



# [CAPIO INTERIM REPORT]

## JANUARY – JUNE 2002

### *Core operations develop strongly*

- Net sales rose by 70 per cent to SEK 3,714 M (H1 2001: SEK 2,186 M). Organic growth amounted to 15 per cent in local currencies.
- Operating earnings before goodwill amortisation (EBITA) amounted to SEK 342 M (149), corresponding to an operating margin of 9.2 per cent (6.8).
- Earnings after financial items increased by 82 per cent to SEK 186 M (102).
- Earnings per share increased by 59 per cent to SEK 1.78 (1.12). A tax revenue of a non-recurring nature affected earnings for the period in an amount of SEK 0.32 per share.
- Capio's core operations, Healthcare Nordic and Healthcare UK, report strong earnings and growth.
- The hospital properties in the UK were divested in June. Capio has a 20 per cent holding in the property company.

#### INVITATION TO ATTEND A TELEPHONE CONFERENCE

On Thursday 15 August 2002, Capio will present their six-months 2002 Interim Report. In conjunction with this, we will be arranging a telephone conference in English at 14:00 CET, 13:00 GMT. The meeting will include a presentation of Capio's Report by President and CEO Per Båtelson and CFO Staffan Carlsson. An overhead-slide presentation will also be available via [www.capio.se](http://www.capio.se)

This invitation is extended to journalists and professionals active in the capital market. To connect to the conference, please dial +44 (0)20 8401 1043 just before the conference, and specify "Capio". You may listen to an Instant Replay directly after the conference and until August 21, please dial +44 (0)20 8288 4459 access code 670852.

### January – June 2002

#### Capio Group

Capio has experienced strong growth compared with the preceding year, primarily as a result of the acquisition of Community Hospitals Group in the UK, now renamed Capio Healthcare UK, in June 2001. The Capio Group continued to show a strong trend of organic growth, corresponding to 15 per cent in local currencies.

Consolidated net sales increased by 70 per cent compared with the first six months of 2001 and amounted to SEK 3,714 M (2,186). EBITA, including items affecting comparability of SEK 15 M (19), amounted to SEK 342 M (149), corresponding to an

operating margin of 9.2 per cent (6.8). Earnings after financial items totalled SEK 186 M (102).

The UK property holdings were divested on June 12 and Capio has signed a 30-year leasing agreement to continue operations in the properties. The sale releases capital that will enhance the potential for continued expansion. Capio's minority interest of 20 per cent in the property company permits a satisfactory degree of future influence over the hospital properties.



The Capio Research Foundation has distributed SEK 1 M to near-patient multidisciplinary research relating to epilepsy, perinatal injuries, elderly care and paediatric care.

In line with the announcement made in July, evaluations and negotiations are currently under way concerning the acquisition of a French hospital group.

### Healthcare Services

Net sales amounted to SEK 2,985 M (1,674). The increase of 78 per cent compared with the preceding year is attributable to the acquisition of Capio Healthcare UK in June 2001. Expressed in local currencies, organic growth during the period was 15 per cent. EBITA amounted to SEK 250.9 M (102.9), representing an operating margin of 8.4 per cent (6.1).

Nordic healthcare operations are developing well. Demand continues to be strong in the Swedish market. The introduction of a care guarantee has resulted in greater patient mobility and increased revenues for several Capio units.

Lundby Hospital has signed an agreement to extend its dialysis operations and now has one of Sweden's largest dialysis units.

Reengineers the emergency unit at St. Göran's Hospital has begun and is expected to be completed by year-end. The remodelling will create a better flow and improve capacity to handle the increasing volumes of patients needing emergency care. Löwet Geriatrik in Stockholm has been operated by St. Göran's Hospital since the beginning of the year.

Linköping Medical Centre, which signed an agreement earlier this year to provide care for Norwegian patients, signed an agreement with the Danish Federation of County Councils during the second quarter to participate in the Federation's program to reduce care queues.

Volvat Medical Centre has signed agreements with four of the five new healthcare companies in Norway. The agreements apply as of 2002 and replace previous agreements. This is a significant step for Volvat's continued volume growth.

UK healthcare operations continued to develop favourably. Expansion developments have been completed at The Rivers Hospital and Euxton Hall Hospital. Work is proceeding to plan for additional facilities at Ashted Hospital. Discussions are under way concerning closer co-operation with the National Health Service, following their commitment to involving the independent hospital sector and overseas healthcare companies in delivering healthcare to NHS patients.

Demand for occupational healthcare in the Swedish market continues to be favourable. During the first six months of the year, Previa signed several major contracts in both Sweden and the UK. The profitability of certain Swedish units is unsatisfactory, however.

Healthcare Services currently has annual sales of approximately SEK 5,600 M.

### Diagnostic Services

Net sales for Diagnostic Services amounted to SEK 497 M (448). EBITA amounted to SEK 22.2 M (28.4). Expressed in local currency, organic growth amounted to 8.4 per cent.

In January, the Laboratory Medicine and Radiology business areas were merged to form Capio Diagnostics, and the units concerned will now progressively switch over to the Capio Diagnostics name.

Capio has entered into a long-term agreement with Siemens Medical Solutions to co-operate closely in the radiology area. The five-year agreement is expected to give Capio Diagnostics substantial advantages when investing in radiology equipment.

The payment system for radiology services introduced in Norway at the beginning of the year had a positive impact on earnings. Demand is increasing in Norway and two new radiology units are in the process of being commissioned.

Patient flow at the Globen Röntgen clinic has increased but volumes remain unsatisfactory. The unit has a positive cash flow. St. Göran Röntgen continues to have problems achieving satisfactory productivity.

In April, Capio Diagnostics took over mammography screening and clinical mammography operations in Södra Älvsborg. The operations are conducted at hospitals in Borås, Skene and Alingsås.

Order bookings for clinical trials in laboratory medicine continued at a weak level, resulting in negative earnings for the Danish operations.

Mediscan, which was acquired in February, recorded a strong increase in numbers of private radiology patients during the second quarter. Mediscan is Capio's first acquisition in Finland.

Preparations are in progress for the start-up of Diagnostics operations in the UK. Equipment has been ordered based on a projected start-up in January 2003. The first step will be to take care of the patient volumes that are currently outsourced by Capio Healthcare UK.

Diagnostic Services currently has sales of approximately SEK 900 M on an annual basis.

### Elderly Care Services



Net sales for elderly care operations amounted to SEK 318 M (137). The sector noted an operating loss of SEK 2.2 M (profit: 8.7) before goodwill amortisation. A major proportion of the business sector's six-month earnings in 2001 derived from the now divested properties for elderly care. There is considerable demand, with organic growth of 40 per cent, expressed in local currencies. This expansion has depressed the profitability of the sector's operations.

The focus is now on the trend of profit and the staffing situation.

Actica Omsorg took over the operations of Madserud Sykehjem (Nursing Home) in Oslo in June. A home-care service operation was started in Solna, Sweden, in March.

A contract was signed at the beginning of the year for the operation of a completely new residential unit for the elderly in Lerum, commencing in 2003.

The Elderly Care Services operating sector now has sales of about SEK 600 M on an annual basis, in addition to contracts that will gradually become effective and which will bring annual sales up to approximately SEK 800 M by the end of 2003.

#### Financial position

The Capio Group's financial situation has changed significantly following the divestment of the hospital properties in the UK in June. In conjunction with the sale, a loan of GBP 223 M (about SEK 3,200 M) in a consortium of banks was repaid. The Group has pledged assets and contingent liabilities totalling SEK 352 M. At the beginning of the year, the corresponding figure was SEK 5,647 M. The decrease was due to the repayment of the bank loan. The properties that were sold are now leased by Capio's subsidiaries in the UK on 30-year leasing agreements. The leasing agreements have been guaranteed by the Parent Company, Capio AB.

On June 30, the equity/assets ratio was 53 per cent.

At the end of the second quarter, the Group's interest-bearing net assets totalled SEK 248 M. Liquid funds amounted to SEK 352 M.

#### Tax expenses

Tax expenses for the period were affected by substantial changes in deferred taxes, mainly resulting from the sale of properties. The effect of the changes in deferred taxes led to tax expenses for the period being reduced by SEK 26 M. The tax effect on items affecting comparability is estimated to be negative in an amount of SEK 6 M.

#### Personnel

At the end of the period, the number of Group employees was 8,673 (7,135). The average number of employees during the period totalled 8,520 (5,253).

#### Parent Company sales and earnings

The Group's Parent Company, Capio AB, reported net sales of SEK 3.0 M (11) for the period and an operating loss of SEK 35.0 M (loss: 34) before goodwill amortisation and excluding items affecting comparability. The loss before appropriations and taxes amounted to SEK 5.0 M (loss: 7). The Parent Company reported net investments of SEK 2.0 (1) for the period.

Per Båtelson  
President and Chief Executive Officer

Gothenburg, August 15, 2002  
Capio AB (publ)

Capio, SEK M	Net sales			EBITA			Operating margin, %		
	Jan-Jun 2002	Jan-Jun 2001	Full-year 2001	Jan-Jun 2002	Jan-Jun 2001	Full-year 2001	Jan-Jun 2002	Jan-Jun 2001	Full-year 2001
Healthcare Services	2 985	1 674	4 297	250.9	102.9	283.7	8.4	6.1	6.6
Diagnostic Services	497	448	893	22.2	28.4	37.5	4.5	6.3	4.2
Elderly Care Services	318	137	340	-2.2	8.7	13.5	-0.7	6.3	4.0
Other	-86	-73	-148	-37.6	-28.6	-63.3	-	-	-
<b>Sub total services</b>	<b>3 714</b>	<b>2 186</b>	<b>5 382</b>	<b>233.2</b>	<b>111.4</b>	<b>271.5</b>	<b>6.3</b>	<b>5.1</b>	<b>5.0</b>
Real estate				93.6	18.8	120.7			
<b>Sub total</b>	<b>3 714</b>	<b>2 186</b>	<b>5 382</b>	<b>326.8</b>	<b>130.2</b>	<b>392.2</b>	<b>8.8</b>	<b>6.0</b>	<b>7.3</b>
Items affecting comparability				15.3	18.8	17.1			
<b>Capio</b>	<b>3 714</b>	<b>2 186</b>	<b>5 382</b>	<b>342.1</b>	<b>149.0</b>	<b>409.2</b>	<b>9.2</b>	<b>6.8</b>	<b>7.6</b>

Consolidated Income Statement, SEK M	Apr-Jun 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	Full-year 2001	July 2001 June 2002
Net sales	1 884	1 201	3 714	2 186	5 382	6 910
Other Operating income	2	4	4	10	14	8



Operating expenses	-1 657	-1 078	-3 243	-1 982	-4 771	-6 032
Depreciation	-73	-51	-148	-84	-233	-297
Items affecting comparability <sup>1)</sup>	15	17	15	19	17	14
<b>EBITA</b>	<b>171</b>	<b>93</b>	<b>342</b>	<b>149</b>	<b>409</b>	<b>602</b>
Goodwill amortisation	-26	-13	-51	-22	-71	-101
<b>EBIT</b>	<b>145</b>	<b>80</b>	<b>291</b>	<b>127</b>	<b>338</b>	<b>502</b>
Financial income	1	6	7	14	38	30
Financial expenses	-47	-30	-112	-39	-171	-243
<b>Earnings after financial items</b>	<b>99</b>	<b>55</b>	<b>186</b>	<b>102</b>	<b>205</b>	<b>289</b>
Minority interest	0	0	-1	0	0	-1
Taxes	-12	-20	-46	-36	-53	-63
<b>Earnings after tax</b>	<b>87</b>	<b>35</b>	<b>139</b>	<b>66</b>	<b>152</b>	<b>225</b>
<b>Earnings per share</b>			<b>1.78</b>	<b>1.12</b>	<b>2.22</b>	

<sup>1)</sup>Includes, for the period April-June 2002, SEK 22.7 M attributable to the capital gain from the sale of properties in the UK and an expense of SEK 7.4 M for write-downs of intangible assets.

<b>Consolidated Balance Sheet, SEK M</b>	<b>30 June 2002</b>	<b>30 June 2001</b>	<b>31 Dec 2001</b>
Goodwill	1 359	1 412	1 523
Other intangible fixed assets	12	22	11
<b>Intangible fixed assets</b>	<b>1 371</b>	<b>1 434</b>	<b>1 534</b>
Buildings and land	185	3 716	3 593
Machinery and medical equipment	895	928	1 054
<b>Tangible fixed assets</b>	<b>1 080</b>	<b>4 644</b>	<b>4 647</b>
Financial fixed assets, interest-bearing	35	96	48
Financial fixed assets, noninterest-bearing	148	12	81
<b>Financial fixed assets</b>	<b>183</b>	<b>108</b>	<b>129</b>
<b>Total fixed assets</b>	<b>2 633</b>	<b>6 186</b>	<b>6 311</b>
Accounts receivable	799	710	729
Other current assets	629	578	449
Current interest-bearing receivables	75	130	90
Liquid funds	352	398	218
<b>Total current assets</b>	<b>1 856</b>	<b>1 816</b>	<b>1 486</b>
<b>Total assets</b>	<b>4 489</b>	<b>8 002</b>	<b>7 797</b>
<b>Equity</b>	<b>2 388</b>	<b>2 224</b>	<b>2 377</b>
<b>Minority interest</b>	<b>4</b>	<b>4</b>	<b>4</b>
Long-term provisions and liabilities, interest bearing	37	3 668	3 183
Long-term provisions and liabilities, noninterest bearing	201	802	602
<b>Total long-term provisions and liabilities</b>	<b>238</b>	<b>4 470</b>	<b>3 785</b>
Current liabilities, interest-bearing	176	74	417
Advances from customers	245	215	183
Accounts payable	335	256	279
Other interest-free items	463	258	205
Accrued expenses and prepaid income	641	501	547
<b>Total current liabilities</b>	<b>1 859</b>	<b>1 304</b>	<b>1 631</b>
<b>Total equity provision and liabilities</b>	<b>4 489</b>	<b>8 002</b>	<b>7 797</b>

<b>Change in Shareholders' Equity, SEK M</b>	<b>30 June 2002</b>	<b>30 June 2001</b>	<b>31 Dec 2001</b>
<b>Opening balance</b>	<b>2 377</b>	<b>786</b>	<b>786</b>
Share issue	-	1 357	1 381
Exchange rate differences	-128	15	59
Net result	139	66	152
<b>Closing balance</b>	<b>2 388</b>	<b>2 224</b>	<b>2 377</b>

<b>Consolidated Cash Flow Analysis, SEK M</b>	<b>Jan-Jun 2002</b>	<b>Jan-Jun 2001</b>	<b>Full-year 2001</b>
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EBITA	342	149	409
Depreciation	148	84	233
Adjustment for items unrelated to cash flow	-28	-20	-12
Changes in working capital	39	23	-22
Financial items	-97	-18	-133
Taxes paid	-78	-18	-52
<b>Cash flow from current operations<sup>1)</sup></b>	<b>327</b>	<b>201</b>	<b>423</b>
Acquisition investments	3 207	-4 098	-3 709
Operating investments	-176	-120	-368
<b>Cash flow from investment operations</b>	<b>3 031</b>	<b>-4 219</b>	<b>-4 078</b>
<b>Cash flow from financial operations</b>	<b>-3 217</b>	<b>4 222</b>	<b>3 677</b>
Exchange translation differences	-7	8	10
<b>Change in liquid funds</b>	<b>134</b>	<b>212</b>	<b>32</b>
<b>Reconciliation of change in liquid funds</b>			
Opening balance liquid funds	218	186	186
Closing balance liquid fund	352	398	218
<b>Change in liquid funds</b>	<b>134</b>	<b>212</b>	<b>32</b>

Description of net debt, SEK M	30 June 2002	30 June 2001	31 Dec 2001
Long-term receivables and provision, interest-bearing	37	3 668	3 183
Current liabilities, interest- bearing	176	74	417
Financial fixed assets, interest-bearing	-35	-96	-48
Current interest-bearing receivables	-75	-130	-90
Liquid funds	-352	-398	-218
<b>Net debt</b>	<b>-248</b>	<b>3 118</b>	<b>3 244</b>

The Capio share, SEK per share	30 June 2002	After dilution <sup>2)</sup> 30 June 2002	After dilution <sup>2)</sup> 30 June 2001
Total no. of shares	77 590 177	79 640 477	79 640 477
Average number of shares during the period	77 590 177	79 640 477	61 213 875
Earnings after tax <sup>1)</sup>	1.80	1.78	1.12
Earnings after tax excluding items affecting comparability	1.66	1.64	0.90
Earnings after tax excluding goodwill and items affecting comparability	2.32	2.28	1.26
Shareholders' equity	30.78	31.30	29.24

<sup>1)</sup> Tax refers to the period's share of the estimated tax expenses for the year.

<sup>2)</sup> In conjunction with the personnel program, 2,050,300 options were subscribed. In a second personnel program, 660,000 options were subscribed. The latter have not yet influenced the dilution effect.

Capio, SEK M	Net sales					EBITA				
	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001
Healthcare Services	1 503	1 482	1 448	1 174	942	126.2	124.7	122.8	58.0	56.3
Diagnostic Services	253	244	243	202	223	10.1	12.1	9.9	-0.8	11.4
Elderly Care Services	172	146	133	71	72	-2.3	0.1	0.1	4.8	4.6
Eliminations/Other	-45	-41	-42	-33	-36	-21.0	-16.6	-20.5	-14.3	-14.7
<b>Sub total</b>	<b>1 884</b>	<b>1 830</b>	<b>1 782</b>	<b>1 414</b>	<b>1 201</b>	<b>113.0</b>	<b>120.3</b>	<b>112.3</b>	<b>47.7</b>	<b>57.6</b>
Real estate						42.3	51.3	51.8	50.1	18.8
Items affecting comparability						15.3	-	0.7	-2.4	16.7
<b>Capio</b>	<b>1 884</b>	<b>1 830</b>	<b>1 782</b>	<b>1 414</b>	<b>1 201</b>	<b>170.6</b>	<b>171.5</b>	<b>164.9</b>	<b>95.4</b>	<b>93.1</b>



Key ratios	30 June 2002	Full-year 2001
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Equity, %	53	31
Net debt, SEK M	-248	3 244
Capital employed, SEK M	2 144	5 624
Operating capital employed, SEK M	784	4 101
No. of employees	8 673	8 085
Average no. of employees during the period	8 520	6 432

**For further information, please contact:**

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**Future reports (preliminary)**

January – September 2002	October 22, 2002
Year-end report	February 6, 2003
Annual General Meeting	March 27, 2003
January–March 2003	April 24, 2003

Capital Markets Day: September 26, 2002, Chelmsford, United Kingdom

For more information please visit: [www.capio.se](http://www.capio.se)

**This report has not been the subject of examination by the Company's Auditors.**