



Press Release

Cario sells UK real estate portfolio

Cario AB has sold the UK real estate portfolio to Nikko Principal Investments Limited. Cario has also entered into an associated leaseback to allow it to continue to operate its business from these properties. Cario receives GBP 250 M and will retain a 20 per cent stake in the real estate portfolio. The proceeds will be used to repay the existing syndicated debt facility. This will leave the Cario Group with no long-term debt.

Key features of the transaction and its effects on Cario include:

- Improves Cario's ability to focus on its services business component of healthcare
- Provides flexibility to develop and enable continued future growth
- Significantly improves Cario's financing position with the long-term syndicated debt facility repaid.
- Properties are no longer owned by the Group and hence do not appear on the Balance Sheet Neutral income statement effect - replacing depreciation and interest charge with rent
- Positive effect on liquid funds due to elimination of debt repayments
- 30 year initial leaseback term agreed

The transaction is a natural extension of Cario's overall stated objective of specialising in the provision of medical services rather than acting as a substantial owner of real estate assets. The release of capital through the transaction enhances Cario's ability to focus on this core competency whilst allowing it to retain an ongoing interest in the hospitals through its minority holding in the real estate portfolio.

Per Båtelson, CEO of Cario commented,

"- Following the successful acquisition of Community Hospitals Group last year, this transaction represents an important principle of Cario's overall strategy of not unnecessarily tying up capital or human resources in properties and their management."

The transaction structure provides Cario with flexibility to continue to develop and expand. Furthermore, Nikko Principal Investments Limited, which specialises in financing cash generative assets and businesses, has indicated to Cario its interest in participating in the ongoing development of Cario's UK strategy.

The transaction is structured as a disposal of a majority stake in UK Healthcare Properties Limited Partnership, a new Limited Partnership specifically formed to hold Cario's UK real estate portfolio. Cario will retain a 20 per cent stake in the Partnership. The investment cost is GBP 8 M.

The Limited Partnership will hold 20 of Cario's hospital properties in the UK. The leaseback period is 30 years with a break option for Cario at year 21. The initial rent is GBP 21 M per annum representing a net yield of 8.1 per cent (taking into account Cario's 20 per cent share of the partnership profit) with rent increases linked to an agreed indexation. The agreement includes an option for Cario to extend the lease or purchase the properties at the end of the lease term.

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Cario AB (publ)

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Editorial note: Ernst & Young Real Estate Finance team has served as financial advisor to Cario on the transaction.