

QUALITY THROUGH SPECIALISATION

GLOBAL HEALTH PARTNER

Q2 REPORT
JULY 17, 2012



GLOBAL HEALTH PARTNER

Agenda

Highlights Q2 2012

Operational factors

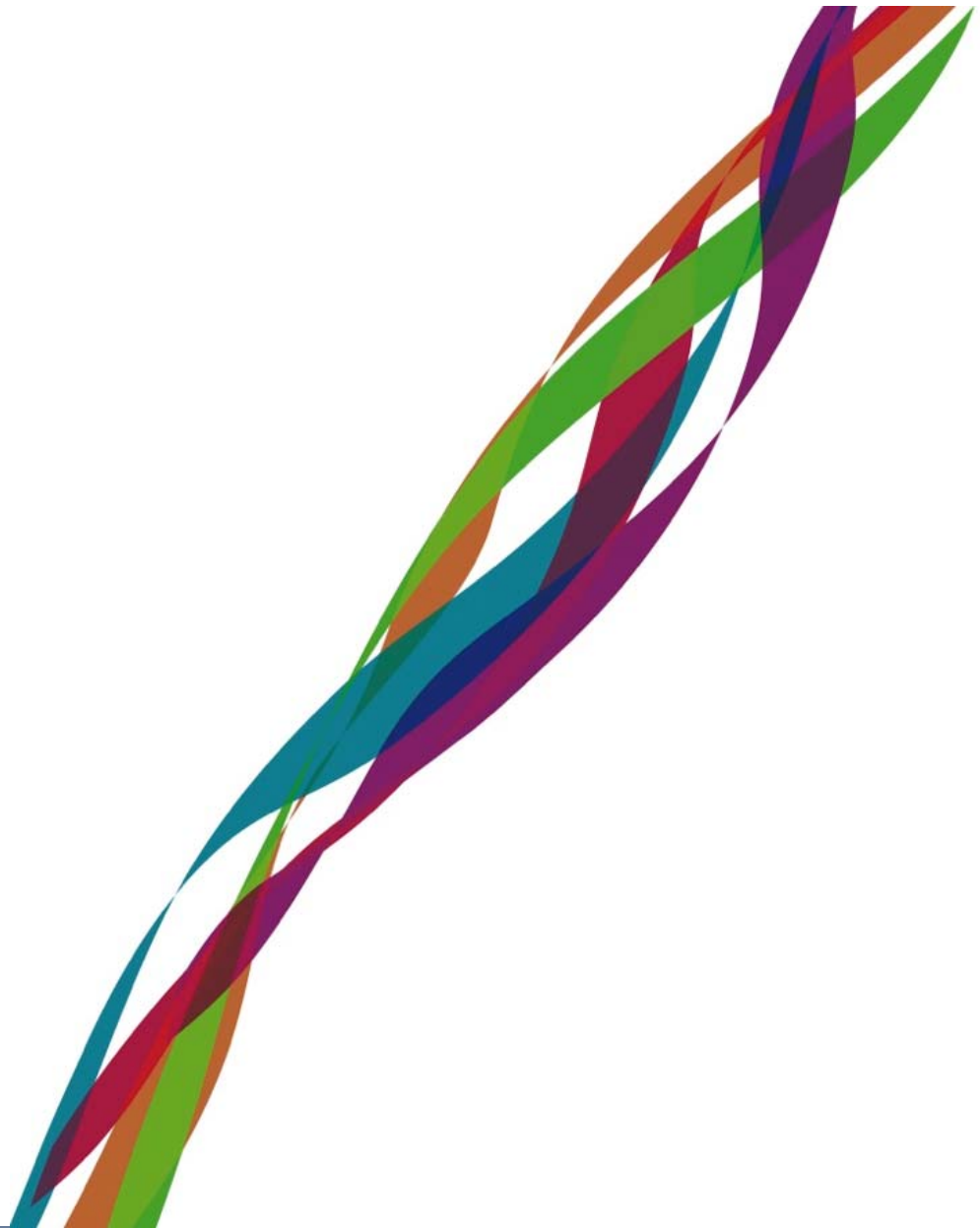
Market factors

Strategy

Service Lines and clinics

Finance

Summary



Highlights Q2 2012

- Revenue increased with 4% to SEK 187,3 million (180,4) during Q2
- Operating result (EBIT) amounted to SEK -5,5 million (13,0) in Q2
- Profitability affected by continued tough market situation in Bariatrics and several smaller temporary issues in Orthopaedics/Spine
- Profitability also effected by one-off costs
- Decision to close Bariatric Center Copenhagen in early Q2

Operational factors Q2

- Two remaining loss makers orderly closed, major restructure of Bariatric SL completed
- Lower than expected income generation in Q2
 - Temporary lack of physicians
 - Lost patient volumes in Gothenburg clinics
 - Full effect from decreased prices
- Productivity measures undertaken
 - Spine/Orthopaedics clinics Denmark
 - Spine/Orthopaedics clinics Gothenburg
- Improved revenue generation
 - Joint GHP marketing to PMIs
 - Introduction of complementary services/clinical modalities



Market factors



Spine

Sweden

- Riksavtalet – new policy that allows all counties to use “lowest tendered prices”

Denmark

- Tendered public demand gone
- Ongoing tender processes successfully closed



Orthopaedics

Sweden

- Riksavtalet
- Increased PMI demand
- Extended free choice, Stockholm

Denmark

- Consolidation in the market
- Outcome of PMI tenders, lower prices- higher volumes



Market factors



Bariatrics

Sweden

- Price erosion 2011
- Delayed free choice
- Private demand picking up

Denmark

- Loss of 80% of public market
- Private demand not present yet

Czech Republic

- Price erosion 2010–2011 >20%



Gastro

Sweden

- Continued increased demand
- Stable prices



Market factors



Dental

Sweden

- Continued weak, but stable private market

Measures taken

- Cost reduction/consolidation
- Continued market share increase



Arrhythmia

Sweden

- Increased demand
- Price erosion



Market factors – Summary



2011

- Strong negative impact/forcing actions



2012

- Less turbulence
- Some negative factors reside
- Compensated by growth in Spine/Ortho, Arrhythmia and Gastro



Our strategy can be summarized in four cornerstones

**“Quality through
Specialisation” –
Service Lines**

**Partnership
model**

**Decentralised
business model**





















**Rapid growth in
selected markets**



GHP Service Lines

Orthopaedics	<ul style="list-style-type: none">• Spine surgery/spine care• Sports traumatology and prosthetic surgery• 8 clinics in Sweden, Norway and Denmark (Orthopaedics/Spine)
Spine	
Dental	<ul style="list-style-type: none">• Specialist dentistry• 3 clinics in Sweden
Bariatrics	<ul style="list-style-type: none">• Treatment and surgery of obesity and reconstructive plastic surgery• 11 clinics in Sweden, Finland, Denmark, Norway, Czech Republic, Egypt and UAE
Gastro	<ul style="list-style-type: none">• Medical gastroenterology and endoscopy• 3 clinics in Sweden
Arrhythmia	<ul style="list-style-type: none">• Disturbance of the heart rhythm• 1 clinic in Sweden

GHP clinics

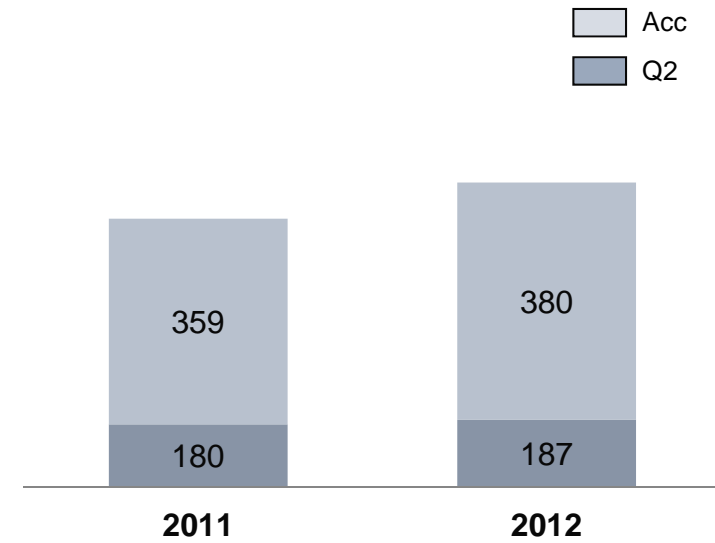
Ortho-pædics	 <p>ORTHO CENTER IFK-KLINIKEN</p>	 <p>ORTHO CENTER STOCKHOLM</p>	 <p>ORTHO CENTER SKÅNE</p>	 <p>Gildhøj privathospital</p>
Spine	 <p>SPINE CENTER GÖTEBORG</p>	 <p>STOCKHOLM SPINE CENTER</p>	 <p>SPINE CENTER BERGEN</p>	 <p>OPA Ortopædisk Privathospital Aarhus</p>
Bariatrics	 <p>BARIATRIC CENTER STOCKHOLM</p>	 <p>BARIATRIC CENTER SKÅNE</p>	 <p>BARIATRIC CENTER HELSINKI</p>	 <p>BARIATRIC CENTER BERGEN</p>
	 <p>OB KLINIKA</p>	 <p>BARIATRIC CENTER CENTER FOR ÖVERVÄGTSKIRURGI</p>	 <p>BARIATRIC CENTER CAIRO</p>	 <p>Rashid Centre for Diabetes & Research مركز راشد لعلاج السكري والأبحاث</p>
Gastro	 <p>GASTRO CENTER SKÅNE</p>	<p>STOCKHOLM GASTRO CENTER</p>		
Dental	 <p>SPECIALISTTANDLÄKARNA SOPHIAHEMMET</p>	 <p>SPECIALISTTANDLÄKARNA NORRKÖPING</p>	<p>SPECIALISTKLINIKEN FÖR DENTALA IMPLANTAT</p>	
Arrhythmia	 <p>ARRHYTHMIA CENTER STOCKHOLM</p>			

Continued challenging market conditions

SEK millions

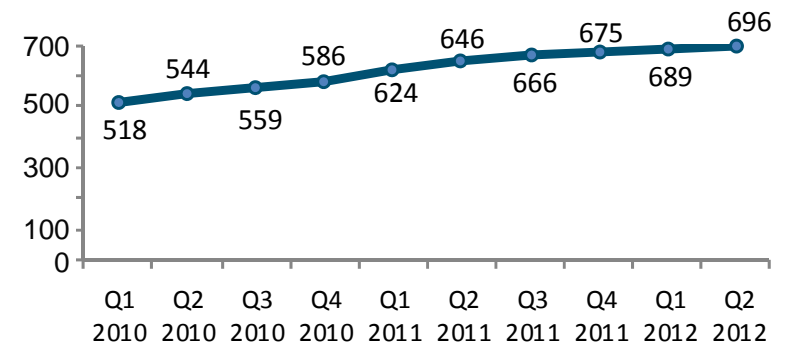
Revenue

- Revenue increased from SEK 180 million to SEK 187 million for Q2 2012, which corresponds to 4 percent growth.
- Growth only from acquisitions in SL Orthopaedics/Spine.
- Continued strong demand in Stockholm based Ortho and Spine clinics.
- Lost public contract in VGR contributes to negative revenue development.
- Increasingly strong positions with insurance companies, provides a solid base for future positioning in the market.
- Continued drop in Bariatrics clinics, price pressure and changed patient mix are main reasons.



Revenue rolling 12 months

- Rolling 12 months continue to increase and now amounts to SEK 696 million.
- The acquisition of OPA and Gildhøj constituted the growth for the second quarter.

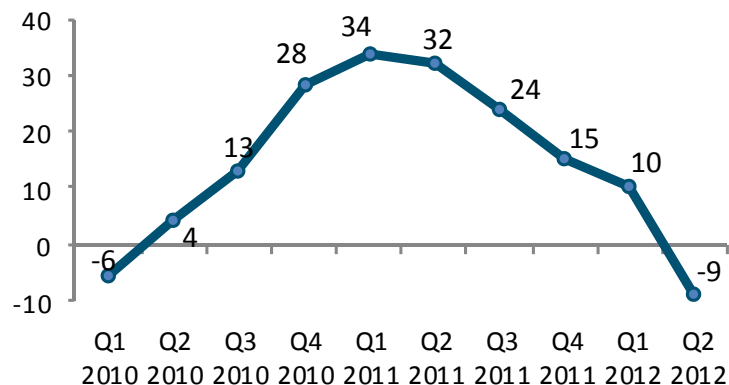
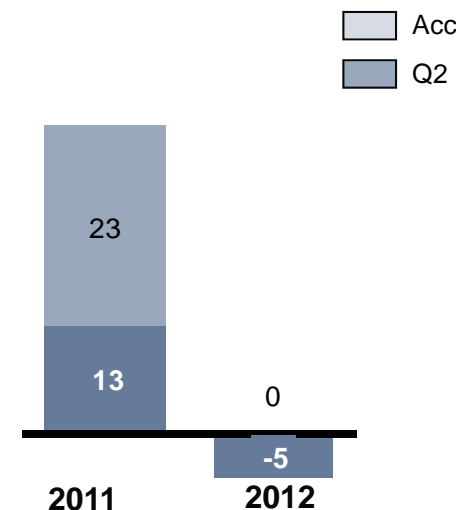


Weak performance – Q2

SEK millions

EBIT

- Good performance in the Dental Service Line.
- Compared to Q2 2011, all other SLs weakened their performance. Adverse effects from badly placed red days in calendar compared to 2011.
- Continued drop in Bariatrics market had negative impact.
- Impact from one-off costs of – 5 MSEK.



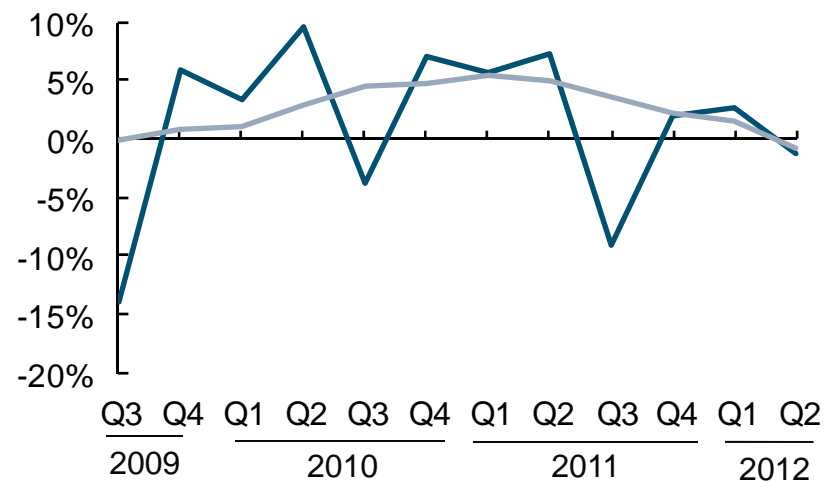
- Weak performance in Orthopaedics/Spine (see page 7 for more details).
- As the prices are pressured, clinics must run at full capacity to maintain profitability. Also rather small changes in volumes have a severe impact on EBIT.
- Strong measures are taken adjust capacity and costs to continued pressure in the market.

Reduced profit margin

SEK millions

EBIT margin

- Q2 EBIT margin was reduced from 7.2 percent to -1.2 percent.
- EBIT margin for rolling 12 months decreased from 1.4 percent to -0.8 percent.
- 2009 numbers are shown exclusive of UK one-off costs.

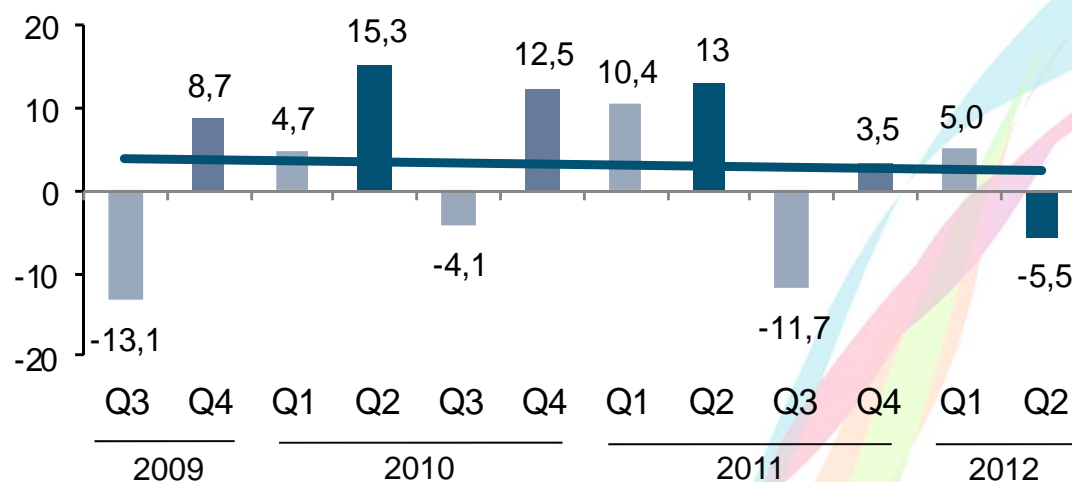


Underperformance in Q2

SEK millions

EBIT trend

- Q2 severely underperformed and broke the improving trend due to reasons mentioned on previous slides.
- Ongoing and coming adjustments of capacity and costs together with a solid underlying performance in many of the clinics provide comfort for future improved performance.
- Q2 performance was effected with one-off costs of approximately -5 MSEK.



Service Line Orthopaedics/Spine

- Solid organic growth and good profitability in the Stockholm based Orthopaedic clinic despite low prices in the Stockholm market.
- Performance in Q2 for the Service Line was heavily impacted by loss of contract with VGR, despite partial replacement by increasing insurance patients. Work is ongoing to further stimulate revenue generation and adjust capacity.
- Also adverse effects from earlier summer vacation, Riksavtalet and less favorable patient mix.
- Danish acquisitions have showed lower margins, but adjustments are being made.
- Further improved position with the insurance companies provides for enhanced performance.

SEK million	Q2 2012	Q2 2011	Change	Full year 2011	Full year 2010
Revenues	114,0	95,3	20 %	379,6	320,5
Operating result	3,0	14,1		35,3	41,5
Operating margin, %	3	15		9	13

Service Line Bariatrics

- The market is still very tough and is characterized by high price pressure and low public patient flow for the Swedish clinics.
- The clinic in Prague was deconsolidated in Q1, and is picking up in performance.
- It was decided to close clinic in Copenhagen due to continued lack of patients, which had an effect on the Q2 result with – 3,3 MSEK of which -0,3 MSEK will have a cash effect.

SEK million	Q2 2012	Q2 2011	Change	Full year 2011	Full year 2010
Revenues	39,5	49,8	-21%	174,7	143,7
Operating result	-4,1*	1,8		-0,2	4,0
Operating margin, %	-10	4		0	3

* Including one-off costs of 3,3 MSEK

Service Line Dental

- Maintained revenues despite continued decline in market for dental implants.
- Internal reorganization is completed and new management and new structure is in place.
- Continued performance improvements are expected.

SEK million	Q2 2012	Q2 2011	Change	Full year 2011	Full year 2010
Revenues	26,7	27,5	-3 %	92.3	96.4
Operating result	4,0	3,8		6.5*	10.3
Operating margin, %	15	14		7	11

* Before goodwill write-downs

Service Line Arrhythmia

- Somewhat lower revenues but stable future patient flow is expected.
- Lower EBITA due to calendar issues and higher maintenance costs.

SEK million	Q2 2012	Q2 2011	Change	Full year 2011	Full year 2010
Revenues	7,1	7,8	-9%	28,6	24,9
Operating result	0,5	1,4		2,8	2,9
Operating margin, %	7	18		10	12

Performance per geographic area – Q2

SEK millions

		Q2 2012	Q2 2011	6 months 2012	6 months 2011
Sweden	Revenue from business activities	147.2	161.2	305.0	318.6
	Operating result from business activities	-1.7	14.8	7.3	25.4
Nordic region	Revenue from business activities	35.5	10.2	65.5	23.7
	Operating result from business activities	-6.9	-1.9	-12.0	-1.5
Other countries	Revenue from business activities	4.6	9.0	9.2	17.0
	Operating result from business activities	3.1	0.1	4.2	-0.5
Reported operating result		-5.5	13.0	-0.5	23.4

Comments

- All business development costs are included in the Swedish segment.
- Swedish and Nordic business is affected negatively from tough market situation in Bariatrics as well as a weak quarterly result for Orthopaedics/Spine.
- The business in other countries has reduced revenues and improved EBIT due to the deconsolidation of the clinic in Prague.

Reduced margins in mature business – Q2

SEK millions

		Q2 2012	Q2 2011	6 months 2012	6 months 2011
Mature business	Revenue	176.2	166.2	361.2	326.2
	Operating result	9.1	23.7	27.8	44.7
Newly opened and development	Revenue	11.1	14.2	18.2	33.1
	Operating result	-14.6	-10.7	-28.3	-21.3
Reported revenue		187.3	180.4	379.7	359.3
Reported operating result		-5.5	13.0	-0.5	23.4

Comments

- Mature clinics are clinics that have been in operation for at least 24 months.
- Central administration costs for the group are included in the mature business.
- Central expansion and project costs are included in the newly opened and development business.
- Increased costs for newly opened clinics and projects (and closure of clinic), mainly in Bariatrics Denmark.

Financial key data – Q2

SEK millions

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Total cash	83	75	98	95	121	139	137	133	145	152	163	155	190
Shareholders equity incl. minority	395	403	409	439	451	455	475	515	522	514	513	511	550
Long term debt	230	247	236	252	262	263	253	131	134	129	136	115	119
Net cash position	-83	-102	-58	-66	-11	7	14	9	20	33	36	23	62
Equity ratio	50%	50 %	54%	54%	55%	54%	54%	68%	67%	69%	68%	67%	69%
Net debt / EBITDA rolling 12	3.46	2,7	1.4	1.3	0.19	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Int bearing debt / EBITDA rolling 12	7.2	4,9	3.8	3.2	2.4	2.4	2.5	4.0	6.1	11.7	16.8	11.6	28.9
Int bearing debt / adjusted EBITDA rolling 12	7.2	4,9	3.8	3.2	2.4	2.4	2.5	2.9	3.9	5.5	6.7	9.9	10.9
EPS	-0.12	-0.05	-0.46	-0.19	0.09	0.04	0.13	-0.07	0.09	-0.01	-0.19	-0.19	-0.01
Basic cash flow from operating activities per share	0.35	-0.12	0.17	-0.27	0.19	0.00	0.38	-0.07	0.08	0.03	0.32	-0.32	0.05
Shareholders equity per share, SEK	5.96	6,08	6.18	6.65	6.83	6.84	6.81	7.41	7.53	7.44	7.45	7.55	7.8
Number of employees	363	355	372	364	360	367	324	306	302	297	288	281	282
Revenue per employee	0.52	0.54	0.50	0.35	0.50	0.49	0.55	0.36	0.52	0.47	0.52	0.33	0.47

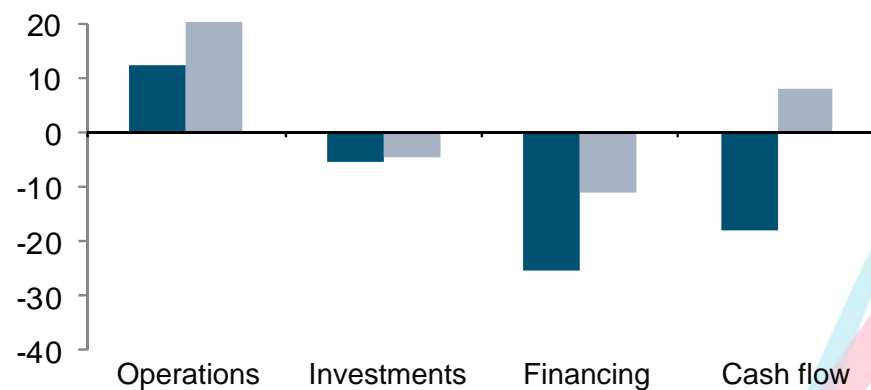
Note: The equity ratio has been re-calculated from the period Q4 2010 and onwards as a result of the change in accounting for put options.

Positive changes in working capital – Q2

SEK millions

Comments

- Strong operating cash flow in the second quarter, partly due to inflow of delayed payments in Ajman.
- Cash flow from investing activities mainly consists of investments in health care equipment and acquisitions of shares in subsidiaries.
- Cash flow from financing activities include new loans as well as some loan repayments and additional investments in shares.





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