Pihlajalinna

INTERIM REPORT

1 January–31 March 2020

Adjusted EBIT improved, Pihlajalinna temporarily withdrew its outlook for 2020 due to the coronavirus epidemic

The figures in this interim report are unaudited.

A brief look at January–March:

- Revenue amounted to EUR 133.0 (132.5) million – an increase of 0.4%
- Adjusted EBITDA was EUR 12.7 (12.6) million – an increase of 0.8%
- Adjusted EBIT was EUR 4.2 (3.9) million – an increase of 6.9%
- IFRS 3 costs and amortisation related to M&A had a negative effect of EUR 0.9 (1.2) million on operating profit
- Earnings per share (EPS) was EUR 0.06 (0.06)
- The voluntary tender offer by Mehiläinen Yhtiöt Oy is expected to be completed during the third quarter of 2020 at the latest.

KEY FIGURES	1–3/2020 3 months	1–3/2019 3 months	2019 12 months
INCOME STATEMENT			
Revenue, EUR million	133.0	132.5	518.6
EBITDA, EUR million	12.1	12.2	47.8
EBITDA, %	9.1	9.2	9.2
Adjusted EBITDA, EUR million*	12.7	12.6	55.1
Adjusted EBITDA, %*	9.5	9.5	10.6
Operating profit (EBIT), EUR million	3.3	3.5	10.2
Operating profit, %	2.5	2.7	2.0
Adjusted operating profit (EBIT), EUR million*	4.2	3.9	20.8
Adjusted operating profit, %*	3.2	3.0	4.0
Profit before tax (EBT), EUR million	2.0	2.5	6.3
SHARE-RELATED INFORMATION			
Earnings per share (EPS), EUR	0.06	0.06	0.15
Equity per share, EUR	4.54	5.38	4.47
OTHER KEY FIGURES			
Return on capital employed (ROCE), %	3.0	4.7	2.9
Return on equity (ROE), %	3.7	7.1	3.8
Equity ratio, %	24.8	29.6	24.3
Gearing, %	186.6	145.5	181.7
Interest-bearing net debt, EUR million	201.2	190.5	192.7
Net debt/adjusted EBITDA, 12 months*	3.6	3.7	3.5
Gross investments, EUR million**	10.2	14.0	44.1
Cash flow from operating activities, EUR million	21,4	3.4	36.8
Cash flow after investments, EUR million	18,1	-1.1	17.4
Average number of personnel (FTE)	4,350	4,742	4,515
Personnel at the end of the period (NOE)	5,865	5,871	5,815

* 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.

Adjustments to EBITDA totalled EUR 0.5 (0.4) million for the quarter. Adjustments to operating profit totalled EUR 0.9 (0.4) million for the quarter.

** 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 2020

Due to the coronavirus epidemic, Pihlajalinna temporarily withdrew its outlook for 2020, which was given on 14 February 2020. It is hard to assess and predict the financial impact caused by the emergency laws issued by the Finnish Government and the duration of the coronavirus epidemic on Pihlajalinna's business operations. Pihlajalinna estimates that it will issue an updated outlook for 2020 later this year. During the first months of the year, Pihlajalinna's revenue and profitability developed in the expected manner.

The impact of the coronavirus epidemic on Pihlajalinna's business operations

Pihlajalinna's complete outsourcings for social and healthcare services and other fixed-price invoicing involves a steady recognition of revenue over time. In periods of low demand, the profitability of these kinds of contracts will usually remain stable. The coronavirus epidemic is not expected to have a significant effect on the demand for housing services for the elderly or recruitment services. For these reasons, based on the current situation, it is expected that more than half of Pihlajalinna's business operations will remain stable in spite of the coronavirus epidemic.

Pihlajalinna temporarily closed all of its fitness centres on 20 March 2020 to prevent the spread of the coronavirus epidemic. The epidemic has also decreased the demand for non-urgent healthcare and dental care services. Cooperation negotiations were initiated in late March concerning the Group's personnel at fitness centres and dental care services. The negotiations led to full-time or part-time lay-offs of the personnel.

The effects of the coronavirus epidemic reduced customer flows in private clinics, hospitals, dental clinics and fitness centres after the middle of March. The decreased customer flows reduced the invoicing of the services in question by approximately EUR 3.3 million.

On 1 April 2020, Pihlajalinna Group started cooperation negotiations concerning the entire personnel due to the changes in the operating environment caused by the coronavirus epidemic. The cooperation negotiations concerned all business operations and employees within the Pihlajalinna Group except for personnel at dental care services and fitness centres, for whom corresponding negotiations were already held previously. In addition, the doctors working in operative clinical work and a majority of the municipal joint-stock companies' service functions were excluded from the negotiations.

The cooperation negotiations were fully completed on 24 April 2020. The primary objective of the negotiations was to find solutions through flexibility in employment relationships and temporary relocations. The reduction of operations and services caused by the epidemic leed to full-time or part-time temporary lay-offs of a maximum of approximately 796 employees for 90 days at the most. The number and duration of the temporary lay-offs will be impacted by the possibility of temporarily relocating to another task and flexibility in employment relationships.

It is difficult to comprehensively assess the financial impact of the coronavirus epidemic because the non-urgent pent-up demand for social services and healthcare as well as wellness services will be released once the situation goes back to normal.

Long-term financial objectives remain the same

The trends and megatrends that accelerate the growth of Pihlajalinna's business operations have not changed because of the coronavirus epidemic. The use of digital services and the structural changes in the production of social services and healthcare may even increase because of the coronavirus epidemic. Pihlajalinna's long-term objectives — net debt less than 3 times EBITDA and operating profit over seven per cent of revenue — remain the same.

Pihlajalinna's outlook for 2020 (given on 14 February 2020)

Pihlajalinna's consolidated revenue is expected to increase from the 2019 level. Adjusted EBIT is expected to increase compared to 2019.

Joni Aaltonen, CEO of Pihlajalinna:

During the first months of the year, Pihlajalinna's revenue and profitability developed in the expected manner. The global coronavirus epidemic, which also spread to Finland in March, reduced the demand for services at private clinics, hospitals, dental clinics and fitness centres. Due to the epidemic, Pihlajalinna temporarily withdrew its outlook for 2020 at the end of March.

Pihlajalinna's Medical Management Team and the Group Management Team monitor the progress of the epidemic and the recommendations issued by the Finnish Government, the Finnish Institute for Health and Welfare and the hospital districts on a daily basis. Since March, Pihlajalinna has recommended that, if the nature of their work allows it, all employees should work remotely for the time being. Meetings are also arranged remotely whenever possible and work-related travel within Finland is restricted to only what is absolutely necessary. We have cancelled all events planned for this spring. The Annual General Meeting was held in March with special arrangements and precautions.

We continuously update our policies and guidelines regarding personal protection to ensure the health of our personnel and customers. Our procurement unit has been working for several months now to ensure that we have adequate inventories of protective equipment. In April, we announced a new antimicrobial non-disposable respirator that we developed in cooperation with Medanta Oy for use by healthcare professionals. The production of the masks has started at a rate of 20,000 units per week and the first batch arrived in Finland in late April. We have also taken measures at our private clinics to ensure that all customer groups can use our services safely. In Pirkanmaa, for example, we have designated certain clinics and times of day for the treatment of patients with infectious diseases.

Due to the changes in the operating environment caused by the coronavirus epidemic, the Group has had to engage in cooperation negotiations. The negotiations were fully completed on 24 April 2020. The measures agreed on in the negotiations are aimed at returning service operations to normal as quickly as possible when a recovery in customer flows occurs.

Pihlajalinna started coronavirus testing on 23 March 2020 in Tampere, Kangasala, Seinäjoki and Helsinki. The testing became nationwide at the start of April, with new testing locations opened at nearly all regional capitals. By increasing the provision of diagnostics services, we contribute to Finland's success in fighting the epidemic. We perform tests for private and occupational healthcare customers with a doctor's referral as well as for customers who come through insurance companies.

The demand for remote services increased manifold when the epidemic began. While the situation has already levelled off compared to the spike in demand seen in the early days of the epidemic, we hope that the remote services will also increasingly reach people who have a non-acute need for treatment. Non-urgent care may be difficult to obtain from the public sector at the present time, and our remote services can help in this respect as well. The remote services provide customers with flexibility and freedom of choice, and they will not want to give up these benefits even after the epidemic.

Private sector doctors and nurses could also provide healthcare services at facilities and residences occupied by the elderly and people with special needs. One such example is Pihlajalinna's responsible doctor model, which could be utilised at more care homes. The responsible doctor model can be used to improve the quality of care and reduce costs. One of the benefits of implementing the responsible doctor model is that elderly customers do not need to visit their local health centre as often when most healthcare services are provided for them at the care home they reside in. This would be particularly advantageous during an epidemic.

In May, Pihlajalinna and Pohjola agreed to prolong their agreement on nationwide provision of specialised care services for insurance customers for three years. The realisation of the social and healthcare outsourcing agreement with Kristiinankaupunki was confirmed at the end of April and service production will begin on 1 January 2021. Pihlajalinna currently has a few projects under way aimed at the growth of the business. In the tendering process of Päijät-Häme, for instance, we are one of three service providers selected for the negotiation procedure. We are also in ongoing negotiations with regard to certain public occupational health service providers.

While the epidemic is not yet over, the reversal of the closure of Uusimaa and the opening of schools are indications that the restrictions imposed throughout society will gradually begin to be removed in May. We reopened our fitness centres on a limited basis on 4 May 2020. We are continuously assessing the role of restrictions, hygiene and protection in using the services of our business locations safely as well as the general practices used in the industry in the prevailing exceptional circumstances.

Taking the epidemic and its aftermath into consideration, we encourage our customers to place a high priority on receiving good treatment for other illnesses as well. The treatment of underlying health conditions must not be compromised. Pihlajalinna is keeping its public healthcare operations and private clinics open throughout the epidemic. This will speed up the return to normal after the epidemic has passed. We want to serve our customers in all circumstances.

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.

Pihlajalinna

January–March 2020

EUR million	1–3/2020	%	1–3/2019	%	2019	%
Southern Finland	30.0	20	31.1	21	118.2	20
Mid-Finland	82.8	56	83.0	56	324.1	56
Ostrobothnia	29.7	20	27.9	19	115.7	20
Northern Finland	4.3	3	3.7	2	14.7	3
Other operations	2.3	2	1.7	1	7.7	1
Intra-Group sales	-16.0		-14.9		-61.8	
Total consolidated revenue	**133.0**	**100**	**132.5**	**100**	**518.6**	**100**

The effects of the coronavirus epidemic were the strongest in Southern Finland. Revenue for Southern Finland was EUR 30.0 (31.1) million, a decrease of EUR 1.1 million, or 3.5 per cent. In January–February, the demand for services in the region was still up by 2.1 per cent. The sales of occupational healthcare services developed favourably in particular. In the middle of March, the coronavirus epidemic led to a significant decline in service demand and to the temporary closure of fitness centres. Revenue for March decreased by 14.1 per cent year-on-year due to the coronavirus epidemic.

Revenue for Mid-Finland was EUR 82.8 (83.0) million, a decrease of EUR 0.3 million, or 0.4 per cent. In March, the coronavirus epidemic reduced the demand for private clinic services and dental care services in particular. Expired agreements in reception centre operations also reduced the revenue for the period. Complete outsourcings of social and healthcare services account for a significant proportion of the region's revenue. Thanks to the steady recognition of revenue from complete outsourcing agreements and annual price adjustments, the region's revenue performance is stable in spite of the coronavirus epidemic. The demand for hospital services and staffing services increased year-on-year despite the fact that the coronavirus epidemic reduced demand in Pirkanmaa almost as sharply as in Uusimaa. Customer demand decreased the least in North Karelia and North Savo.

Revenue for Ostrobothnia amounted to EUR 29.7 (27.9) million, an increase of EUR 1.8 million, or 6.3 per cent. A complete outsourcing agreement for social and healthcare services accounts for a significant proportion of the region's revenue. The region's revenue was increased by the steady recognition of revenue from the complete outsourcing agreement and annual price adjustments. The sales of occupational healthcare services also developed favourably.

Revenue in Northern Finland amounted to EUR 4.3 (3.7) million, an increase of EUR 0.6 million, or 15.5 per cent. In January–February, the sales of occupational healthcare and private clinic services in the region developed favourably, with revenue growing by 21.6 per cent. In March, the coronavirus epidemic reduced the demand for private clinic services and dental care services in particular.

Revenue from Pihlajalinna's other operations increased by EUR 0.6 million, or 39.9 per cent.

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.

January–March 2020

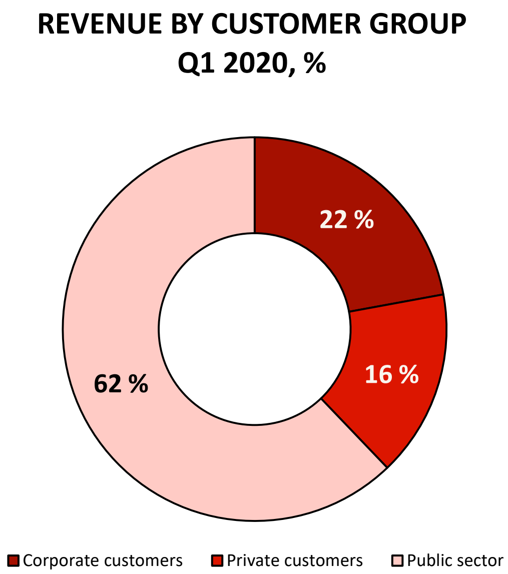
EUR million	1–3/2020	%	1–3/2019	%	2019	%
Corporate customers	32.9	22	31.2	21	122.1	21
of which insurance company customers	8.3	6	7.1	5	27.6	5
Private customers	23.5	16	26.4	18	97.8	17
Public sector	92.6	62	89.8	61	360.6	62
Intra-Group sales	-16.0		-14.9		-61.8	
Total consolidated revenue	**133.0**	**100**	**132.5**	**100**	**518.6**	**100**

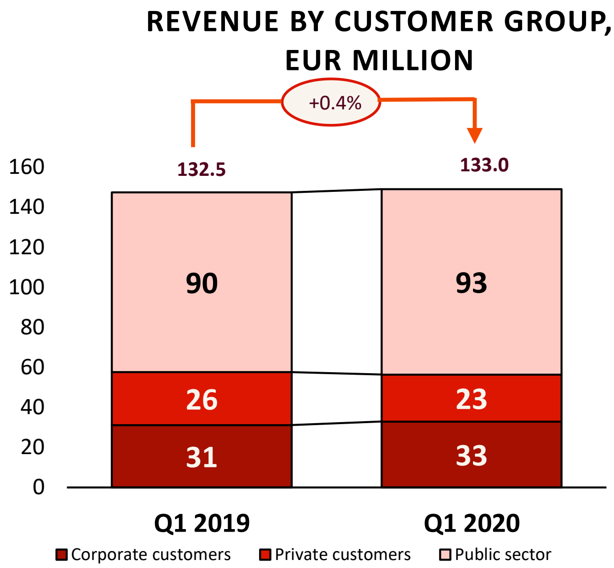
Revenue from corporate customers amounted to EUR 32.9 (31.2) million, an increase of EUR 1.8 million, or 5.7 per cent. Sales to insurance company customers increased by EUR 1.2 million, or 16.7 per cent. In March, visits by occupational healthcare customers and insurance customers began to decline due to the coronavirus epidemic.

Revenue from private customers was EUR 23.5 (26.4) million, a decrease of EUR 3.0 million, or 11.2 per cent. Visits to specialists by private customers and the demand for dental care services declined significantly in March due to the coronavirus epidemic. In accordance with the Finnish Government's recommendation, Pihlajalinna temporarily closed its fitness centres to slow down the spread of the coronavirus epidemic.

Revenue from the public sector amounted to EUR 92.6 (89.8) million, an increase of EUR 2.8 million, or 3.1 per cent. Complete outsourcings of social and healthcare services represent the majority of the revenue. Revenue was increased by the steady recognition of revenue from complete outsourcing agreements and annual price adjustments in spite of the coronavirus epidemic. The demand for occupational healthcare services and responsible doctor services increased. At the same time, revenue was reduced by the expiration of agreements in reception centre operations.

Revenue by customer group January–March 2020





Consolidated revenue and result

January–March 2020

Pihlajalinna's revenue amounted to EUR 133.0 (132.5) million, an increase of EUR 0.5 million, or 0.4 per cent, compared to the corresponding period last year. Pihlajalinna's revenue developed in line with expectations until the start of the coronavirus epidemic. Visits to private healthcare services, excluding dental care services, increased by nearly 6 per cent in January–February. Complete outsourcing agreements for social and healthcare services accounted for approximately half of Pihlajalinna's revenue. Revenue was increased by the steady recognition of revenue from complete outsourcing agreements and annual price adjustments in spite of the coronavirus epidemic.

A general decline in visits to private healthcare services began after the coronavirus epidemic started in the middle of March and the Emergency Powers Act became applicable. The decline in demand was the sharpest in Pihlajalinna's units in Uusimaa and Pirkanmaa. The demand for dental care services and non-urgent healthcare decreased in particular. Pihlajalinna temporarily closed all of its fitness centres to prevent the spread of the coronavirus epidemic in accordance with the recommendation of the Finnish Government.

EBITDA was EUR 12.1 (12.2) million. Adjusted EBITDA was EUR 12.7 (12.6) million, an increase of EUR 0.1 million, or 0.8 per cent. EBITDA adjustments amounted to EUR 0.5 (0.4) million. The positive development of the volumes and profitability of occupational health services and surgical operations (insurance company sales) continued. The efficiency improvement programme launched in the summer of 2019 has reduced general expenses in line with expectations. Profitability was reduced by the expenses of municipal outsourcings having increased and being specified with a delay as well as the expiration of agreements in reception centre operations.

Depreciation, amortisation and impairment amounted to EUR 8.8 (8.6) million. Depreciation of intangible assets amounted to EUR 1.7 (1.8) million, of which depreciation related to purchase price allocations amounted to EUR 0.9 (1.1) million. Depreciation, amortisation and impairment of property, plant and equipment amounted to EUR 2.4 (1.9) million and depreciation of right-of-use assets totalled EUR 4.7 (4.9) million. Adjustments to depreciation totalled EUR 0.4 (0.0) million.

Pihlajalinna's EBIT was EUR 3.3 (3.5) million. The EBIT-to-revenue ratio (EBIT margin) was 2.5 (2.7) per cent. Adjusted EBIT was EUR 4.2 (3.9) million, an increase of EUR 0.3 million. The adjusted EBIT margin was 3.2 (3.0) per cent. Adjustments to EBIT amounted to EUR 0.9 (0.4) million.

Pihlajalinna's revenue from public specialised care included in complete outsourcings of social and healthcare services was EUR 23.3 (21.7) million. The EBITDA of public specialised care amounted to EUR -1.2 (0.2) million and the operating result amounted to EUR -1.2 (0.1) 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, possible variable elements of compensation 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 -1.4 (-1.0) million. The net financial expenses for the quarter were increased on a non-recurring basis by a waiver expense associated with the financing arrangement. Profit before taxes amounted to EUR 2.0 (2.5) million. Taxes in the income statement amounted to EUR -0.6 (-0.7) million. The profit was EUR 1.4 (1.9) million. Earnings per share (EPS) was EUR 0.06 (0.06).

The operating environment

The coronavirus outbreak was declared as a pandemic in March 2020. Finland is also in an exceptional situation due to the coronavirus, and the Parliament approved the Government's proposal on the use of powers under the Emergency Powers Act on 17 March 2020. The aim of the measures taken under the Emergency Powers Act is to spread out the pressure caused by the epidemic on the healthcare system over a longer period of time. This allows our society to ensure the provision of care to normal emergency patients as well as those infected with the coronavirus who need hospital care.

The pandemic and the measures taken to slow down its spread have weakened economic forecasts across the world. In an economic review published on 16 April 2020, the Ministry of Finance forecast that the Finnish economy will contract by 5.5 per cent this year.

The unprecedented scale and speed of the changes make it difficult to reliably assess and predict the business impact of the coronavirus epidemic in the social and healthcare service sector. The comprehensive assessment of the financial impact of the coronavirus epidemic is also difficult because pent-up demand for social services and non-urgent healthcare as well as wellness services is estimated to be accumulating at present, and demand is expected to grow when the situation returns to normal.

Pihlajalinna's view is that partnerships between the public sector and private corporations are a good solution for satisfying the growing demand, and this also holds true during the current epidemic. The public sector could make use of private sector resources in solving the coronavirus crisis; for example, by purchasing coronavirus testing and basic specialised care from private operators. Testing plays a significant role in slowing down the spread of the disease. Private operators can offer the full testing chain, from sampling to contact tracing.

The current exceptional circumstances have also highlighted the fact that there is still a need for healthcare and social welfare reform. The current Government aims to submit a proposal to the parliament by the end of 2020, but the assumption is that the prolongation of the epidemic would delay this plan.

In many municipalities, the prolonged state of uncertainty has put a stop to development and essential investments. At the same time, the county organisations that were already dissolved at one point and the current hospital districts have made significant investments in the future model despite the fact that its detailed content remains uncertain. Activity has increased among municipalities during the first months of 2020, as they do not want to just wait for a potential reform but to ensure social and healthcare services and jobs. Several municipalities have commenced talks on outsourcings. The most recently announced were the plan of the municipalities in the Päijät-Häme district to outsource their health centre operations with a joint venture model.

The need for occupational health services has not decreased during the epidemic. Companies have shown a willingness to also purchase testing services from occupational healthcare providers to prevent unnecessary extended absences, for example, and keep the wheels of society turning. At the same time, however, massive lay-offs and the decline in private consumption caused by the epidemic have driven companies to cut the contents of their occupational healthcare agreements.

Consolidated statement of financial position and cash flow

Pihlajalinna Group’s total statement of financial position amounted to EUR 435.3 (443.5) million. Consolidated cash and cash equivalents amounted to EUR 18.7 (27.8) million.

Net cash flow from operating activities totalled EUR 21.4 (3.4) million. Taxes paid amounted to EUR -1.3 (-2.6) million. The change in net working capital was EUR 10,6 (-6.2) million. Working capital was tied up to trade and other receivables EUR 2.1 (8.9) million and working capital was released from trade and other payables EUR 13.7 (2.7) million.

Net cash flow from investing activities totalled EUR -3.3 (-4.5) million. Acquisitions of subsidiaries had an impact of EUR -1.4 (-0.5) million on net cash flow from investing activities. Investments in tangible and intangible assets amounted to EUR -2.0 (-4.1) million, and the proceeds from the disposal of tangible assets amounted to EUR 0.1 (0.1) million.

The Group’s cash flow after investments (free cash flow) was EUR 18.1 (-1.1) million.

Net cash flow from financing activities totalled EUR -26.4 (-7.4) million. The change in financial liabilities, including changes in credit limits, amounted to EUR -1.0 (-0.5) million. Payments for financial lease liabilities amounted to EUR -5.7 (-4.7) million, and interest paid and other financial expenses amounted to EUR -1.4 (-1.0) million. The net effect of the change in non-controlling interests on cash flow was EUR -18.3 (-1.3) million. In January 2020 Pihlajalinna paid EUR 16.3 million in total for the purchase of shares in Kuusiolinna Terveys to the municipalities of Alavus, Ähtäri and Soini as well as EUR 2.0 million to the city of Mänttä-Vilppula for the purchase of shares in Mäntänvuoren Terveys.

The Group’s gearing was 186.6 (145.5) per cent. Interest-bearing net debt amounted to EUR 201.2 (190.5) million. The Group paid EUR 1.4 (0.0) million in contingent considerations (earnout payments) during the quarter.

Return on capital employed was 3.0 (4.7) per cent and return on equity was 3.7 (7.1) per cent.

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. 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, i.e. excluding the IFRS 16 impact). The Group met the set covenants on 31 March 2020.

Due to the unprecedented scale and speed of the changes in the operating environment caused by the coronavirus epidemic, Pihlajalinna and the creditor banks agreed on a temporary adjustment to the covenants of the financing arrangement at the end of March. The temporary covenants for the first and second quarter of the year are as follows: leverage must not exceed 4.25 and gearing must not exceed 140 per cent. The original covenants of the financing arrangement – leverage of 3.75 and gearing of 115 per cent – will take effect again when the covenants are reviewed in the third quarter.

As part of the agreement, a permanent new margin ceiling was added to the financing arrangement. The margin ceiling will enter into effect if leverage exceeds 3.50.

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 30.0 million in unused committed credit limits. Pihlajalinna is also planning a sale and leaseback transaction for its care facilities located in Laihia.

When the voluntary recommended public cash tender offer of Mehiläinen Yhtiöt Oy materialises, the provision on change of control of Pihlajalinna's financing arrangements will apply. According to the provision, the funding providers are entitled to terminate the financing arrangement prematurely following a material change in shareholding. After the announcement of the final result of the tender offer, Pihlajalinna and the funding providers have 30 business days to agree on the impacts of the change of control on the financing arrangement.

Capital expenditure

Gross investments, including acquisitions, amounted to EUR 10.2 (14.0) 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 3.5 (2.0) million in the review period. Gross investments in connection with the opening of new units amounted to EUR 0.0 (2.4) million. Gross investments in relation to M&A transactions amounted to EUR 0.0 (0.7) million. Gross investments in right-of-use assets amounted to EUR 6.6 (8.8) million.

Investment commitments for the Group's development, additional and replacement investments amounted to approximately EUR 0.5 (1.1) million. The investment commitments are related to IT system development projects and replacement investments in clinical equipment.

At the end of the financial year 2019, Pihlajalinna agreed on the procurement of three social and healthcare service buildings with Mänttä-Vilppula. The transaction will be completed by 31 December 2020. The total value of the deal is estimated at EUR 4–7 million depending on the plans concerning the development of the buildings.

Non-controlling interests

Company	Pihlajalinna's holding, 31 December 2019	Pihlajalinna's holding, 31 March 2020	First year of service production under the current contract	Duration of contract (years)
Jokilaakson Terveys Oy	90%	90%	internal service provision	internal service provision
Jämsän Terveys Oy	51%	51%	2015	10
Kuusiolinna Terveys Oy	90%	90%	2016	15
Mäntänvuoren Terveys Oy	91%	91%	2016	15
Kolmostien Terveys Oy	96%	96%	2015	15
Laihian Hyvinvointi Oy	81%	81%	2018	service voucher

Changes in Group structure

Kompassi Hammaslääkärikeskus Oy was merged with Pihlajalinna Seinäjoki Oy on 1 February 2020.

Research and development

Development costs that fulfilled the criteria for capitalisation amounted to EUR 0.1 (0.2) million during the review period.

In the financial year 2020, development operations will again be focused on a remote service model for municipal residents for use in social and healthcare outsourcing and mobile solutions, the operating model for fixed-price occupational healthcare agreements (occupational healthcare portal) and sports clinic and social and healthcare centre concepts.

Personnel

At the end of the review period, the number of personnel was 5,865 (5,871). The Group's personnel averaged 4,350 (4,742) persons as full-time equivalents, a decrease of 392 persons or 8 per cent. The Group's employee benefit expenses totalled EUR 56.4 (57.0) million, a decrease of EUR 0.6 million or 1 per cent.

Management Team

CEO Joni Aaltonen serves 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 Head of Service Development and CIO Sanna Määttänen.

Board of Directors

The Annual General Meeting on 15 April 2020 confirmed the number of the members of the Board of Directors as seven. Matti Jaakola, Hannu Juvonen, Mika Manninen, Leena Niemistö, Kati Sulin, Seija Turunen and Mikko Wirén were re-elected to 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.

Shareholders' Nomination Board

The Shareholders' Nomination Board is comprised of the following representatives:

- Jari Eklund, Group Director and Board member, LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company (Chairman)
- Mikko Wirén, Managing Director, MWW Yhtiö Oy

- Antti Kuljukka, CEO, Fennia Mutual Insurance Company
- Hanna Hiidenpalo, Director, Chief Investment Officer, Elo Mutual Pension Insurance Company

Committees nominated by the Board

Pihlajalinna Plc's Board of Directors appointed the following members to its committees at its constitutive meeting on 15 April 2020:

Audit Committee: Seija Turunen (chairman), Matti Jaakola, Mika Manninen and Hannu Juvonen
Remuneration Committee: Mikko Wirén (chairman), Leena Niemistö and Kati Sulin

It was agreed that all members of the Board of Directors may join any of the committee meetings.

Remuneration of the members of the Board of Directors

The Annual General Meeting on 15 April 2020 decided that the remuneration of the Board of Directors be kept unchanged, and that the following annual remuneration be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2021: 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 members 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.

Board authorisations

The Annual General Meeting on 15 April 2020 authorised the Board of Directors to decide on the acquisition of a maximum of 2,061,314 shares, which is approximately 9 per cent 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 2021 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 approximately 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 2021 at the latest.

Auditors and auditing

At Pihlajalinna's Annual General Meeting held on 15 April 2020, KPMG Oy Ab, a firm of authorised public accountants, was elected as the company's auditor for the financial year 1 January–31 December 2020. 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 11,445 (13,081) shareholders. 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	1–3/2020	1–3/2019	2019
No. of shares outstanding at the end of the period	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
Highest price, EUR	15.66	10.98	15.88
Lowest price, EUR	11.58	8.70	8.70
Average price, EUR*	14.61	10.32	12.77
Closing price, EUR	14.20	9.92	15.28
Share turnover, 1,000 shares	1,363	572	4,062
Share turnover, %	6.0	2.5	18.0
Market capitalisation at the end of the period, EUR million	321.2	224.4	345.6

* average share price weighted by trading volume

Mehiläinen's cash tender offer for all shares in Pihlajalinna Plc

On 5 November 2019, Mehiläinen Yhtiöt Oy and Pihlajalinna Plc entered into a combination agreement, pursuant to which Mehiläinen made a voluntary recommended public cash tender offer for all issued and outstanding shares in Pihlajalinna.

In the tender offer, Pihlajalinna's shareholders are offered a cash consideration of EUR 16.00 for each issued and outstanding share in Pihlajalinna. The consideration includes a premium of approximately 46.0 per cent compared to the closing price of the Pihlajalinna share on the official list of Nasdaq Helsinki on 4 November 2019. The non-conflicted members of the Board of Directors of Pihlajalinna unanimously decided to recommend that the shareholders of Pihlajalinna accept the tender offer.

The Finnish Financial Supervisory Authority approved the tender offer document on 8 January 2020. The offer period commenced on 9 January 2020 at 9:30 a.m. (Finnish time) and its original tentative time of expiration was 19 March 2020 at 4:00 p.m. (Finnish time). The Offeror extended the offer period until 10 July 2020 at 4:00 p.m. (Finnish time) unless it is further extended or discontinued in accordance with, and subject to, the terms and conditions of the tender offer and applicable laws and regulations. The tender offer is currently expected to be completed during the third quarter of 2020 at the latest.

Risk management

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.

Pihlajalinna has sharpened its management system in response to the coronavirus epidemic. The Group Management Team monitors operational indicators and assesses the situation and the necessary measures on a daily basis. The Medical Management Team meets daily and issues instructions to the Group's units in accordance with the guidelines and policies issued by the Ministry of Social Affairs and Health, the Finnish Institute of Health and Welfare, the hospital districts and municipalities. The safety and health of the Group's personnel and customers are the first priority. Regional management, personnel and practitioners are kept up to date on the situation through internal communication in the form of virtual coronavirus information events and continuous communication on the intranet.

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

Strategic risks refers to uncertainty related to the implementation of the Group's short-term and long-term strategy. An example is structural changes in society.

Operational risks are risks that are caused by external factors, technology, actions of employees, the operations of the organisation or the functionality of processes. These risks are managed by, for instance, monitoring the competitive situation systematically and reacting to its changes.

Financial risks refers to risks that are related to the Group's financial position, such as profitability, the functionality of financing processes and taxation.

Damage risks are related to accidents or other damage that may occur to the Group's assets, personnel, customers, stakeholders or environment. The company has liability and patient insurance to cover potential malpractice caused by the company's own personnel.

A factor that links all risk categories together is the reputational risk that may affect the reputation of the Group's brands or the entire Group.

The goal of Pihlajalinna's risk management is to promote the achievement 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 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 know and manage risks related to their responsibilities.

Risks and uncertainties in business operations

Due to the coronavirus epidemic, Pihlajalinna temporarily withdrew its outlook for 2020, which was given on 14 February 2020. It is hard to assess and predict the financial impact caused by the emergency laws issued by the Finnish Government and the duration of the coronavirus epidemic on Pihlajalinna's business operations. The spread of the coronavirus epidemic constitutes the key short-term risk in the operating environment.

The most essential risks and uncertainties affecting the group's operations, in addition to the coronavirus epidemic, are connected to the complete outsourcing agreements on social and healthcare service, material amendments to legislation, opening new locations, success in acquisitions and information system projects, tax-related risks and the commitment and recruitment of competent management.

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. No material consequences are expected.

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, and the agreements may involve variable elements of compensation. 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.

Possible items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay:
The City of Jämsä has taken legal action against Jämsän Terveys Oy over the service agreement. The dispute concerns the provision on price adjustments pursuant to the service agreement. The estimated difference of opinion regarding the determination of the annual price totalled approximately EUR 2.3 million at the end of the review period. The District Court postponed the main hearing on the case from the beginning of March to the end of August 2020 at the request of the claimant. The goal remains to reach a settlement on the matter.

The statement of financial position of Jämsän Terveys Oy includes receivables amounting to a total of EUR 3.8 million from the City of Jämsä, associated with the increased costs of specialised care and increased regulatory requirements for services for senior citizens. According to the management's estimate, the customer will pay the receivables in full.

Kuusiolinna Terveys Oy has trade and other receivables totalling EUR 5.0 million from a client. The protocol on interpretation signed with the municipalities of Alavus, Ähtäri and Soini in conjunction with the share transactions also agreed on the principles of charging the variable elements of compensation. The outstanding receivables are associated with increased regulatory requirements for services for senior citizens, the costs of specialised care, the costs of child protective services and the calculation of net expenditure. A share transaction has not yet been completed with Kuortane, and no corresponding protocol on interpretation has been signed. According to the management's estimate, the client will pay the receivables in full, as the majority of the client's shareholders have agreed on the charging principles.

Mäntänvuoren Terveys Oy has trade and other receivables totalling EUR 1.2 million from a client. The receivables are associated with increased regulatory requirements for services for senior citizens and the calculation of net expenditure pursuant to the previous agreement. A social and healthcare service property transaction that will be completed in 2020 has been agreed upon with the client. According to the management's estimate, the customer will pay the receivables in full in conjunction with the completion of the property transaction.

Kolmostien Terveys Oy has trade and other receivables amounting to EUR 0.5 million from a client relating to the increased regulatory requirements for services for senior citizens and a share of monthly service fees withheld by the municipality of Kihniö. According to the management's estimate, the customer will pay the receivables in full.

In its receivables at the end of the review period, the Group has a total of EUR 1.5 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. In addition, the Group has a total of EUR 0.2 million of overdue receivables from the municipalities of Kihniö and Juupajoki.

All of Pihlajalinna's complete outsourcing agreements include a pandemic provision. Expenses caused by a pandemic can be charged to the customer in accordance with verified costs.

Goodwill impairment:
At the end of the review period, goodwill on Pihlajalinna's statement of financial position amounted to EUR 173.6 (170.6) million. Pihlajalinna checks annually and, if necessary, quarterly, that the carrying amount of goodwill does not exceed the fair value. The coronavirus epidemic is not expected to diminish Pihlajalinna's outlook in the medium and long term. Accordingly, during the review period, Pihlajalinna observed no indications of the carrying amount of goodwill being greater than its estimated recoverable amount. If permanent negative changes were to occur in the development of Pihlajalinna's profit and growth, this could lead to an impairment of goodwill.

Pending legal processes:
The City of Jämsä has taken legal action against Jämsän Terveys Oy over the service agreement. The dispute concerns the provision on price adjustments pursuant to the service agreement. The estimated difference of opinion regarding the determination of the annual price totalled approximately EUR 2.3 million at the end of the review period. The main hearing on the case was postponed to the end of August 2020 at the request of the claimant. The goal remains to reach a settlement on the matter.

The municipality of Hattula filed an application for a summons with the District Court of Kanta-Häme regarding confirmation, contractual penalty and claim for damages based on a breach of contract. Pihlajalinna was served the summons on 27 February 2020. The claim filed by the municipality of Hattula in the dispute is for the total amount of EUR 2.6 million plus penalty interest and the claimant's legal fees. Pihlajalinna has disputed the presented claims and alleged breach of contract. Pihlajalinna's service production in Hattula ended on 31 March 2020.

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 on 14 February 2019, the Board of Directors approved the terms of a share-based long-term incentive programme for Pihlajalinna Group's senior management (LTI 2019). The incentive programme is effective from 1 January 2019 onwards and it is aimed at the CEO, the Management Team and other key employees selected for inclusion in the programme. In the initial stage, 25 key employees were selected for the programme. LTI 2019 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. At the end of the review period, 22 key employees fulfilled the minimum investment requirement of the scheme.

The fixed matching share plan includes a commitment period from the beginning of 2019 until the payment of the fixed matching share incentive in 2020. In this scheme, the company matches each participant's share investments with additional shares at a fixed rate. The additional shares will be delivered in 2020, and they are subject to a transfer restriction.

The performance- and quality-based matching share plan includes three one-year performance periods (the calendar years 2019–2021), during which the participants can earn performance-based additional shares, provided that the company reaches the performance objectives set by the Board of Directors. Based on each individual performance period, the participant can earn a maximum of two additional shares for three shares invested without consideration (gross before the deduction of the applicable payroll tax). The performance-based share rewards will be delivered after the respective performance periods in springs 2020, 2021 and 2022. These matching shares will be subject to a two-year transfer restriction.

The performance criteria applied to the performance- and quality-based matching share plan for the first performance period 2019 were the adjusted EBIT of Pihlajalinna Group and key operative and qualitative indicators. No performance- and quality-based share rewards materialised for the performance period 2019 pursuant to the matching share plan, as the minimum objectives set for the programme were not achieved.

The LTI 2019 plan includes terms and conditions relating to change of control. According to them, the cash tender offer announced by Mehiläinen for all of the shares in Pihlajalinna on 5 November 2019 will result in the payment of the fixed matching share plan in full if the transaction is completed. The transfer restriction of the shares expires immediately when the outcome of the tender offer is announced in the execution of the tender offer.

The terms and conditions of the incentive scheme include special provisions for any change of control. Based on Mehiläinen’s public tender offer, the above-mentioned provisions on change of control apply.

According to the fixed matching share plan, a total of 105,000 matching shares fall due to the 22 key employees who met the investment requirement if the change of control takes place. The fair value of the matching shares is EUR 1.7 million in accordance with the cash tender offer. An expense of EUR 0.4 million has been allocated to the review period due to the share-based reward paid due to the change of control.

Repurchasing own shares for the incentive programme

The Board of Directors of Pihlajalinna Plc decided on 20 March 2020 to start repurchasing the company’s own shares on the basis of the authorisation given by the Annual General Meeting on 4 April 2019. The shares were acquired for use as part of the company’s incentive programme in public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of purchase.

Pihlajalinna started repurchasing the company’s own shares on 31 March 2020 and completed it on 17 April 2020. During that time, Pihlajalinna acquired a total of 47,399 of its own shares for an average price of EUR 14.56 per share.

Following the repurchase, Pihlajalinna holds a total of 47,399 of its own shares, corresponding to 0.21% of the total number of shares.

Events after the review period

The Annual General Meeting was held on 15 April 2020. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2019 and discharged the members of the company’s Board of Directors and the CEO from liability for the financial year 2019. The Annual General Meeting resolved, in accordance with the Board of Directors’ proposal, no dividends to be paid for the financial year ended on 31 December 2019 due to the tender offer made by Mehiläinen. Should the tender offer lapse, the Board of Directors will re-evaluate the matter. The Annual General Meeting adopted the remuneration policy. The other decisions of the AGM are reported in this interim report under the subheadings Board of Directors, Committees nominated by the Board, Remuneration of the members of the Board of Directors and Auditors and auditing.

On 1 April 2020, Pihlajalinna Group started cooperation negotiations concerning the entire personnel due to the changes in the operating environment caused by the coronavirus epidemic.

The cooperation negotiations concerned all business operations and employees within the Pihlajalinna Group except for personnel at oral health services and fitness centres, for whom cooperation negotiations were already initiated previously. In addition, the doctors working in operative clinical work and a majority of the municipal joint-stock companies' service functions were excluded from the negotiations.

The cooperation negotiations were completed on 23 April 2020. The negotiations concerned a total of approximately 2,500 employees, of whom 600 work in municipal joint-stock companies.

The primary objective of the negotiations was to find solutions through flexibility in employment relationships and temporary relocations. Full-time or part-time temporary lay-offs, most of them short, will also be used. The temporary lay-offs vary in their duration and take effect in phases.

It is difficult to assess how the epidemic will spread and how it will affect Pihlajalinna's business operations, as stated by the company in its stock exchange release on 27 March 2020. According to Pihlajalinna Group's current estimate, the reduction of operations and services caused by the epidemic will lead to full-time or part-time temporary lay-offs of no more than 670 employees for 90 days at the most. Full-time temporary lay-offs will apply to no more than 114 employees and part-time temporary lay-offs to no more than 186 employees. In addition, there may be full-time or part-time temporary lay-offs of no more than 367 employees. The number and duration of the temporary lay-offs are impacted by the possibility of temporarily relocating to another task and flexibility in employment relationships.

Pihlajalinna reopened its fitness centres on a limited basis on 4 May 2020 in observance of the Emergency Powers Act and hygiene guidelines.

Accounting policies

This interim report has been prepared in compliance with IFRS standards and the provisions of IAS 34 (Interim Financial Reporting). The information published in this interim report has not been audited. 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 2019, taking into account the new and amended standards and interpretations that became effective on 1 January 2020.

The impact of the coronavirus epidemic and the resulting exceptional circumstances on the company's business operations have been taken into account in the preparation of this interim report. The management has used various scenarios to analyse the impacts of the coronavirus epidemic on various regions and customer groups, demand and profitability. The company has initiated measures to maintain and promote profitability and sales. The adequacy of financing, liquidity and the covenants of the financing arrangement are continuously monitored. The impact of the coronavirus epidemic on items subject to management judgment as well as the basis and underlying assumptions of the management's estimates has been evaluated and taken into consideration. In the view of the management, preparing the interim report under the going concern principle is justified and appropriate.

Pihlajalinna

Tables
1 January–31 March 2020

Consolidated statement of comprehensive income

EUR million	1–3/2020 3 months	1–3/2019 3 months	2019
Revenue	**133.0**	**132.5**	**518.6**
Other operating income	0.3	0.4	1.6
Materials and services	-52.7	-50.7	-200.2
Employee benefit expenses	-56.4	-57.0	-222.0
Other operating expenses	-12.1	-13.0	-50.2
Share of profit in associated companies and joint ventures	0.0	0.0	0.0
EBITDA	**12.1**	**12.2**	**47.8**
Depreciation, amortisation and impairment	-8.8	-8.6	-37.7
Operating profit (EBIT)	**3.3**	**3.5**	**10.2**
Financial income	0.0	0.0	0.1
Financial expenses	-1.4	-1.0	-4.0
Profit before taxes	**2.0**	**2.5**	**6.3**
Income tax	-0.6	-0.7	-1.8
Profit for the period*	1.4	1.9	4.5
Total comprehensive income for the period	**1.4**	**1.9**	**4.5**
Total comprehensive income for the period attributable:			
To the owners of the parent company	1.3	1.4	3.4
To non-controlling interests	0.1	0.4	1.1
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	0.06	0.15

* The Group has no other comprehensive income items

Consolidated statement of financial position

EUR million	31 March 2020	31 March 2019	2019
ASSETS			
Non-current assets			
Property, plant and equipment	53.1	44.9	53.2
Goodwill	173.6	170.6	173.6
Other intangible assets	18.6	22.0	19.1
Right-of-use assets	108.3	119.9	108.1
Interests in associates	0.0	0.0	0.0
Other investments	0.2	0.1	0.1
Other receivables	2.4	1.8	2.0
Deferred tax assets	6.6	4.8	6.0
Total non-current assets	**362.8**	**364.1**	**362.2**
Current assets			
Inventories	2.6	2.4	2.3
Trade and other receivables	50.1	47.2	46.1
Current tax assets	1.2	2.0	0.9
Cash and cash equivalents	18.7	27.8	27.0
Total current assets	**72.5**	**79.4**	**76.3**
Total assets	**435.3**	**443.5**	**438.4**
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	-15.2	3.7	-18.8
Profit for the period	1.3	1.4	3.4
	102.6	**121.7**	**101.1**
Non-controlling interests	5.2	9.3	5.0
Total equity	**107.8**	**131.0**	**106.1**
Non-current liabilities			
Deferred tax liabilities	5.6	5.9	5.7
Provisions	0.0	0.3	0.2
Lease liabilities	96.4	105.0	96.4
Financial liabilities	103.6	95.6	103.9
Other non-current liabilities	1.3	1.4	1.3
Total non-current liabilities	**206.9**	**208.1**	**207.5**
Current liabilities			
Trade and other payables	99.1	82.7	102.0
Current tax liabilities	0.7	1.1	0.4
Provisions	1.0	0.0	1.6
Lease liabilities	18.7	17.7	17.7
Financial liabilities	1.1	2.9	3.1
Total current liabilities	**120.6**	**104.4**	**124.9**
Total liabilities	**327.5**	**312.5**	**332.4**
Total equity and liabilities	**435.3**	**443.5**	**438.4**

Consolidated statement of changes in equity

	Equity attributable to owners of the parent company				
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Non-controlling interests**	**Equity total**
Total equity, 1 Jan. 2019	**0.1**	**116.5**	**4.6**	**9.2**	**130.3**
Profit for the period			1.4	0.4	1.9
Total comprehensive income for the period			**1.4**	**0.4**	**1.9**
Investments in Group companies			0.1	-0.1	0.0
Total transactions with owners			**0.1**	**-0.1**	**0.0**
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, 31 Mar. 2019	**0.1**	**116.5**	**5.1**	**9.3**	**131.0**

	Equity attributable to owners of the parent				
EUR million	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Non-controlling interests**	**Equity Total**
Total equity, 1 Jan. 2020	**0.1**	**116.5**	**-15.5**	**5.0**	**106.1**
Profit for the period			1.3	0.1	1.4
Total comprehensive income for the period			**1.3**	**0.1**	**1.4**
Share-based benefits			0.7		0.7
Investments in Group companies			-0.1	0.1	0.0
Total transactions with owners			**0.6**	**0.1**	**0.7**
Changes in NCI without a change in control			-0.3	0.0	-0.3
Total changes in subsidiary shareholdings			-0.3	0.0	-0.3
Total equity, 31 Mar. 2020	**0.1**	**116.5**	**-14.0**	**5.2**	**107.8**

Pihlajalinna

Consolidated statement of cash flows

EUR million	1–3/2020 3 months	1–3/2019 3 months	2019
Cash flow from operating activities			
Profit for the period	1.3	1.4	3.4
Cash flow adjustments for business operations:			
Taxes	0.6	0.7	1.8
Depreciation, amortisation and impairment	8.8	8.6	37.7
Financial income and expenses	1.4	1.0	3.9
Other	0.1	0.4	1.0
Net cash generated from operating activities before change in working capital	12.1	12.2	47.7
Change in working capital	10.6	-6.2	-6.2
Interest received	0.0	0.0	0.1
Taxes paid	-1.3	-2.6	-4.7
Net cash flow from operating activities	**21.4**	**3.4**	**36.8**
Cash flows from investing activities			
Investments in tangible and intangible assets	-2.0	-4.1	-15.4
Proceeds from disposal of property, plant and equipment and intangible assets and prepayments	0.1	0.1	0.8
Changes in other receivables and investments	0.0	0.0	0.0
Dividends received	0.0	0.0	0.0
Acquisition of subsidiaries less cash and cash equivalents at date of acquisition	-1.4	-0.5	-4.9
Net cash flow from investing activities	**-3.3**	**-4.5**	**-19.5**
Cash flows from financing activities			
Changes in non-controlling interests	-18.3	-1.3	-1.3
Proceeds from and repayment of borrowings	-1.0	-0.5	7.7
Repayment of lease liabilities	-5.7	-4.7	-22.7
Interest and other operational financial expenses	-1.4	-1.0	-3.8
Dividends paid and other profit distribution	0.0	0.0	-6.7
Net cash flow from financing activities	**-26.4**	**-7.4**	**-26.7**
Changes in cash and cash equivalents	-8.3	-8.5	-9.3
Cash at beginning of period	27.0	36.3	36.3
Cash at end of review period	**18.7**	**27.8**	**27.0**

Contingent liabilities and commitments

EUR million	31 March 2020	31 March 2019	2019
Collateral given on own behalf			
Pledged collateral notes		1.0	
Sureties	3.3	0.3	3.7
Lease deposits	1.8	1.8	1.8
Properties' VAT refund liability	1.6	0.0	1.7

The investment commitments for the Group's development, supplementary and replacement investments are approximately EUR 0.5 million.

At the end of the financial year 2019, Pihlajalinna agreed on the procurement of three social and healthcare service buildings with Mänttä-Vilppula. The transaction will be completed by 31 December 2020. The purchase price is based on the book values of the social and healthcare service buildings. The total value of the building project is estimated at EUR 4–7 million.

Changes in intangible assets

EUR million	31 March 2020	31 March 2019	2019
Acquisition cost at beginning of period	224.7	217.4	217.4
Additions	1.1	0.9	3.6
Business combinations		0.7	3.7
Transfers between items	0.0	0.0	0.2
Disposals	-0.4	0.0	-0.1
Acquisition cost at end of period	225.5	218.9	224.7
Accumulated depreciation at beginning of period	-32.1	-24.5	-24.5
Depreciation and amortisation for the period	-1.7	-1.8	-7.4
Transfers between items	0.0	0.0	-0.2
Accumulated depreciation on disposals	0.4	0.0	0.1
Accumulated depreciation at end of period	-33.3	-26.3	-32.1
Carrying amount at end of period	**192.2**	**192.6**	**192.7**

Changes in property, plant and equipment

EUR million	31 March 2020	31 March 2019	2019
Acquisition cost at beginning of period	97.4	79.7	79.7
Additions	2.5	3.6	18.4
Business combinations		0.0	0.0
Transfers between items	0.9	-0.6	1.5
Disposals	-3.5	-0.2	-2.3
Acquisition cost at end of period	97.2	82.5	97.4
Accumulated depreciation at beginning of period	-44.1	-36.4	-36.4
Depreciation and amortisation for the period	-2.5	-1.9	-7.7
Transfers between items	-1.0	0.6	-1.5
Accumulated depreciation on disposals	3.4	0.1	1.5
Accumulated depreciation at end of period	-44.1	-37.6	-44.1
Carrying amount at end of period	**53.1**	**44.9**	**53.2**

Changes in right-of-use assets

EUR million	31 March 2020	31 March 2019	2019
Acquisition cost at beginning of period	172.7	162.5	162.5
Additions	6.6	5.1	14.5
Disposals	-3.9	-0.1	-8.1
Business combinations		3.8	3.8
Acquisition cost at end of period	175.3	171.3	172.7
Accumulated depreciation at beginning of period	-64.6	-46.5	-46.5
Depreciation and amortisation for the period	-4.7	-4.9	-22.5
Accumulated depreciation on disposals	2.2	0.0	4.5
Accumulated depreciation at end of period	-67.0	-51.4	-64.6
Carrying amount at end of period	**108.3**	**119.9**	**108.1**

Quarterly information

EUR million	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18
INCOME STATEMENT								
Revenue	133.0	133.8	122.7	129.7	132.5	127.0	116.3	125.3
EBITDA	12.1	12.3	12.9	10.4	12.2	14.1	14.3	9.1
EBITDA, %	9.1	9.2	10.5	8.1	9.2	11.1	12.3	7.3
Adjusted EBITDA	12.7	14.4	17.4	10.8	12.6	14.6	14.2	10.2
Adjusted EBITDA, %	9.5	10.8	14.2	8.3	9.5	11.5	12.3	8.1
Depreciation and amortisation	-8.8	-8.6	-11.5	-8.8	-8.6	-8.2	-8.2	-8.1
Operating profit (EBIT)	3.3	3.7	1.4	1.6	3.5	5.9	6.0	1.0
Operating profit, %	2.5	2.7	1.1	1.2	2.7	4.7	5.2	0.8
Adjusted EBIT	5.3	5.6	9.3	2.1	3.9	6.5	6.0	2.0
Adjusted EBIT, %	4.0	4.2	7.5	1.6	3.0	5.1	5.2	1.6
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-1.4	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9
Profit before taxes	2.0	2.7	0.4	0.6	2.5	4.9	5.1	0.1
Income tax	-0.6	-0.6	-0.3	-0.3	-0.7	-1.3	-1.2	-0.2
Profit for the period	1.4	2.1	0.1	0.4	1.9	3.6	3.9	-0.1
Share of the result for the period attributable to owners of the parent company	1.3	3.7	-1.3	-0.5	1.4	2.5	2.2	0.0
Share of the result for the period attributable to non-controlling interests	0.1	-1.6	1.4	0.9	0.4	1.1	1.7	-0.1
EPS	0.06	0.16	-0.06	-0.02	0.06	0.11	0.10	0.00
Personnel at the end of the period (NOE)	5,865	5,815	5,936	6,100	5,871	5,850	5,867	5,918
Change in personnel during the quarter	50	-121	-164	230	21	-17	-51	280

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Tax footprint

EUR million	1–3/2020	1–3/2019	2019
Direct tax payable for the period			
Income tax (business income tax)	1.3	1.6	4.1
Employer's pension contributions	7.8	6.9	31.0
Social security contributions	0.6	0.4	2.1
Employer's unemployment insurance contributions	0.7	2.0	2.6
Contribution to accident insurance and group life insurance	0.2	0.3	0.8
Employer contributions, total	9.3	9.6	36.4
Property taxes	0.0	0.1	0.1
Transfer taxes	0.1	0.0	0.2
Direct tax payable for the period, total	**10.7**	**11.2**	**40.8**
Value added tax of acquisitions payable by the company			
Value added taxes, estimate	**2.9**	**3.3**	**12.3**
Tax for the period			
Withholding taxes	10.0	11.5	45.1
Employee pension contributions, deferred	3.3	3.2	13.0
Employee unemployment insurance contributions, notional	0.5	0.7	2.7
Payroll tax, total	13.9	15.3	60.8
Net value-added tax	0.2	0.4	0.9
Total tax for the period	**14.1**	**15.7**	**61.7**
Revenue	**133.0**	**132.5**	**518.6**
Profit before taxes	**2.0**	**2.5**	**6.3**
Average number of personnel (FTE)	**4,350**	**4,742**	**4,515**
Public subsidies	**0.1**	**0.2**	**0.7**

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 = $\frac{\text{Dividend distribution for the financial year (or proposal)}}{\text{Number of shares at the end of the financial period}}$

Dividend/result, % = $\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Closing price for the financial year}} \times 100$

P/E ratio = $\frac{\text{Closing price for the financial year}}{\text{Earnings per share (EPS)}}$

Share turnover, %	Number of shares traded during the period / Average number of shares	x 100
Return on equity (ROE), %	Profit for the period (rolling 12 months) / Equity (average)	x 100
Return on capital employed, % (ROCE)	Profit before taxes (rolling 12 months) + financial expenses (rolling 12 months) / Total statement of financial position – non-interest-bearing liabilities (average)	x 100
Equity ratio, %	Equity / Total statement of financial position – prepayments received	x 100
Gearing, %	Interest-bearing net debt - cash and cash equivalents / Equity	x 100
EBITDA	Operating profit + depreciation, amortisation and impairment	
EBITDA, %	Operating profit + depreciation, amortisation and impairment / Revenue	x 100
Adjusted EBITDA*	Operating profit + depreciation, amortisation and impairment + adjustment items	
Adjusted EBITDA, %*	Operating profit + depreciation, amortisation and impairment + adjustment items / Revenue	x 100
Net debt/Adjusted EBITDA*, rolling 12 months	Interest-bearing net debt - cash and cash equivalents / 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, %*	Adjusted operating profit (EBIT) / Revenue	x 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, %	Revenue for the period - revenue from M&A transactions for the period - revenue for the previous period / Revenue for the previous period	x 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

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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	1–3/2020 3 months	1–3/2019 3 months	2019
Return on equity (ROE), %			
Profit for the period (rolling 12 months)/	4.0	9.3	4.5
Equity at beginning of period	106.1	130.3	130.3
Equity at end of period	107.8	131.0	106.1
Equity (average) x 100	106.9	130.6	118.2
Return on equity (ROE), %	**3.7**	**7.1**	**3.8**
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) +	5.7	12.6	6.3
Financial expenses (rolling 12 months)	4.4	4.0	4.0
/	10.1	16.6	10.3
Total statement of financial position at beginning of period -	438.4	436.8	436.8
non-interest-bearing liabilities at beginning of period	97.2	78.2	78.2
	341.3	358.6	358.6
Total statement of financial position at end of period -	435.3	443.5	438.4
Non-interest-bearing liabilities at end of period	103.8	90.3	97.2
	331.5	353.2	341.3
Average x 100	336.4	355.9	349.9
Return on capital employed (ROCE), %	**3.0**	**4.7**	**2.9**
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 /	107.8	131.0	106.1
Total statement of financial position -	435.3	443.5	438.4
Advances received x 100	0.8	1.8	1.1
Equity ratio, %	**24.8**	**29.6**	**24.3**

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 -	219.8	218.3	219.7
Cash and cash equivalents /	18.7	27.8	27.0
Equity x 100	107.8	131.0	106.1
Gearing, %	**186.6**	**145.5**	**181.7**

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 -	219.8	218.3	219.7
Cash and cash equivalents	18.7	27.8	27.0
Net debt /	201.2	190.5	192.7
Adjusted EBITDA (rolling 12 months)	55.2	51.6	55.1
Net debt/adjusted EBITDA, rolling 12 months	**3.6**	**3.7**	**3.5**

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.

EBITDA and Adjusted EBITDA			
Profit for the period	1.4	1.9	4.5
Income tax	-0.6	-0.7	-1.8
Financial expenses	-1.4	-1.0	-4.0
Financial income	0.0	0.0	0.1
Depreciation, amortisation and impairment	-8.8	-8.6	-37.7
EBITDA	**12.1**	**12.2**	**47.8**
Total EBITDA adjustments	0.5	0.4	7.3
Adjusted EBITDA	**12.7**	**12.6**	**55.1**

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/	12.1	12.2	47.8
Revenue x 100	133.0	132.5	518.6
EBITDA, %	**9.1**	**9.2**	**9.2**
Adjusted EBITDA, %			
Adjusted EBITDA/	12.7	12.6	55.1
Revenue x 100	133.0	132.5	518.6

Adjusted EBITDA, %	**9.5**	**9.5**	**10.6**
Operating profit (EBIT) and Adjusted operating profit (EBIT)			
Profit for the period	1.4	1.9	4.5
Income tax	-0.6	-0.7	-1.8
Financial expenses	-1.4	-1.0	-4.0
Financial income	0.0	0.0	0.1
Operating profit (EBIT)	**3.3**	**3.5**	**10.2**
Total adjustments to depreciation, amortisation and impairment	0.4	0.0	3.3
Total EBITDA adjustments	0.5	0.4	7.3
Total operating profit (EBIT) adjustments	0.9	0.4	10.6
Adjusted operating profit (EBIT)	**4.2**	**3.9**	**20.8**

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/	3.3	3.5	10.2
Revenue x 100	133.0	132.5	518.6
Operating profit (EBIT), %	**2.5**	**2.7**	**2.0**
Adjusted operating profit (EBIT), %			
Adjusted operating profit (EBIT)/	4.2	3.9	20.8
Revenue x 100	133.0	132.5	518.6
Adjusted operating profit (EBIT), %	**3.2**	**3.0**	**4.0**
Cash flow after investments			
Net cash flow from operating activities	21.4	3.4	36.8
Net cash flow from investing activities	-3.3	-4.5	-19.5
Cash flow after investments	**18.1**	**-1.1**	**17.4**

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	1.4	1.9	4.5
Income tax	-0.6	-0.7	-1.8
Profit before taxes	**2.0**	**2.5**	**6.3**
Gross investments			
Property, plant and equipment at the end of the period	53.1	44.9	53.2
Right-of-use assets at the end of the period	108.3	119.9	108.1
Other intangible assets at end of period	18.6	22.0	19.1
Goodwill at end of period	173.6	170.6	173.6

Depreciation, amortisation and impairment for the period are added	8.8	8.6	37.7
-			
Property, plant and equipment at the start of the period	53.2	43.3	43.3
Right-of-use assets at the start of the period	108.1	116.0	116.0
Other intangible assets at beginning of period	19.1	22.9	22.9
Goodwill at beginning of period	173.6	169.9	169.9
Proceeds from the sale of property, plant and equipment and disposals during the period	-1.8	-0.1	-4.5
Gross investments	**10.2**	**14.0**	**44.1**
Organic revenue growth, %			
Revenue for the period -	133.0	132.5	518.6
Revenue from M&A transactions during the period (rolling 12 months) -	0.8	9.9	17.4
Revenue for the previous period	132.5	119.2	487.8
Organic revenue growth/	**-0.3**	**3.4**	**13.4**
Revenue for the previous period x 100	132.5	119.2	487.8
Organic revenue growth, %	**-0.3**	**2.8**	**2.8**
Revenue growth attributable to M&A transactions, %	0.6	8.3	3.6
Revenue growth	0.5	13.3	30.8
Revenue growth, %	0.4	11.2	6.3

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	1–3/2020 3 months	1–3/2019 3 months	2019
EBITDA	**12.1**	**12.2**	**47.8**
Adjustments to EBITDA			
Dismissal-related expenses	-0.1		3.0
Change in fair value of contingent consideration			0.3
Onerous contracts			1.8
Other	0.6	0.4	0.3
Adjustments to EBITDA in total	**0.5**	**0.4**	**7.3**
Adjusted EBITDA	**12.7**	**12.6**	**55.1**
Depreciation, amortisation and impairment	-8.8	-8.6	-37.7
Adjustments to depreciation, amortisation and impairment			
Double depreciation arising from a merger with no cash flow effect	0.4		
Closure of operating locations			3.3
Adjustments to depreciation, amortisation and impairment in total	**0.4**	**0.0**	**3.3**
Adjusted operating profit (EBIT)	**4.2**	**3.9**	**20.8**
Operating profit (EBIT)	**3.3**	**3.5**	**10.2**

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

EUR million	1–3/2020 3 months	1–3/2019 3 months	2019
Revenue			1.8
Employee benefit expenses	0.3	0.3	3.6
Other operating expenses	0.2	0.1	1.9
EBITDA adjustment items total	**0.5**	**0.4**	**7.3**
Depreciation, amortisation and impairment	0.4		3.3
Operating profit adjustment items total	**0.9**	**0.4**	**10.6**

Pihlajalinna's financial reporting in 2020

Half-year financial report January–June: Friday, 14 August 2020
Interim report January–September: Wednesday, 4 November 2020

Briefing

Pihlajalinna will hold a briefing for analysts and the media on Friday, 8 May 2020 at 10:00 a.m. The event will be held remotely.

Helsinki, 7 May 2020
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.