -7.1 (-12.4) million, and the proceeds from disposal of tangible assets amounted to EUR 0.3 (0.2) million.

The group's cash flow after investments (free cash flow) amounted to EUR 2.9 (-36.1) million.

Net cash flow from financing activities in the review period was EUR -12.7 (26.4) million. The change in financial liabilities, including changes in credit limits, amounted to EUR 2.7 (46.5) million. Payments for financial lease liabilities amounted to EUR 9.9 (7.9) million, and interest paid and other financial expenses amounted to EUR 1.9 (1.7) million. The net effect of the change in non-controlling interests on cash flow was EUR -1.3 (-6.4) million. In April, Pihlajalinna Oyj 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 148.6 (152.1)%. Interest-bearing net debt amounted to EUR 191.9 (187.1) million. In the review period, the group paid a total of EUR 1.5 (4.0) million in contingent considerations (earn-out payments).

Return on capital employed was 4.9 (4.2)% and return on equity was 7.5 (6.0)%.

Financing arrangements

Pihlajalinna has a five-year EUR 120 million unsecured financing arrangement with Danske Bank and Nordea. The arrangement comprises 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 June 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 35.5 million in unused committed credit limits.

Capital expenditure and acquisitions

Acquired entity	Month of acquisition	Industry	Domicile
Klaari Oy (Fit1 fitness centre chain) and subsidiary Fitnessclub Länsi-Suomi Oy, 100 % of share capital	February 2019	Fitness centres	Espoo, Vaasa
Dalmed Oy, 100% of share capital	April 2019	Occupational healthcare services	Kemiö
Kouvola Työterveys ry (business operations)	June 2019	Occupational healthcare services	Kouvola
Aurinkoristeys, i.e. the occupational healthcare units of the town of Raisio (business operations), enters into force 1 September 2019	September 2019	Occupational healthcare services	Raisio, Naantali

Gross investments, including acquisitions, amounted to EUR 22.4 (139.0) million. The group's gross investments in property, plant and equipment, which consisted of development, additional and replacement investments for growth, amounted to EUR 5.0 (2.6) million in the review period. Gross investments in connection with the opening of new units amounted to EUR 2.8 (11.9) million. Gross investments in relation to M&A transactions amounted to EUR 3.7 (71.1) million. Gross investments in right-of-use assets amounted to EUR 10.8 (53.5) million.

Investment commitments for the group's development, additional and replacement investments amounted to approximately EUR 2.0 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 building is scheduled to be completed in autumn 2019. Pihlajalinna has made a commitment to acquire an assisted living facility from the municipality of Laihia following the construction of the new facility. In addition, Pihlajalinna is committed to renovating two smaller care homes that it acquired previously.

Pihlajalinna's expansion continues. In the 2017 period, Pihlajalinna announced plans to open new units in ten more localities by 2020. Enlargement 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 per cent by the end of 2018. The validity of the agreement was extended until 15 March 2019. The deadline for implementation of the deal has lapsed, but the negotiations are actively ongoing.

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

The company	Pihlajalinna holding 31 December 2018	Pihlajalinna ownership on 30 June 2019	Beginning year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	90%	90%	Internal service production	Internal service production
Jämsän Terveys Oy	51%	51%	2015	10
Kuusioliina 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:

Pihlajalinna Tampere Oy merged with Pihlajalinna Lääkärikeskukset on 1 January 2019.

Doctagon Ab merged with Pihlajalinna Terveys Oy on 1 January 2019.

Anula Oy merged with Linnan Klinikka Oy on 1 January 2019.

The dental care companies Savodent Oy, HammasPirta Oy, Paimion Hammaslääkäripalvelu Oy and Salon Hammaslääkärikeskus Oy merged with Tampere Hammaspiste Oy (now Pihlajalinna Hammasklinikat Oy) on 1 January 2019.

The dental clinic Hammaslääkärikeskus Mandibula Oy merged with Mandibula Raisio Oy on 28 February 2019.

Mandibula Raisio merged with Pihlajalinna Hammasklinikat Oy on 1 March 2019.

Pihlajalinna Kymijoki Oy merged with Pihlajalinna Lääkärikeskukset Oy on 3 June 2019.

Research and development

Development costs that fulfilled the criteria for capitalisation amounted to EUR 0.4 (0.4) million during the review period.

In the financial year 2019, development operations in social and healthcare outsourcing for municipalities 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 centre concepts.

Personnel

At the end of the review period, the total number of personnel was 6,100 (5,918), an increase of 182 employees or 3%. The average number of full-time employees of the group was 4,666 (4,320), an increase of 346 or 8%. The group's employee benefit expenses amounted to EUR 114.6 (106.3) million, an increase of EUR 8.2 million or 8%.

The increase in the number of personnel was mainly due to M&A transactions.

Management changes and Management Team

At its meeting on 14 August 2019, Pihlajalinna Oy's Board of Directors decided to appoint a new management team as part of the group's efficiency improvement programme. CEO Joni Aaltonen will chair the management team. The members of the management team are chief operating officer Teija Kulmala,

chief financial officer Tarja Rantala, general counsel Marko Savolainen, head of human resources Elina Heliö, and head of service development and chief information officer Sanna Määttänen. All previous management team positions will be discontinued on 15 August 2019.

Board of Directors

The Annual General Meeting held on 4 April 2019 decided that the number of members on the Board of Directors be confirmed as seven, instead of eight, which was the previous number. 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 appointed by the board of directors

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 13,013 (14,609) 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	4–6 2019	4–6 2018	1–6 2019	1–6 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	21,821,775	22,224,236
Highest price, EUR	11.76	13.56	11.76	15.28	15.28
Lowest price, EUR	9.80	10.66	8.70	10.66	8.56
Average price, EUR*	10.91	11.73	10.63	12.88	12.18
Closing price, EUR	11.26	11.28	11.26	11.28	8.62
Share turnover, 1,000 shares	650	2,225	1,221	4,337	6,182
Share turnover, %	2.9	9.8	5.4	19.2	27.8
Market capitalisation at the end of the period, EUR million	254.7	255.2	254.7	255.2	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 free 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 AGM 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 3 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 and operative management are 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.

In addition, 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 Group has a difference of opinion with one of its partners regarding the determination of the annual price of the agreement. The counterparty has taken legal action regarding the matter during the review period. Negotiations are ongoing.

The Group's trade receivables include EUR 5.1 million (3.6 million at the end of 2018) in substantially delayed payments from a significant customer. Active negotiations are ongoing regarding the collection of the receivables. According to the Group management's estimate, the customer will pay the receivables in full.

In its other receivables, the Group has a total of EUR 2.6 million in service provider refunds for public sector 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 171.6 (162.7) 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 is still incomplete.

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. The key employee shall, in addition, 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 performance 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 Group 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

Pihlajalinna announced on 12 August 2019 that the sales manager and business operations manager for northern Finland, Stefan Wentjärvi, has resigned from the company's service and will move on to new challenges outside of Pihlajalinna.

Pihlajalinna has completed employee co-operation negotiations that commenced on 17 June 2019. The negotiations will result in terminating 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.

The measures are part of an efficiency improvement programme seeking to ensure that the company maintains its operating conditions for all services and locations. The number of redundancies will be smaller than initially estimated, as the negotiations identified alternative measures for saving costs and improving efficiency. Besides eliminating staff positions, the company is also enhancing its management system and administration by such means as streamlining and centralising operations at its Head Office in Tampere. It will also combine establishments, eliminate duplication of operations and improve general cost management. The efficiency improvement programme is expected to save approximately EUR 17 million in costs. The cost savings and redundancies will mainly be realised by the end of this year, with their full impact apparent in 2020. The impact of savings in the current year is estimated at approximately EUR 5 million, with adjustment item of approximately EUR 8 million recorded for implementing the negotiated decisions.

As part of the company's efficiency improvement programme, Pihlajalinna Plc is modernising its management system and restructuring its management team. The modernisation will discontinue some functions of the management team, with the company establishing an operations management team as a new management team level directed by the COO. Appointments to the management team take effect on 15 August 2019 and are presented in Management changes and Management Team in this half-year financial report.

Accounting policies

This half-yearly report (unaudited) has been prepared in accordance with the IFRS standard and drawn up in compliance with the requirements of International Accounting Standard (IAS) 34 (Interim Financial Reporting). All figures are rounded, and therefore the actual aggregate sum of individual figures may differ somewhat from the sum presented. Key indicators and change figures are calculated using exact figures.

Preparation of the financial statements in accordance with IFRS requires that management make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates used in the half-year review.

This half-yearly report has been prepared in accordance with the current IFRS standards, which have been adopted by the European Union. This half-yearly report has been prepared in accordance with the accounting policies for the year ending 31 December 2018, taking into account any new or amended standards or interpretations that became applicable on 1 January 2019.

IFRS 16 Leases

Pihlajalinna has adopted IFRS 16 fully retrospectively, i.e. adjusting the financial information for 2018 in accordance with the IAS 8 (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). On 18 April 2019, Pihlajalinna released a notice presenting financial comparative information for each reporting period in 2018.

Tables

1 January–30 June 2019

Consolidated statement of comprehensive income

EUR million	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
Revenue	129.7	125.3	262.2	244.5	487.8
Other operating income	0.4	0.6	0.7	1.9	4.2
Materials and services	-49.7	-49.7	-100.3	-98.3	-189.2
Employee benefit expenses	-57.6	-54.4	-114.6	-106.3	-208.4
Other operating expenses	-12.4	-12.8	-25.4	-25.4	-49.5
Share of profit in associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
EBITDA	10.4	9.1	22.6	16.4	44.8
Depreciation, amortisation and impairment	-8.8	-8.1	-17.5	-15.2	-31.6
Operating profit (EBIT)	1.6	1.0	5.1	1.3	13.2
Financial returns	0.0	0.0	0.0	0.1	0.1
Financing expenses	-1.0	-0.9	-2.0	-1.8	-3.9
Profit before taxes	0.6	0.1	3.2	-0.5	9.5
Income tax	-0.3	-0.2	-0.9	-0.3	-2.7
Profit for the period *	0.4	-0.1	2.2	-0.8	6.8
Total comprehensive income for the period	0.4	-0.1	2.2	-0.8	6.8
Total comprehensive income for the period attributable:					
to the owners of the parent company	-0.5	0.0	0.9	-1.3	3.5
to non-controlling interests	0.9	-0.1	1.3	0.5	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	-0.02	0.00	0.04	-0.06	0.16

* The group has no other comprehensive income items

Consolidated statement of financial position

EUR million	30.6.2019	30.6.2018	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	45.1	41.7	43.3
Goodwill	171.6	162.7	169.9
Other intangible assets	23.2	23.3	22.9
Right-of-use assets	116.8	120.0	116.0
Interests in associates	0.0	0.0	0.0
Other investments	0.2	0.2	0.1
Other receivables	1.7	1.8	1.8
Deferred tax assets	4.9	3.4	4.1
Total non-current assets	363.4	353.0	358.1
Current assets			
Inventories	2.7	2.5	2.5
Trade and other receivables	39.8	39.2	38.1
Current tax assets	3.2	2.4	1.7
Cash and cash equivalents	26.6	27.4	36.3
Total current assets	72.3	71.5	78.6
Total assets	435.7	424.5	436.8
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	116.5	116.5	116.5
Retained earnings	1.4	1.1	1.1
Result for the review period	0.9	-1.3	3.5
	118.9	116.4	121.2
Non-controlling interests	10.1	6.6	9.2
Total equity	129.1	123.0	130.3
Non-current liabilities			
Deferred tax liabilities	5.7	6.7	6.1
Lease liabilities	102.1	105.6	102.0
Financial liabilities	95.5	87.5	95.7
Other non-current liabilities	1.3	1.6	1.5
Provisions	0.3	0.7	0.3
Total non-current liabilities	204.8	202.0	205.6
Current liabilities			
Provisions	0.1	0.2	0.0
Trade and other payables	77.8	73.5	79.5
Current tax liabilities	1.6	1.7	1.9
Lease liabilities	17.4	16.5	16.5
Financial liabilities	4.9	7.6	3.0
Total current liabilities	101.8	99.5	100.8
Total liabilities	306.7	301.5	306.4
Total equity and liabilities	435.7	424.5	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			-1.3	0.5	-0.8
Total comprehensive income for the period			-1.3	0.5	-0.8
Directed share issue		28.6			28.6
Dividends paid			-3.6	-1.2	-4.8
Investments in group subsidiaries			-0.1	2.5	2.4
Total transactions with owners		28.6	-3.7	1.2	26.1
Changes in NCI without a change in control			-7.2	-0.5	-7.7
Total changes in subsidiary shareholdings			-7.2	-0.5	-7.7
Total equity 30.6.2018	0.1	116.5	-0.2	6.6	123.0

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			0.9	1.3	2.2
Total comprehensive income for the period			0.9	1.3	2.2
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			-1.0	-0.3	-1.2
Total changes in subsidiary shareholdings			-1.0	-0.3	-1.2
Total equity on 30.6.2019	0.1	116.5	2.3	10.1	129.1

Consolidated statement of cash flows

EUR million	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
Cash flow from operating activities					
Profit for the period	-0.5	0.0	0.9	-1.3	3.5
Cash flow adjustments for business operations:					
Taxes	0.3	0.2	0.9	0.3	2.7
Depreciation, amortisation and impairment	8.8	8.1	17.5	15.2	31.6
Financial income and expenses	1.0	0.9	2.0	1.7	3.7
Other	0.8	0.9	1.2	0.6	3.5
Income financing before change in working capital	10.3	10.2	22.5	16.5	45.0
Change in working capital	2.1	-5.5	-4.1	-4.3	1.6
Interest received	0.0	0.0	0.0	0.1	0.1
Taxes paid	-1.3	-0.7	-3.9	-2.6	-5.5
Net cash flow from operating activities	11.2	4.1	14.5	9.7	41.2
Cash flow from investing activities					
Investments in tangible and intangible assets	-3.0	-4.7	-7.1	-12.4	-19.6
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.2	0.0	0.3	0.2	0.4
Change 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	-4.4	-0.8	-4.9	-33.6	-41.0
Disposals of subsidiaries less cash and cash equivalents at date of disposal					0.1
Net cash flow from investing activities	-7.2	-5.5	-11.6	-45.7	-60.1
Cash flow from financing activities					
Changes in non-controlling interests	0.0	-8.8	-1.3	-6.4	-6.4
Withdrawals and repayments of loans	3.2	9.6	2.7	46.5	49.4
Repayment of financial lease liabilities	-5.2	-4.2	-9.9	-7.9	-16.3
Interest and other operational financial expenses	-0.9	-0.9	-1.9	-1.7	-3.5
Dividends paid and other profit distribution	-2.3	-4.1	-2.3	-4.1	-5.0
Net cash flow from financing activities	-5.2	-8.4	-12.7	26.4	18.1
Change in cash and cash equivalents	-1.2	-9.8	-9.7	-9.7	-0.8
Cash at beginning of period	27.8	37.1	36.3	37.1	37.1
Cash at end of review period	26.6	27.4	26.6	27.4	36.3

Contingent liabilities and commitments

EUR million	30.6.2019	30.6.2018	31.12.2018
Collateral given on own behalf			
Pledged collateral notes	1.0	1.7	1.3
Sureties		2.3	0.4
Lease deposits	1.8	1.7	1.8

The investment commitments for the group's development, supplementary and replacement investments are approximately EUR 2.0 million.

Pihlajalinna will develop a new assisted living facility for senior citizens in Laihia, under a subletting model, with capacity for 60 residents. The building is scheduled to be completed in autumn 2019. Pihlajalinna has made a commitment to acquire an assisted living facility from the municipality of Laihia following the construction of the new facility. In addition, Pihlajalinna is committed to renovating two smaller care homes that it acquired previously.

Related-party transactions

EUR million	1–6 2019	1–6 2018	2018
Key management personnel			
Rents paid	0.5	0.6	1.0
Services procured	0.6	0.9	1.2
Trade payables	0.1	0.2	0.1
Associated companies and joint ventures			
Services procured	0.0	0.0	0.0
Rents received	0.0	0.0	0.0

Changes in property, plant and equipment

EUR million	30.6.2019	30.6.2018	31.12.2018
Acquisition cost at beginning of period	217.4	137.8	137.8
Additions	1.8	2.8	5.4
Business combinations	3.7	66.1	74.2
Transfers between items	0.2	0.0	0.1
Acquisition cost at end of period	223.1	206.8	217.4
Accumulated depreciation at beginning of period	-24.5	-17.3	-17.3
Depreciation and amortisation for the period	-3.7	-3.4	-7.1
Transfers between items	-0.2	-0.1	-0.1
Accumulated depreciation at end of period	-28.4	-20.8	-24.5
Carrying amount at end of period	194.7	186.0	192.8

Changes in intangible assets

EUR million	30.6.2019	30.6.2018	31.12.2018
Acquisition cost at beginning of period	72.5	52.4	52.4
Additions	7.0	11.7	19.3
Business combinations	0.0	3.5	2.9
Transfers between items	0.1	1.4	0.3
Deductions	-0.6	-0.6	-2.4
Acquisition cost at end of period	78.9	68.5	72.5
Accumulated depreciation at beginning of period	-29.2	-22.1	-22.1
Depreciation and amortisation for the period	-3.9	-3.7	-7.5
Transfers between items	-1.0	-1.4	
Accumulated depreciation of deductions	0.2	0.3	0.3
Accumulated depreciation at end of period	-33.9	-26.9	-29.2
Carrying amount at end of period	45.1	41.7	43.3

Changes to right-of-use assets

EUR million	30.6.2019	30.6.2018	31.12.2018
Acquisition cost at beginning of period	162.7	102.9	102.9
Additions	6.8	20.9	25.3
Mergers of business operations	3.8	34.0	34.5
Acquisition cost at end of period	173.3	157.8	162.7
Accumulated depreciation at beginning of period	-46.7	-29.8	-29.8
Depreciation and amortisation for the period	-9.8	-8.1	-16.9
Accumulated depreciation at end of period	-56.6	-37.8	-46.7
Carrying amount at end of period	116.8	120.0	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	1–6 2019
Consideration transferred:	
Cash in hand	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	2.1
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	6.5
Deferred tax liabilities	0.0
Interest-bearing financial liabilities	-4.0
Other liabilities	-0.3
Total liabilities	-4.4
Preliminary net assets	2.1
Goodwill generated in the acquisition:	
Consideration transferred	3.7
Previous holding measured at fair value	0.0
Share of acquisition allocated to non-controlling interests	0.0
Net identifiable assets of acquirees	-2.1
Preliminary goodwill	1.7
Transaction price paid in cash:	3.7

Cash or 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 for the period, cash flow effect	3.4
Contingent consideration paid during the period	1.5
Total	4.9

EUR 0.2 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 1.0 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 2019, the consolidated revenue for the financial year would have amounted to EUR 262.8 million and operating profit would have totalled EUR 5.2 million.

Quarterly information

EUR million	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
INCOME STATEMENT								
Revenue	129.7	132.5	127.0	116.3	125.3	119.2	107.9	99.4
EBITDA	10.4	12.2	14.1	14.3	9.1	7.3	10.0	11.0
EBITDA, %	8.1	9.2	11.1	12.3	7.3	6.1	9.3	11.1
Adjusted EBITDA	10.8	12.6	14.6	14.2	10.2	6.9	10.4	10.9
Adjusted EBITDA, %	8.3	9.5	11.5	12.3	8.1	5.8	9.6	11.0
Depreciation and amortisation	-8.8	-8.6	-8.2	-8.2	-8.1	-7.0	-5.3	-5.4
Operating profit (EBIT)	1.6	3.5	5.9	6.0	1.0	0.3	4.7	5.6
EBIT, %	1.2	2.7	4.7	5.2	0.8	0.2	4.4	5.6
Adjusted EBIT	2.1	3.9	6.5	6.0	2.0	-0.1	5.1	5.5
Adjusted EBIT, %	1.6	3.0	5.1	5.2	1.6	-0.1	4.7	5.5
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	-0.9	-0.9	-0.5	-0.6
Profit before taxes	0.6	2.5	4.9	5.1	0.1	-0.6	4.2	5.1
Income tax	-0.3	-0.7	-1.3	-1.2	-0.2	0.0	-0.6	-1.0
Profit for the period	0.4	1.9	3.6	3.9	-0.1	-0.7	3.6	4.0
Share of the result for the period attributable to owners of the parent company	-0.5	1.4	2.5	2.2	0.0	-1.3	2.5	1.9
Share of the result for the period attributable to non-controlling interests	0.9	0.4	1.1	1.7	-0.1	0.6	1.1	2.1
EPS	-0.02	0.06	0.11	0.10	0.00	-0.06	0.12	0.09
Personnel at end of period (NOE)	6,100	5,871	5,850	5,867	5,918	5,638	4,753	4,767
Change in personnel during the quarter	230	21	-17	-51	280	885	-14	-131

Tax footprint

EUR million	1–6 2019	1–6 2018	2018
Direct tax payable for the period			
Income tax	2.1	1.4	5.1
Employer's pension contributions	15.0	14.5	30.5
Social security contributions	0.8	0.8	1.5
Employer's unemployment insurance contributions	2.8	2.8	3.2
Contribution to accident insurance and group life insurance	0.5	0.6	0.9
Employer contributions, total	19.0	18.6	36.1
Property taxes	0.1	0.0	0.1
Transfer taxes	0.2	1.1	1.2
Direct tax payable for the period, total	21.3	21.1	42.4
Value-added tax of acquisitions payable by the company			
Value-added taxes, estimate	6.3	3.9	12.4
Tax for the period			
Withholding taxes	21.8	22.1	44.7
Employee pension contributions, deferred	6.3	5.9	11.7
Employee unemployment insurance contributions, notional	1.3	1.7	3.3
Payroll tax, total	29.4	29.7	59.7
Net value-added tax	0.4	-0.1	0.6
Total tax for the period	29.9	29.6	60.3
Revenue	262.2	244.5	487.8
Profit before taxes	3.2	-0.5	9.5
Average number of personnel (FTE)	4,666	4,320	4,868
Public subsidies	0.4	0.5	1.3

Calculation of key financial figures and alternative performance measures

Key figures

Earnings per share (EPS)	$\frac{\text{Profit for the financial period attributable to owners of the parent company}}{\text{Average number of shares during the financial year}}$
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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	$\frac{\text{Dividend distribution for the financial year (or proposal)}}{\text{Number of shares at the end of the financial period}}$	
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), %	$\frac{\text{Profit for the period (rolling 12 mths)}}{\text{Equity (average)}}$	x 100
Return on capital employed, % (ROCE)	$\frac{\text{Profit before taxes (rolling 12 mths) + financial expenses (rolling 12 mths)}}{\text{Total statement of financial position – non-interest-bearing liabilities (average)}}$	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 mths	$\frac{\text{Interest-bearing net debt - cash and cash equivalents}}{\text{Adjusted EBITDA (rolling 12 mths)}}$	
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:

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

EUR million, unless otherwise stated	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
Return on equity (ROE), %					
Profit for the period (rolling 12 months) /			9.8	6.8	6.8
Equity at beginning of period			130.3	105.4	105.4
Equity at end of period			129.1	123.0	130.3
Equity (average) x 100			129.7	114.2	117.9
Return on equity (ROE), %			7.5	6.0	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 period.

Return on capital employed (ROCE), %					
Profit before taxes (rolling 12 months) +			13.2	8.8	9.5
Financial expenses (rolling 12 months)			4.1	2.9	3.9
/			17.2	11.7	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 –			435.7	424.5	436.8
Non-interest-bearing liabilities at end of period			86.6	79.5	78.2
			349.1	345.0	358.6
Average x 100			353.9	281.9	288.7
Return on capital employed (ROCE), %			4.9	4.2	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 /			129.1	123.0	130.3
Total statement of financial position –			435.7	424.5	436.8
Advances received x 100			0.6	0.8	0.9
Equity ratio, %			29.7	29.0	29.9

Equity ratio measures the company's **solvency**, loss tolerance and ability to cope with long-term commitments. The value of this key figure indicates how much of the company's assets are funded by equity.

Gearing, %					
Interest-bearing financial liabilities			218.5	214.5	214.3
Cash and cash equivalents /			26.6	27.4	36.3
Equity x 100			129.1	123.0	130.3
Gearing, %			148.6	152.1	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 -			218.5	214.5	214.3
Cash and cash equivalents			26.6	27.4	36.3
Net debt /			191.9	187.1	178.0
Adjusted EBITDA (rolling 12 months)			52.1	38.4	45.9
Net debt / adjusted EBITDA, rolling 12 months			3.7	4.9	3.9

This key 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.

	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
EBITDA and adjusted EBITDA					
Profit for the period	0.4	-0.1	2.2	-0.8	6.8
Income tax	-0.3	-0.2	-0.9	-0.3	-2.7
Financial expenses	-1.0	-0.9	-2.0	-1.8	-3.9
Financial income	0.0	0.0	0.0	0.1	0.1
Depreciation, amortisation and impairment	-8.8	-8.1	-17.5	-15.2	-31.6
EBITDA	10.4	9.1	22.6	16.4	44.8
Total EBITDA adjustments	0.3	1.1	0.7	0.7	1.1
Adjusted EBITDA	10.8	10.2	23.3	17.1	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 /	10.4	9.1	22.6	16.4	44.8
Revenue x 100	129.7	125.3	262.2	244.5	487.8
EBITDA, %	8.1	7.3	8.6	6.7	9.2
Adjusted EBITDA, %					
Adjusted EBITDA /	10.8	10.2	23.3	17.1	45.9
Revenue x 100	129.7	125.3	262.2	244.5	487.8
Adjusted EBITDA, %	8.3	8.1	8.9	7.0	9.4
Operating profit (EBIT) and Adjusted operating profit (EBIT)					
Profit for the period	0.4	-0.1	2.2	-0.8	6.8
Income tax	-0.3	-0.2	-0.9	-0.3	-2.7
Financial expenses	-1.0	-0.9	-2.0	-1.8	-3.9
Financial income	0.0	0.0	0.0	0.1	0.1
Operating profit (EBIT)	1.6	1.0	5.1	1.3	13.2
Total adjustments to depreciation, amortisation and impairment	0.1	0.0	0.1	0.0	0.1
Total EBITDA adjustments	0.3	1.1	0.7	0.7	1.1
Total operating profit (EBIT) adjustments	0.5	1.1	0.9	0.7	1.2

Adjusted operating profit (EBIT)	2.1	2.0	6.0	1.9	14.4
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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 /	1.6	1.0	5.1	1.3	13.2
Revenue x 100	129.7	125.3	262.2	244.5	487.8
Operating profit (EBIT), %	1.2	0.8	2.0	0.5	2.7
Adjusted operating profit (EBIT), %					
Adjusted operating profit (EBIT) /	2.1	2.0	6.0	1.9	14.4
Revenue x 100	129.7	125.3	262.2	244.5	487.8
Adjusted operating profit (EBIT), %	1.6	1.6	2.3	0.8	3.0
Cash flow after investments					
Net cash flow from operating activities	11.2	4.1	14.5	9.7	41.2
Net cash flow from investing activities	-7.2	-5.5	-11.6	-45.7	-60.1
Cash flow after investments	4.0	-1.4	2.9	-36.1	-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	0.4	-0.1	2.2	-0.8	6.8
Income tax	-0.3	-0.2	-0.9	-0.3	-2.7
Profit before taxes	0.6	0.1	3.2	-0.5	9.5
Gross investments					
Property, plant and equipment at the end of the period	45.1	41.7	45.1	41.7	43.3
Right-of-use assets at the end of the period	116.8	120.0	116.8	120.0	116.0
Other intangible assets at end of period	23.2	23.3	23.2	23.3	22.9
Goodwill at end of period	171.6	162.7	171.6	162.7	169.9
Depreciation, amortisation and impairment for the period are added	8.8	8.1	17.5	15.2	31.6
-					
Property, plant and equipment at the start of the period	44.9	39.2	43.3	30.3	30.3
Right-of-use assets at the start of the period	119.9	117.8	116.0	73.1	73.1
Other intangible assets at beginning of period	22.0	23.7	22.9	16.6	16.6
Goodwill at beginning of period	170.6	162.3	169.9	103.9	103.9
Proceeds from the sale of property, plant and equipment during the period	-0.2	-0.1	-0.4	-0.2	-0.3
Gross investments	8.4	12.8	22.4	139.0	160.1

Organic revenue growth, %					
Revenue for the period –	129.7	125.3	262.2	244.5	487.8
Revenue from M&A transactions during the period (rolling 12 months)	2.5	19.1	12.4	31.7	65.7
Revenue for the previous period	125.3	106.7	244.5	216.7	424.0
Organic revenue growth /	1.9	-0.4	5.2	-3.9	-2.0
Revenue for the previous period x 100	125.3	106.7	244.5	216.7	424.0
Organic revenue growth, %	1.5	-0.4	2.1	-1.8	-0.5
Revenue growth due to M&A transactions, %	2.0	17.9	5.1	14.6	15.5
Revenue growth	4.4	18.6	17.7	27.8	63.8
Revenue growth, %	3.5	17.5	7.2	12.8	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 increased service offerings, 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	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
EBITDA	10.4	9.1	22.6	16.4	44.8
Adjustments to EBITDA					
Closure of operating locations	0.2		0.2		0.0
Previous holding of subsidiary at fair value				-1.0	-1.0
Dismissal-related expenses	0.2		0.2	0.6	0.6
Profit from divestment of business operations					0.0
Change in fair value of contingent consideration	0.0	1.1		1.1	1.2
Other	-0.1		0.3		0.3
Adjustments to EBITDA in total	0.3	1.1	0.7	0.7	1.1
Adjusted EBITDA	10.8	10.2	23.3	17.1	45.9
Depreciation, amortisation and impairment	-8.8	-8.1	-17.5	-15.2	-
Adjustments to depreciation, amortisation and impairment					
Closure of operating locations	0.1		0.1		0.1
Adjustments to depreciation, amortisation and impairment in total	0.1	0.0	0.1	0.0	0.1
Adjusted operating profit (EBIT)	2.1	2.0	6.0	1.9	14.4
Operating profit (EBIT)	1.6	1.0	5.1	1.3	13.2

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

EUR million	4–6 2019 3 months	4–6 2018 3 months	1–6 2019 6 months	1–6 2018 6 months	2018
Other operating income				-1.0	-1.0
Employee benefit expenses	0.4		0.7	0.6	0.6
Other operating expenses	-0.1	1.1	0.0	1.1	1.5
EBITDA adjustment items total	0.3	1.1	0.7	0.7	1.1
Depreciation, amortisation and impairment	0.1		0.1		0.1
Operating profit adjustment items total	0.5	1.1	0.9	0.7	1.2

Pihlajalinna's financial reporting 2019

Interim report January–September: Tuesday 5 November 2019

Briefing

Pihlajalinna will hold a briefing for analysts and media in Helsinki on Thursday 15 August 2019 at 10 am in the Paavo Nurmi Cabinet at Hotel Kämp (Pohjoisesplanadi 29, 00100 Helsinki).

Helsinki, 14 August 2019

The Board of Directors of Pihlajalinna Plc

Further information

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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.