



# DEDICARE

Interim report

1 January – 31 March 2018

## *"Lower margin, yet continued strong financial position"*

### **PERIOD 1 JANUARY - 31 MARCH**

- Operating revenue SEK 193.4 million (200.9)
- Operating profit SEK 13.0 million (25.3)
- Operating margin 6.7 percent (12.6)
- Profit after financial items SEK 11.3 million (25.6)
- Profit for the period SEK 8.6 million (19.9)
- Cash flow from current operations SEK -3.9 million (18.0)
- Earnings per share SEK 0.95\* (2.21)
- Equity per share SEK 13.29\* (15.83)

\*No dilution effect as of 31 March 2018, since no outstanding options exist.

Dedicare applies from 1 January 2018 IFRS 15 Income from agreements with customers. Administrative fees to our customers are now reported as reduced revenue instead of as a cost. The new principle has affected operating income by SEK -0.5 million (-0.6) and operating profit by SEK 0 million (0). All comparative figures in this report are adjusted to the new principle.

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### **GROUP CEO KRISTER WIDSTRÖM'S COMMENTS**

**The Group's revenue during the first quarter amounted to SEK 193.4 million, which is a decrease by 3.7 percent compared to the same period 2017. Operating profit amounted to SEK 13 million compared to SEK 25 million in 2017. Cash flow has decreased compared to previous years, but the Group has a continued strong financial position. The operating margin decreased for the year compared to 2017 and amounted to 6.7 percent (12.6). The lower margins mainly due to the lack of doctors, nurses and social workers, as well as increased competition on the market which has increased salaries and fees to our consultants.**

- We see a continued good demand for health care, social work and educational services in Sweden and in Norway, but the competition on the market is tough, which pushes our margins and makes it difficult to find enough consultants to meet customer needs, concludes Krister Widström, CEO for Dedicare.

- Our customer surveys show that Dedicare continues to deliver high quality to our customers. We continue to focus and work to be effective in our processes to meet our customers and consultants' interests.

## FINANCIAL INFORMATION

### JANUARY - MARCH

#### Revenue

The Group's revenue for the period decreased by 3.7 percent to SEK 193.4 million (200.9). In Sweden the revenue for the period deteriorated by 3.4 percent to SEK 144.2 million (149.2). During the quarter the company had an increased staffing of doctors, but a reduced staffing\*\* of nurses and social workers. In Norway the revenue decreased for the period with 4.8 percent to SEK 49.2 million (51.7). This reduction is attributable to staffing in all service categories.

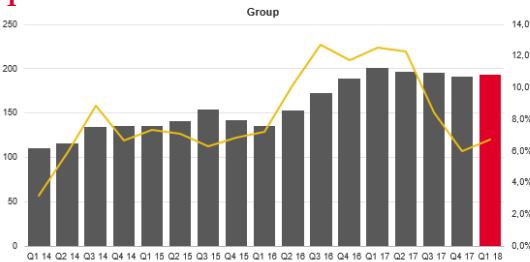
#### Profit

The Group's operating profit for the period amounted to SEK 13.0 million (25.3) with an operating margin of 6.7 percent (12.6). The decreased margin is partially due to the staff shortage of doctors, nurses and social workers, which has forced an increase in wages and fees to our consultants and therefore gives us lower margins, but it is also due to increased competition which has led to increased price pressure on the market.

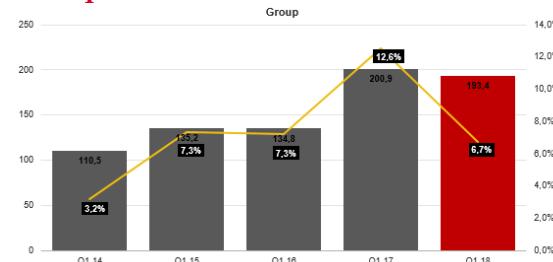
Sweden's operating profit for the period deteriorated to SEK 10.1 million (20.1). The decrease in profit is due to increased competition and a staff shortage, which has led to lower margins because of higher wages and fees to our consultants. Norway's operating profit decreased to SEK 2.9 million (5.2). The deteriorated profit is due to a changed service mix, but also to the staff shortage of doctors and nurses which has led to increased wage claims from our consultants.

The periods profit amounted to SEK 8.6 million (19.9).

#### Revenue and operating margin \*) per quarter 2014-2018



#### Income and operating margin \*) for the first quarter 2014-2018



\*) Excl. Dedicare Assistans AB and Dedicare Assistanse AS. Dedicare Assistans AB was disposed in July 2014. Revenues Q1 2014 amounted to SEK 15.4 million. Dedicare Assistanse AS was disposed in April 2015. Revenues Q1 2014 amounted to SEK 10.0 million and Q1 2015 to SEK 11.0 million

#### FINANCIAL POSITION AND LIQUIDITY

##### Cash and cash equivalents

The Group's cash and cash equivalents per 31 March amounted to SEK 84.8 million (103.0).

The company has an overdraft facility of SEK 20 million (20.0), which had not been used at the end of this period (0).

##### Equity

Equity amounted to SEK 120.3 million (142.6) at the end of the period, which corresponds to SEK 13.29 (15.83) per share for the period January - March. The reduction in equity is mostly due to a decrease in profit compared to the same period the previous year.

##### Solidity

The solidity amounted to 49.9 percent (54.9) as of 31 March.

#### CASH FLOW

##### Cash flow from operating activities

Cash flow from operating activities amounted to SEK -3.9 million (18.0) for the period January - March. This decline is partially due to a decrease in profit, and partially because of an increase in the Group's current receivables, but also rent deposits and paid taxes.

##### Investments

The Group's investments in tangible fixed assets amounted to SEK 0.8 million (0.1) for the period January - March.

\*\*) Staffing includes staffing of doctors, nurses, social workers and educators.

## EVENTS DURING THE PERIOD

In March 2018 Dedicare moved to a new head office at Ringvägen 100 in Stockholm.

## EVENTS AFTER THE END OF THE PERIOD

Dedicare's CFO, Lia Sandström, has terminated her employment at Dedicare. Lia will remain in her position until a successor has resumed the position.

## OTHER INFORMATION

### EMPLOYEES

The average number of employees, calculated as full-time equivalents, for the period January - March amounted to 632 persons (619). In this number our sub-consultants are included, which amounted to 109 persons (76) for the period January - March.

### MARKET TRENDS

There is strong, underlying growth in the health care sector. Almost one in five Swedes is currently over 65 years old, and this figure is set to rise to more than one in four by 2040, so the need for healthcare is expected to increase in the future.

### SHARE-BASED INCENTIVE PROGRAMME

Dedicare has no ongoing share-based incentive programme.

### RISKS AND UNCERTAINTIES

#### Political decisions

The markets where Dedicare currently operates are Sweden and Norway. In these countries, health care operations are politically-controlled and are predominantly publicly financed. Ground rules can therefore change quickly. In the long term, self-financed health care and the private market will grow, reducing this political risk in the future.

#### Dependency on customers

Dedicare has a small number of customers who together account for a high proportion of the company's total sales. The biggest customer in Sweden is Stockholm County

Council, which accounted for approximately 15% of Dedicare Sweden's revenue in the period January - March 2018.

County councils and municipalities often procure staffing services for all their operations in one joint tender procedure. This is also true for the public sector in Norway, where the biggest customer is Helse Sør Øst, accounting for approximately 26 percent of Dedicare Norway's total revenue for the period January - March 2018. These public tenders are strictly regulated by law. Normally a certain number of priority suppliers are selected and ranked, with framework agreements being signed. These agreements are normally for a period of two years, with the option of extending for a maximum of two additional years. If Dedicare does not win tenders with major individual customers or falls down the priority ranking, it can have a major negative impact on Group sales and profitability, at least temporarily.

#### Dependency on agreements

Most of Dedicare's customers are publicly financed and are therefore covered by the Swedish Public Procurement Act (LOU). This act stipulates the way that tenders are conducted and states that they must be published throughout the EU. Public customers in both Sweden and Norway normally sign framework agreements with 3-7 suppliers for contracts lasting 2-4 years. This means that there is a risk of being excluded from important markets for a long period of time if a company does not win a procurement. Dedicare continually works on ensuring that the Group has the competence and staff required to maintain the high level of quality in the Group's tenders.

#### Contractual penalties

The framework agreements with customers in the public sector in Sweden and Norway normally require Dedicare to pay a penalty and in some instances additional costs incurred by a client if Dedicare cannot fulfil an agreement. If Dedicare is not able to fulfil the assignments that the company has undertaken for any reason, there is a risk that the customers will exercise their right to financial compensation or to terminate a contract early.

# DEDICARE

## Dependency on people

As with all service companies, Dedicare is dependent on the employees in its operations. To reduce the dependency on key people, the company's concept and working methodology have been documented in the company's internal quality system. The company's management system is certified in accordance with ISO 9001:2008 and ISO 14001:2004.

## Liability risks

Dedicare's staffing assignments involve providing its customers with the competence they request. As a result, Dedicare does not have patient liability or supervisor liability. Hiring takes place in the customer's premises, minimising Dedicare's liability risk. To cover the remaining risks, the Group has adequate insurance cover, adapted to Dedicare's general terms and conditions.

## Medical errors and criticism

There is always a risk of making errors and mistakes when providing health care. If healthcare staff supplied by Dedicare commit a serious error, this could have a negative impact on the company's reputation. This in turn can have a negative impact on the company's operations, sales and profitability.

Other risks and risk management are described in Dedicare's 2017 Annual Report.

## TRANSACTIONS WITH RELATED COMPANIES

There were no significant transactions with related parties during this interim period.

## ACCOUNTING PRINCIPLES

The consolidated accounts for Dedicare have been prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by EU. This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 2 Accounting for Legal Entities. The accounting principles and calculation methods applied for the Group and the Parent Company are the same as the accounting principles and calculation methods used when preparing the most recent Annual Report, with exception of

the new standards IFRS 15 Revenue from agreements with customers and IFRS 9 Financial instruments, which are applied from 1 January 2018. The company management team has evaluated the effects of the transition to IFRS 15 and IFRS 9. IFRS 15 Revenue from agreements with customers replaced existing principles related to revenue recognition. We have identified possible differences between the previous accounting policies and IFRS 15. Based on what has been achieved, follow-ups and analyses have been conducted based on the five-step model in IFRS 15. The company management team's assessment is that the transition to IFRS 15 will not have any major impact on Dedicare's financial reporting, except for stricter disclosure requirements. From 1 January 2018, Dedicare started reporting any administrative fees to our customers as a reduced revenue rather than as a cost. Comparative figures are adjusted. No other effects have been noted during the transition.

IFRS 9 Financial instruments replaced the existing standard related to financial instruments. No significant effects on the Groups financial reporting has been noted during the transition.

New IFRS and interpretations that has yet to be applied is IFRS 16 Lease contracts. IFRS 16 was issued on 13 January 2017 and will replace IAS 17 Leases. IFRS 16 introduces a "right of use model" and implies for the lessee that substantially all leases are to be reported in the balance sheet. Classification in operational and financial leasing agreements should therefore not be made. Exempted are leasing agreements with a lease term of 12 months or less, as well as leases that amount to smaller values. In the profit and loss statement the depreciation of the asset and interest expense on the liability is reported. The standard contains more extensive disclosure requirements compared to the current standard. IFRS 16 is applicable for financial years beginning 1 January 2019, with prior application allowed, provided that IFRS 15 is applied simultaneously. The company's management team will during 2018 assess the effects of the transition to IFRS 16. Mapping of the Group's lease is ongoing.

# DEDICARE

## ABOUT DEDICARE

Dedicare is an authorised staffing company. The company is listed on Nasdaq Stockholm and operates in Sweden and Norway. Dedicare is a member of the Swedish Almega Staffing Agencies (*Almega Bemanningsföretagen*) and the Association of Private Care Providers (*Vårdföretagarna*), so therefore has collective agreements. The company is quality certified in accordance with ISO 9001:2008 and its environmental work is certified in accordance with ISO 14001:2004. Dedicare has three offices in Sweden (Stockholm, Gothenburg and Örebro), as well as two offices in Norway (Trondheim and Oslo).

## FINANCIAL GOALS:

### Growth

Dedicare strives to grow more quickly than the market in which the company operates. This ambition will be achieved primarily through organic growth. This growth can partly be

achieved through acquisitions. Dedicare is also expected to grow by establishing itself on new markets in Europe, which will mainly be achieved through acquisitions.

### Operating margin

Dedicare has a target of achieving an operating margin over a business cycle of more than 7.0%.

### Solidity

Dedicare should have a strong capital base and its operations should mostly be financed through equity. The capital requirement is limited due to the nature of the company's operations. Against this background, Dedicare intends to have a solidity level of at least 30%.

### Dividend policy

Dedicare's target is for its dividend to amount to at least 50% of the net profit over a business cycle.

# DEDICARE

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
<b>Operating revenue</b>	<b>193,4</b>	<b>200,9</b>	<b>782,7</b>
Employee benefit expenses	-114,8	-126,2	-490,6
Purchased services*	-50,3	-36,2	-154,9
Other operating expenses	-15,1	-13,0	-58,7
Depreciation of fixed assets	-0,2	-0,2	-0,9
<b>Operating profit</b>	<b>13,0</b>	<b>25,4</b>	<b>77,5</b>
Financial income and expense	-1,7	0,3	0,5
<b>Profit after financial items</b>	<b>11,3</b>	<b>25,7</b>	<b>78,0</b>
Income taxes	-2,7	-5,7	-17,9
<b>Profit for the period</b>	<b>8,6</b>	<b>19,9</b>	<b>60,1</b>
<b>Of which attributable to:</b>			
Parent company's shareholders	8,6	19,9	60,1
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit</i>			
Currency differences	2,2	-0,5	-1,4
<b>Total comprehensive income for the period</b>	<b>10,8</b>	<b>19,4</b>	<b>58,7</b>
<b>Of which attributable to:</b>			
Parent company's shareholders	10,8	19,4	58,7
<b>Profit per share, SEK</b>	<b>0,95</b>	<b>2,21</b>	<b>6,64</b>

\*Dedicare has started to report purchased services separately.

## SUMMARY CONSOLIDATED BALANCE SHEET

SEK million	2018-03-31	2017-03-31	2017-12-31
<b>Assets</b>			
Goodwill	6,5	6,4	6,1
Other intangible assets	0,6	0,9	0,7
Property, plant and equipment	1,8	1,6	1,3
Deferred tax assets	0,2	0,1	0,1
Other financial assets	4,3	-	-
Current receivables	142,8	147,6	131,1
Cash and cash equivalents	84,8	103,0	93,7
<b>Total assets</b>	<b>241,0</b>	<b>259,6</b>	<b>233,0</b>
<b>Equity and liabilities</b>			
Equity	120,3	142,6	109,5
Deferred tax liabilities	10,1	6,8	10,1
Current tax liability	3,9	11,5	9,0
Current liabilities	106,7	98,6	104,4
<b>Total equity and liabilities</b>	<b>241,0</b>	<b>259,6</b>	<b>233,0</b>

## SUMMARY CONSOLIDATED CHANGE IN EQUITY

SEK million	Jan-Mar 2018	Jan-Mar 2017
<b>Equity at beginning of period</b>	<b>109,5</b>	<b>121,7</b>
Profit for the period	8,6	19,9
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit</i>		
Currency differences	2,2	-0,5
<b>Transactions with shareholders</b>		
Paid warrants	-	1,5
<b>Equity at end of period attributable to the parent company's shareholders</b>	<b>120,3</b>	<b>142,6</b>

## SUMMARY CONSOLIDATED CASH FLOW STATEMENT

SEK million	Jan-Mar 2018	Jan-Mar 2017
<i>Operating activities</i>		
Cash flow from operating activities before changes in working capital	5,5	22,8
Changes in working capital	-9,4	-4,8
<b>Cash flow from operating activities</b>	<b>-3,9</b>	<b>18,0</b>
<i>Investing activities</i>		
Acquisition of property, plant and equipment	-0,8	-0,1
<b>Cash flow from investing activities</b>	<b>-0,8</b>	<b>-0,1</b>
<i>Financing activities</i>		
Warrants paid	-4,3	-
Dividend paid	-	1,5
<b>Cash flow from financing activities</b>	<b>-4,3</b>	<b>1,5</b>
<b>Cash flow for the period</b>	<b>-9,0</b>	<b>19,4</b>
Cash and cash equivalents at beginning of period	93,7	83,7
Currency differences in cash and cash equivalents	0,1	-0,1
<b>Cash and cash equivalents at end of period</b>	<b>84,8</b>	<b>103,0</b>

# DEDICARE

## SEGMENT OVERVIEW

Dedicare follows up its operations by dividing them into the business segments Staffing Sweden and Staffing Norge. Staffing includes the following professional categories: health care, social work and education.

Dedicare's segments are reported in the way that best reflects the internal reporting that is reported and followed up by the Group's CEO. The accounting principles that are applied to this segment reporting reflect the principles applied by the Group



## SEGMENT OVERVIEW

SEK million Jan-Mar 2018	Staffing Sweden	Staffing Norway	Total	Eliminations	Group
Operating revenue	144,2	49,2	193,4	-	193,4
Operating profit	10,1	2,9	13,0	-	13,0
Financial items	-6,6	4,9	-1,7	-	-1,7
Profit after financial items	3,5	7,8	11,3	-	11,3

SEK million Jan-Mar 2017	Staffing Sweden	Staffing Norway	Total	Eliminations	Group
Operating revenue	149,2	51,7	200,9	-	200,9
Operating profit	20,1	5,2	25,3	-	25,3
Financial items	1,5	-1,2	0,3	-	0,3
Profit after financial items	21,6	4,0	25,6	-	25,6

SEK million Jan-Dec 2017	Staffing Sweden	Staffing Norway	Total	Eliminations	Group
Operating revenue	565,4	217,2	782,6	-	782,6
Operating profit	53,5	24,0	77,5	-	77,5
Financial items	21,9	-21,0	0,9	-0,4	0,5
Profit after financial items	75,4	3,0	78,4	-0,4	78,0

All revenue in the tables above is revenue from external customers.

# DEDICARE

## PERFORMANCE MEASURES

	Jan-Mar 2018	Jan-Mar 2017
Operating margin, %	6,7%	12,6%
Profit margin, %	5,9%	12,8%
Equity/assets ratio, %	49,9%	54,9%
Equity per share, SEK	13,29	15,83
Number of annual employees, average*	632	619
Revenue per employee, SEK thousand	306	325
Profit per share - basic, SEK	0,95	2,21
<b>Number of outstanding shares</b>	<b>9 055 406</b>	<b>9 055 406</b>

\* The number of employees includes our sub-consultants. During the quarter these amounted to 109 (76) persons.

## ALTERNATIVE PERFORMANCE MEASURES

Dedicare uses Alternative Performance Measures (APM). From 3 July 2016 new guidelines were introduced in the EU for alternative performance measures, which Dedicare applies. Dedicare's alternative performance measures are calculated for the financial reports that are prepared in accordance with the applicable rules for financial reporting. The performance measures that are presented below are not in accordance with IFRS, but are intended to make it easier for stakeholders to analyse results and the financial structure.

### RETURN ON EQUITY

	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar $\Delta$
Profit for the period	8,6	19,9	-11,3
Average equity	114,9	132,1	-17,2
<b>Return on equity</b>	<b>7,5%</b>	<b>15,1%</b>	<b>-7,6%</b>

### RETURN ON CAPITAL EMPLOYED

	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar $\Delta$
Profit after financial items	11,5	25,6	-14,1
Average capital employed	237,0	245,9	-8,9
<b>Return on capital employed</b>	<b>4,9%</b>	<b>10,4%</b>	<b>-5,6%</b>

### RETURN ON TOTAL CAPITAL

	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar $\Delta$
Profit after financial items	11,5	25,6	-14,1
Average total capital	114,9	132,1	-17,2
<b>Return on total capital</b>	<b>10,0%</b>	<b>19,4%</b>	<b>-9,4%</b>

For definitions, see page 12.

## PARENT COMPANY

Overall Group management, financial management and IT management are carried out in the Parent Company. The Parent Company has a commissioner agreement with a Swedish subsidiary, which means that the results of the subsidiary's operations are recognised in the Parent Company. The revenue for the period January-March amounted to SEK 140.6 million (141.5) and profit after financial items amounted to SEK 2.9 million (21.5).

### PARENT COMPANY'S SUMMARY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jan-Mar	Jan-Mar	Jan-Dec
	2018	2017	2017
<b>Operating revenue</b>	<b>140,6</b>	<b>141,5</b>	<b>537,9</b>
Employee benefit expenses	-76,5	-85,9	-321,9
Purchased services*	-47,3	-30,3	-138,1
Other operating expenses	-7,1	-5,1	-24,2
Depreciation of fixed assets	-0,2	-0,2	-0,7
<b>Operating profit</b>	<b>9,5</b>	<b>20,0</b>	<b>53,0</b>
Profit from participations in Group companies	-	-	15,5
Other financial items	-6,6	1,5	5,8
<b>Profit after financial items</b>	<b>2,9</b>	<b>21,5</b>	<b>74,3</b>
Appropriations	-	-	-16,5
Income taxes	-0,6	-4,7	-9,5
<b>Profit for the period</b>	<b>2,3</b>	<b>16,8</b>	<b>48,2</b>
<b>Other comprehensive income</b>			
<i>Items that may be classified to profit</i>			
Currency differences	0,0	0,0	0,0
<b>Total comprehensive income for the period</b>	<b>2,3</b>	<b>16,8</b>	<b>48,2</b>

\*Dedicare has started to report purchased services separately.

### PARENT COMPANY'S SUMMARY BALANCE SHEET

SEK million	2018-03-31	2017-03-31
<b>Assets</b>		
Shares in subsidiaries	19,6	19,6
Other fixed assets	1,9	2,0
Deferred tax assets	0,1	0,0
Other financial assets	4,3	-
Current receivables	102,3	104,9
Cash and cash equivalents	81,2	100,0
<b>Total assets</b>	<b>209,4</b>	<b>226,5</b>
<b>Equity and liabilities</b>		
Equity	67,2	105,9
Untaxed reserves	45,0	30,5
Current liabilities	97,2	90,1
<b>Total equity and liabilities</b>	<b>209,4</b>	<b>226,5</b>

# DEDICARE

## PARENT COMPANY'S SUMMARY CHANGE IN EQUITY

SEK million	Jan-Mar 2018	Jan-Mar 2017
<b>Equity at beginning of period</b>	<b>64,9</b>	<b>87,6</b>
Profit for the period	2,3	16,8
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit</i>		
Currency differences	0,0	0,0
<b>Transactions with owners</b>		
Paid Warrants	-	1,5
<b>Equity at end of period</b>	<b>67,2</b>	<b>105,9</b>

## DEFINITIONS

### Revenue per employee

Operating revenue divided by the average number of employees. The average number of employees is calculated by taking the total number of hours worked during the period, divided by the standard working hours for a full-time employee. The number of employees includes our sub-contractors.

### Number of employees, average

The total number of hours worked during the period, divided by the standard working hours for a full-time employee. The number of employees includes our sub-contractors.

### Return on equity

Profit for the period divided by average equity.

### Return on total capital

Profit after financial items plus financial expenses as a percentage of the average total capital.

### Profit per share – basic

The profit for the period divided by the average number of shares.

### Operating margin

Operating profit as a percentage of operating revenue.

### Solidity

Equity including minority interests as a percentage of total capital.

### Profit margin

Profit after financial items as a percentage of operating revenue.

# **DEDICARE**

## **CALENDAR FOR FINANCIAL INFORMATION**

13 July 2018	Interim report April-June 2018
24 October 2018	Interim report July-September 2018
7 February 2019	Year-end report 2018

## **DECLARATION AND CERTIFICATION**

The Board of Directors and CEO hereby certify that this interim report provides a true and fair view of the operations, financial position and financial performance of the Parent Company and the Group, and describes the material risks and uncertainties that the Parent Company and Group companies face.

Stockholm, 24 April 2018

*Björn Örås*

*Chairman of the Board*

*Kristian Faeste*

*Anna-Stina Nordmark Nilsson*

*Anna Lefevre Skjöldebrand*

*Dag Sundström*

*Krister Widström*

*Group President and CEO*

This report has been audited by the company's auditors, Grant Thornton Sweden AB.

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