

Quality drives productivity in European healthcare

The year that has passed

Improved financial performance ...

The year 2016 was another period of strong development, with around 4% organic sales growth in the Nordic countries and Germany, and 2.4% in France which, in view of the price decrease of around 2%, is in line with the performance in the Nordic countries and Germany and better than the market.

The result (EBITA) for the Group increased by 9%, of which 17% in the Nordic countries and 12% in Germany, while France was unchanged, since it was affected by the significant price decrease.

Backed by strong development in earnings per share, the dividend per share is proposed to increase from SEK 0.5 to SEK 0.9, representing 31% of profits after tax and in line with the company's policy.

... driven by Modern Medicine giving Rapid Recovery ...

The continued strong development is a result of Capio's focus on implementing what we call Modern Medicine giving Rapid Recovery for our patients. This may sound obvious, but the pace of change in healthcare is generally slow and we are ahead of the competition in speeding up this development. By using less invasive methods, recovery times can be shortened and patients can get back to normal life more quickly. At Capio, we can see patients getting back to normal life faster in all our markets and the development in France is especially notable, with several unique achievements (see more on page 66).

... and by Modern Management making change happen

The key to the more rapid implementation of new methods is an organization that empowers the front line close to patients and allows every team and team member to make a difference.

Contrary to what one could imagine, in many countries and with many providers the healthcare organization is traditionally top-down managed, rather than bottom-up, as seen in modern service organizations. This is emphasized by the strong public service and governmental heritage in the sector, with considerable influence from public administration.

The crucial aspects of faster development are resources, responsibility and authority close to patients and the day-to-day work. Supporting staff resources should be organized as close as possible to the front-line organization, rather than close to head offices.

Strong development in the Nordic and German segments ...

For the Nordic countries, the focus on Modern Medicine and Modern Management has led to close to 4% organic growth and a 17% increase in results (EBITA). All business areas in the Nordics have improved their results, with especially strong performance by Capio S:t Görans's emergency hospital and within Capio



CEO Thomas Berglund together with Charlotta Paulsson and Tomas Leijon, both employees at the Swedish emergency hospital Capio S:t Görans.

Proximity Care. For Germany, the corresponding figures are 4% and 12%. The general hospitals show the strongest development, with specialist clinics maintaining high performance.

... and France almost fully compensated for the price decrease of 2%

During the last two years France has been affected by government price cuts of 2–2.5%. In 2015, Capio France compensated for about half of the price decrease, while in 2016 all but 0.3 percentage points was compensated in the EBITA margin. The result (EBITA) basically remained unchanged from 2015 to 2016.

Focus going forward

Digitalization of patient relations gives more precise diagnoses and better availability for patients

Digitalization of patient relations has two aspects. The first concerns using advanced databases of questions to help define the exact condition of the patient and thus get a precise diagnosis and treatment. These questions can be answered by the patient at home, before the consultation. The doctor will then go through the answers, concluding with what is called an anamnesis in medical language. The consultation will thus be better prepared and can be more focused on the patient.

The second aspect of digitalization concerns virtual consultations online. By using the same methodology, with questions asked on the basis of symptoms, a number of lighter and well-defined diagnoses can be treated. This will be a 24/7/365 service that is instantly available when required by the patient, and is provided by a network of virtual doctors.

Capio will introduce both of these digital tools during 2017.

**Let medical staff focus on medical duties
– to give more time for patients**

In some countries, such as the Scandinavian ones, more and more administrative duties have been assigned to doctors and nurses. This leads to unnecessary administration, less time for patients, and frustration in the medical profession. To cope with the aging population's increasing healthcare needs, we have to reverse this trend of non-medical tasks for medical staff and bring the focus back to the needs of the patients. Capio is driving this change at Capio S:t Göran's emergency hospital and in its acute geriatric activities in Sweden, Germany and France.

Specialization gives higher quality and shorter waiting times

Many patients require the resources of an emergency hospital as they have multiple diagnoses and are sometimes difficult to diagnose, and their symptoms may vary and be without a clear conclusion. On the other hand, many others have specific diagnoses and can better be treated in a smaller clinic that is focused on a small number of conditions, but in large numbers, thereby developing excellence in both medical outcomes and resources to treat more patients.

Capio is a leader in developing excellence in specialized healthcare both in France and in the Nordic countries, and this development will be accelerated in 2017.

Care chains can only be built by strong links

The lack of continuity of care for the severely ill is a significant problem in many countries. Everyone is involved, but no-one appears to hold the responsibility for the patient's journey through the healthcare system. Since we feel that we now have built stronger specialized units that understand their specific role, we can increase the focus on combining these special competences into strong care chains. No chain is stronger than its weakest link. This is especially important in Sweden and a challenge to Capio's partly new management in Sweden, where the healthcare system is suffering serious discontinuities.

Outlook for 2017

We expect continued strong performance in the Nordic countries and in Germany, with above market top-line growth and continued margin improvement. In France, we foresee another challenging year with the announced price reduction of 2% in 2017, but we are determined to fully compensate for this during the year. For the Group, the focus on more acquisitions which began in late 2016 will be maintained.

Last but not least, thank you to our more than 12,000 employees for all your dedicated work. Thanks to you, Capio is well positioned to continue its journey improving healthcare in Europe.

Thomas Berglund
President and CEO

