



MEDICOVER AT A GLANCE

580

EURm revenue

55

EURm EBITDA

15,900

staff

>1,000,000

members

MEDICOVER IS A SPECIALISED PROVIDER OF HEALTHCARE AND DIAGNOSTIC SERVICES, focusing on markets mainly in Central and Eastern Europe. Key countries are Poland, Germany, Romania and Ukraine. The company operates through two divisions.

Healthcare Services offers high-quality care based on an Integrated Healthcare Model. The basis for this is a network of four hospitals and more than 100 clinics and medical facilities.

Diagnostic Services provides a broad range of laboratory testing in all major clinical pathology areas. The business is conducted through a network of more than 90 laboratories and 511 blood-drawing points.

All in all, Medcover has staff of 15,900 and annual revenue of EUR 580m.



107,000

hours of training

11,400

babies born thanks to Medcover treatment

5,700,000

medical visits

124,000,000

laboratory tests

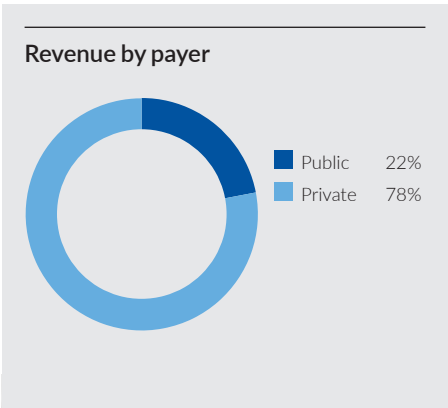
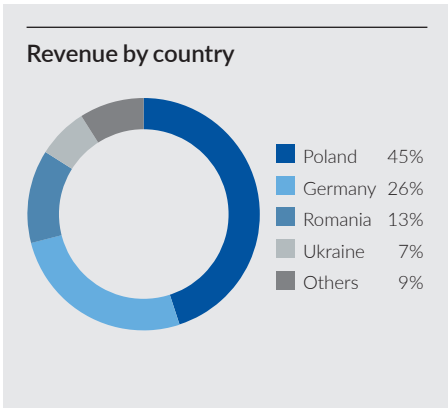
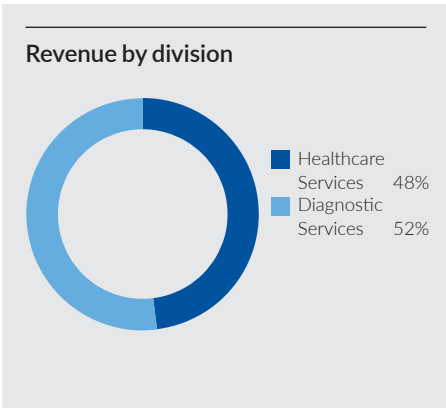
THE YEAR IN BRIEF

Revenue for the full year 2017 grew by 16.7 per cent and 14.5% organically to EUR 580.2m. Profitability improved and EBITDA increased by 24.2 per cent to EUR 55.0m.

+16.7%
revenue growth 2017

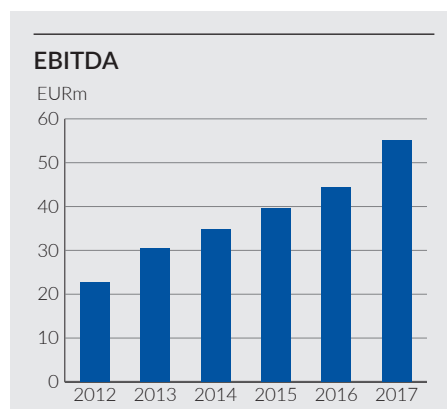
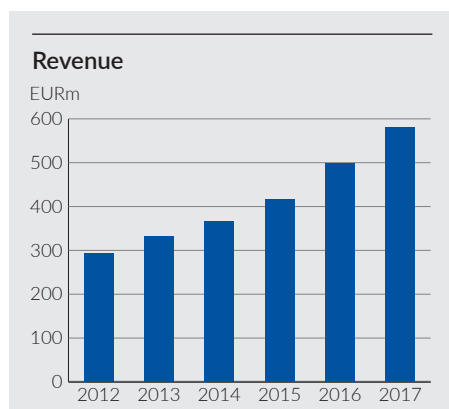
- IPO – Medcover was listed on Nasdaq Stockholm 23 May, 2017.
- Healthcare Services reached more than 1 million members.
- A clinical network was acquired in Constanta, the main Romanian sea port, which supplements our network of clinics in Romania, supporting both Diagnostic Services and Healthcare Services.
- A digital histopathology platform was inaugurated and launched in the central laboratory in Bucharest, which significantly strengthens the business within pathology.
- Medcover entered India through the acquisition of a fertility business and an investment in MaxCure Hospital Group.

REVENUE BASE



“We concluded a strong year with a milestone IPO. I am proud of the continuous hard work and dedication from our employees. We have a solid foundation, strategy and ownership base to continue to develop and build Medcover.”

Fredrik Stenmo, chairman of the board



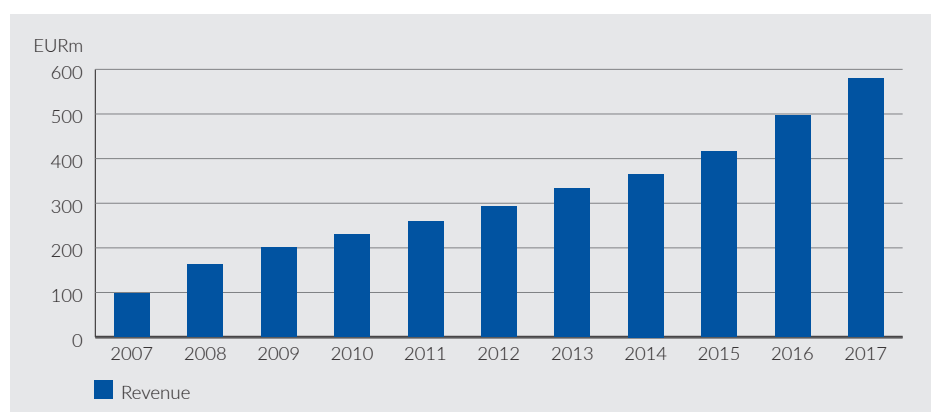
Key figures

	2017	2016	2015
Revenue, EURm	580.2	497.3	415.6
EBITDA, EURm	55.0	44.3	39.5
Earnings per share, EUR	0.157	0.046	0.079
Revenue growth, %	16.7	19.7	13.8
EBITDA growth, %	24.2	12.2	13.2



Fredrik Stenmo,
chairman of the board

LONG-TERM GROWTH TRACK-RECORD



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REPORT BY THE CEO

23 consecutive years
of solid organic growth.

Medicover was established in 1995 in response to the growing demand for high-quality healthcare services in Poland. Over the years, we have expanded operations mainly into other Central and Eastern European countries, fulfilling similar needs and most recently India. Today, after 23 consecutive years of solid organic growth, Medicover is a EUR 580-million operation with 15,900 dedicated staff, providing a broad spectrum of healthcare services via an extensive network of clinics, hospitals, specialty-care facilities and laboratories in more than ten countries.

+16.9%

Revenue for Diagnostic Services rose by 16.9 per cent to EUR 304.4m (260.5m). Organic growth contributed 16.5 per cent.

A year well on track

2017 was Medicover's first year as a listed company. We showed further good organic growth and healthy margin expansion. This reflects our economic progress in all major markets. It also reflects scale and operating leverage across both our divisions – Healthcare Services and Diagnostic Services.

Revenue growth for the whole company was 16.7 per cent, and organic growth was 14.5 per cent. This exceeds our medium-term financial targets established at the beginning of 2017. All in all, we reached a revenue of EUR 580.2m (497.3m) and an EBITDA of EUR 55.0m (44.3m). Adjusted EBITDA grew by 20.8 per cent, reaching an adjusted EBITDA margin of 9.7 per cent.

In line with the increased revenue, the number of staff also increased by 10.4 per cent to 15,900. This increase was less than the revenue growth, which demonstrates our ability to manage and control the costs of providing service.

A milestone for Healthcare Services

Healthcare Services reported continued good progress and growth. Revenue growth was 16.8 per cent, lifting revenue to EUR 285.8m (244.7m) with an organic growth of 12.7 per cent. During the third quarter of 2017, Healthcare Services reached and exceeded one million members subscribing to our Integrated Healthcare Model. This is a historic milestone and a recognition of the value our customers see in our offer and services.

The constantly growing business underlines the stable development in our key markets Poland and Romania. In these countries, the demand for healthcare outpaces the State's ability to finance that care. The alternative for people who wish to have better or faster access to healthcare is therefore to choose private alternatives. This is manifested in a sustained and robust demand for our services and we currently foresee no major changes to market conditions.

Some of the government-funded programs in Poland are facing changes. Our strong basis of privately paid funding protects us from the effects of these changes over time. When our in-vitro fertilisation

business was affected, we saw a quick replacement with private funding. We have acquired new dental assets in Poland and also a clinic business in Constanta-Romania, and we expect to see more activity in these areas.

Extended footprint for Diagnostic Services

Revenue for Diagnostic Services rose by 16.9 per cent to EUR 304.4m (260.5m). Organic growth contributed 16.5 per cent. The favourable development continued in all our countries of activity and was driven by solid growth in all markets with growing self-pay volumes. During 2017, we continued our expansion of blood-drawing points (BDPs). We added 57 BDPs in total, with a focus on Ukraine where 29 new BDPs have started to contribute to revenue. Market positions have also been strengthened in Germany and Romania.

In Germany, the clinical business which was started during 2016 has gradually become an important driver for our business. It added EUR 48.8m (28.6m) to our revenue during 2017. This revenue growth impact is now levelling out since during last year we added only one new medical centre in Germany. We expect growth to remain healthy as we add new clinics. A genetics laboratory and practice was also acquired in Berlin to further strengthen our position on the diagnostic scene.

In Romania, Medicover's digital histopathology platform was inaugurated in Bucharest to significantly strengthen our offering in pathology. A clinical network was also acquired in Constanta, the main sea port of the country. This will supplement our network of clinics, supporting both Diagnostic Services and Healthcare Services.

Accelerating growth

Our IPO was carried out successfully during the second quarter of 2017. Gross proceeds of EUR 207.6m were raised, substantially strengthening our balance sheet and our possibilities to accelerate growth. As announced, parts of the proceeds have been used to expand into India. We have now completed our planned transactions, and the

“Healthcare Services reached and exceeded one million members subscribing to our Integrated Healthcare Model.”

acquired greenfield fertility business – currently comprising 10 clinics – is consolidated from the fourth quarter of 2017.

Our 23 per cent investment in 2017 in the Indian hospital group MaxCure is presently recorded as an associate. We envisage continued solid development of this investment and have options exercisable in this year and next year to take us to over 50 per cent. We are excited about the possibilities in India and expect both businesses to add to revenue and profitability over time.

Passion for quality

Medicover has since its start been committed to improve health and wellbeing through dedicated staff and effective operations. Our main objective is to provide services in a smooth, professional and customer-oriented manner.

We are passionate about quality and strive to improve every day. To promote medical

quality even more and to create a common approach for the entire company, we appointed a Chief Medical Officer and established a Medical Advisory Council.

Our Medicover Foundation has during the year continued its pioneering community work across Poland and other key geographies, with tremendous staff engagement and outstanding results, not the least in the children diabetes screening and lifestyle change program, where now more than 20,000 children have been screened and supported.

Our journey continues

Looking back, I am very proud of what we have achieved so far. I would therefore like to address myself to all our staff and say a heartfelt ‘thank you’. You are making a fantastic achievement in providing outstanding care for millions of people. Your commitment is key to our success. By constantly

striving to become even more professional you make the Medicover difference. This is the solid foundation upon which our company rests.

Our company is in good shape to continue our exciting journey. We will keep developing our service propositions in our core markets, and will expect acquisitions across both divisions to complement our current services and footprint. We will continue to focus on operating efficiency and leveraging our scale advantages, wherever possible.

I hope you would like to follow us on our journey!

Stockholm 26 March 2018

Fredrik Rågmark
CEO Medicover



MEDICOVER BUSINESS CONCEPT

Caring for better care.

Medicover entered the market for employer funded healthcare services in Poland in 1995. The company subsequently took the same Integrated Healthcare Model to Romania. To further extend its services, Medicover expanded into diagnostic services in 1997 by acquiring a Romanian laboratory, followed by acquisitions in Ukraine in 2007 and in Germany one year later. From these points of departure, Medicover has developed its services step by step to offer a broad range of healthcare services and a significant laboratory network.

A mission to care

Today, Medicover is a specialised healthcare and diagnostic services provider. Our focus on quality is key to providing services in a smooth, professional and customer-oriented manner. Medicover therefore places high priority on medical training and personal and professional development of all its 15,900 dedicated staff.

The Medicover Foundation, established 20 years ago, adds to the company's caring mission. Through the Foundation hands-on help and support are given to health initiatives in communities where Medicover is active. Priorities are on projects where Medicover staff can share their expertise and where the company can leverage its capabilities.

Two dedicated divisions

Healthcare Services offers high-quality care based on our Integrated Healthcare Model. The basis for this is a network of more than 100 clinics and medical facilities.

Diagnostic Services offers a broad range of laboratory testing in all major clinical pathology areas. The business is conducted through a network of 91 laboratories and 511 blood-drawing points.

Medicover's revenue is roughly split equally between the two divisions.

Specialised services

Through its extensive network of healthcare centres, hospitals and third-party health providers, the Healthcare Services division offers its customers a broad range of services. They range from preventative primary care to specialist outpatient care and hospital care. Medicover also offers expanded services of specialty care in specific areas like dental care, orthopaedics, senior care and the diagnosis and treatment of infertility.

At present the major growth driver for the Diagnostic Services division is advanced diagnostic tests. Step by step, and specifically through the addition of new test capabilities, the number of advanced diagnostic tests offered is increasing rapidly. This differentiates Medicover's offering and creates opportunities to create stronger working relationships with physicians. Today, advanced tests account for only 3 per cent of all tests performed by Medicover, however represent 30 per cent of revenue for Diagnostic Services.

DIVISION

SERVICES



HEALTHCARE SERVICES

Primary care
Specialist care
Hospital care



DIAGNOSTIC SERVICES

Laboratory tests
in all major clinical
pathology areas

A strong revenue generation base

62 per cent of Healthcare Services' revenue is generated by the company's subscription-based Integrated Healthcare Model. This is basically an employer and pre-paid funded healthcare package provided as a benefit for employees. Medcover receives a contractual fixed fee and offers the employee a defined range of healthcare services. This model now serves over one million members. A further 34 per cent of the division's revenue is generated through the expanding Fee-For-Service (FFS) model. Here customers pay directly out of pocket for healthcare services as they use them. The remaining 4 per cent of revenue stems from publicly funded sources.

For Diagnostic Services, almost two thirds of the revenue is generated through private payments from patients, who are usually referred for a diagnostic test by their doctors. The remaining one third of the revenue comes from publicly funded sources. The proportion is highest in the German market which has a well-functioning national healthcare system.

Poland and Germany are key markets

Overall, Poland and Germany contribute to 71 per cent of Medcover's revenue.

For Healthcare Services, Poland is the biggest market and accounts for 81 per cent of the division's revenue. Romania offers the same range of services as the Polish organisation and has a fast-growing membership base. In Hungary, Medcover is active in Healthcare Services only through providing our risk carrier, contracting provision of healthcare. Actual healthcare is not carried out by the company but through independent providers.

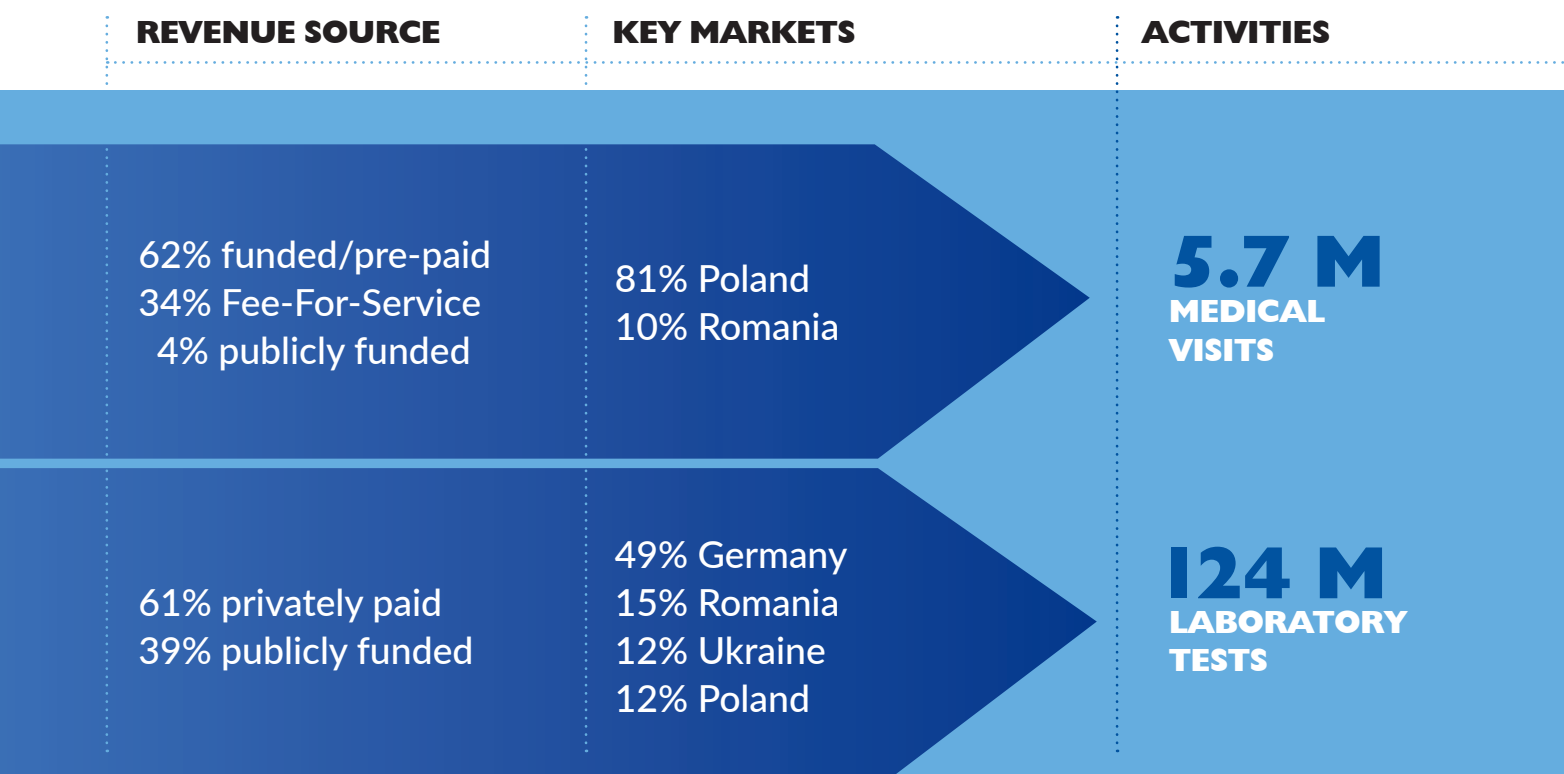
For Diagnostic Services, Germany is an important market, contributing almost half of the revenue of this division. The country's strong position is emphasised by Medcover's two central laboratories, which are equipped to handle an assortment of analyses covering more than 3,000 different parameters. In each of the other three geographical markets of key importance to Medcover – Romania, Ukraine and Poland – the company has also established a central laboratory able to serve the market with advanced diagnostic tests.

A substantial care provider

Medcover offers its healthcare and diagnostic services primarily in Central and Eastern Europe, and has a strong position in the markets the company is active in.

Last year, Medcover exceeded one million members for its Integrated Healthcare Model, extending the membership portfolio by over 15.2 per cent. Healthcare Services performed close to 6 million medical visits, an increase of 16.3 per cent compared to the year before. Over the same period, more than 120 million laboratory tests were executed at Medcover's 91 clinical laboratories, which is an increase of 7.8 per cent on the previous year.

The Medcover business concept is proving its strong inherent power of growth!



MARKETS

A growing demand for private healthcare and diagnostic services.

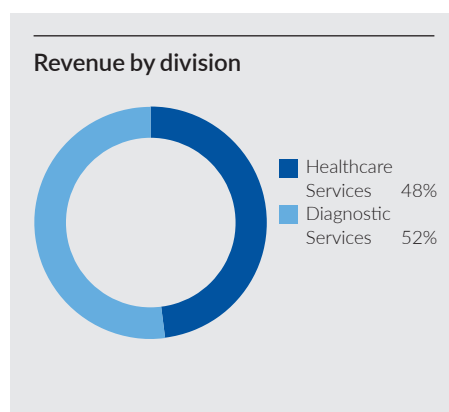
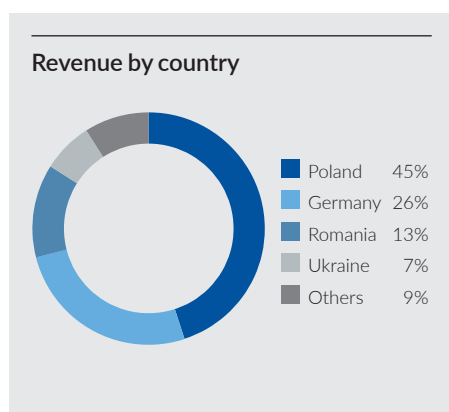
Medicover operates on the markets for healthcare services and diagnostic services, primarily in Central and Eastern Europe and in Germany. Its largest markets are Poland, Germany, Romania and Ukraine. In addition, Medicover provides fertility services in the United Kingdom, and since 2017 in India. Medicover also has smaller operations in Belarus, Bulgaria, Georgia, Hungary, Moldova, Serbia and Turkey. Its headquarters are in Sweden.

All the countries of Central and Eastern Europe have implemented healthcare reforms since 1989. Despite these reforms there is a lack of well-developed State-funded healthcare offering high quality and

service. This lack has been the main driver of growth of privately funded healthcare. Today, private healthcare is quite well developed in most of the markets where Medicover is present.

There are different payment models for privately funded healthcare depending on the relationship between the sum paid and the services provided:

- **Fee-For-Service (FFS)**
In FFS model the patient or other payer pays an amount for each specific service provided – normally at the same time or shortly after the service is provided. This is a common payment model in many markets.
- **Funded payment**
In a Funded model the individual, company or other payer pays an amount in advance (in effect a subscription) in return for the right to receive healthcare services within a given scope of services. There is no direct link between the amount paid and the services subsequently provided.



Medicover operates in different sub-segments in different countries

	HEALTHCARE SERVICES				DIAGNOSTIC SERVICES
	Ambulatory care	Hospital care	Fertility	Other	
Poland	✓	✓	✓	✓	✓
Germany					✓
Romania	✓	✓			✓
Ukraine			✓		✓
Other		✓	✓		✓

Medicover offers both these private payment models. In 2017 about 80 per cent of its revenue came from private payment. In the Healthcare Services division, private payment represented a 96 per cent share of revenue in 2017, compared with a share of 61 per cent in the Diagnostic Services division. Dependence on public funding is thus relatively low.

Key drivers

As economies mature and GDP per capita increases, a greater proportion of GDP is devoted to healthcare. Since public spending generally grows in line with GDP this usually means that private healthcare spending grows faster, and the demand for private healthcare and diagnostic services has indeed increased further. Medicover has been well positioned to take advantage of these growth opportunities in its key markets.

The main drivers for this change – which are expected to continue to increase the demand – are:

- Changing demographics driving growth in healthcare
- Growing economies with low unemployment rates
- An increasing role for privately paid/funded and privately provided care
- Increasing health awareness and focus on prevention.

Key markets

Poland

Medicover entered the Polish market in 1995, and Poland is the largest market for Healthcare Services and a main market for Diagnostic Services.

The public healthcare system is funded by taxes, social healthcare insurance and contributions, and is governed by the National Health Fund (Narodowy Fundusz Zdrowia, NFZ). Selected additional services (e.g. advanced cancer treatment and rare diseases care) are centrally funded by the State budget and governed by the Ministry of Health (MZ).



The NFZ covers provision of almost all healthcare services, but access to many services (e.g. specialist ambulatory care and some inpatient procedures) is poor, with long waiting times and low levels of funding. The NFZ also covers some reimbursement of drug costs, though availability of novel therapies is often delayed. Out-of-pocket co-payment for medicines is one of the highest in the EU. This creates a major space for private providers aiming to fulfil the demand from individuals for private healthcare services, and for funded healthcare service plans which have become one of the most popular employee benefits. The private healthcare services sector is split into a Fee-For-Service segment and a funded segment. Both segments are growing as a result of Poland's strong economic development and low unemployment rates. In the years 2016–2017, the Polish private healthcare market, excluding expenditure on pharmaceuticals, is expected to have grown at a compounded annual growth rate of 10.7 per cent.

Germany

Medicover entered the German diagnostic services market in 2008 and the healthcare services market in 2016 and is mainly present in the North-Eastern part of Germany. Germany has the largest population and the largest economy in the EU. The German economy has been growing at low single-digit percentage rates for the last few years and is expected to keep growing at this pace for some years to come. As a result, the labour market has developed strongly in recent years, with the unemployment rate gradually declining.

The German healthcare system is a self-regulated system, with statutory health insurance (SHI) companies (about 118 in total in 2016) covering approximately 88 per cent of the population and private health insurance (PHI) covering approximately 12 per cent of the population.

Prices and scales of reimbursement for healthcare and diagnostic services are regulated by the State for patients insured under SHI, and by regional associations for patients insured under PHI. In the inpatient

sector, private laboratories invoice hospitals for testing-services under contracts based on freely negotiated prices; these normally include flat rates or fees per test based on 'percentage of applicable fee' scales set for example by the regional health authority (Kassenärztliche Vereinigungen, KV).

Romania

Medicover entered Romania in 1997 and both divisions are present on the Romanian market. The Romanian health system is organised at two main levels: the national level responsible for the implementation of government health policy and the district ("judet") level responsible for ensuring service provision according to the rules set centrally. Because the public healthcare system is below the EU standard and its quality is low, the private sector has devel-

oped well in conjunction with the strong economic development in the country.

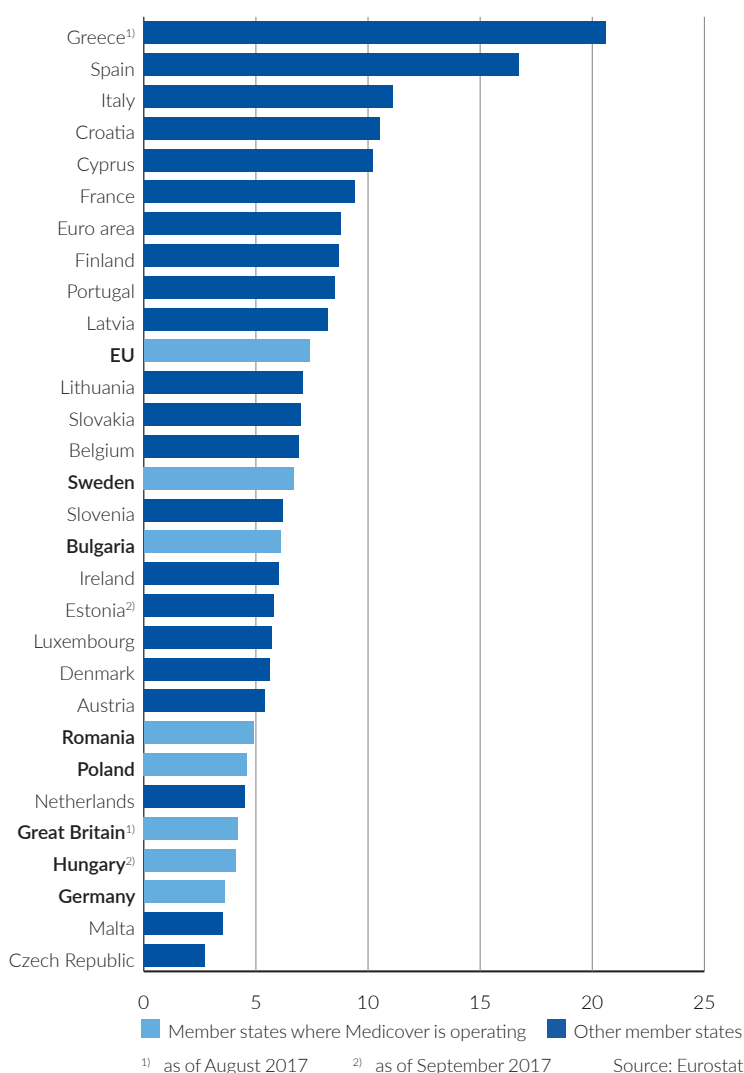
At 19.6 million, Romania has the seventh-largest population in the EU, and it has the eleventh-largest economy in terms of PPP (Purchasing Power Parity). A key driver of the Romanian economy's growth in the period 2013–2015 was the increase in domestic demand (which rose by 3.1 per cent year-on-year in 2014 and by 5.3 per cent in 2015). In addition, the unemployment rate declined from 7.3 per cent in December 2011 to 5.0 per cent in December 2017. With the growing economy and falling unemployment, more and more companies have begun to offer private health insurance as an employment benefit. As a result, the market for private healthcare has increased steadily and is expected to continue to grow.

Ukraine

Medicover entered the Ukrainian market in 2007 and both divisions are present. The Ukrainian constitution guarantees free medical treatment to all Ukrainian citizens and registered residents. In practice public healthcare funding is very limited and only basic services are covered. Consequently, costs for most healthcare services and pharmaceuticals have to be borne by patients themselves.

In the past year, several legislative changes aimed at improving the Ukrainian healthcare system have been proposed or already implemented. These include the introduction of a centralised medical procurement to fight corruption in the procurement process. Additional measures to bring the Ukrainian healthcare system closer to the EU's, such as increased funding and a

Unemployment rate in member states of the European Union (October 2017), %



structural change towards a system where the money follows the patient, are planned over the coming years. But so far the impact of these changes is limited. The private sector in the Ukrainian health system is small in organisational terms and consists mostly of

pharmacies, diagnostic facilities and private clinics which are mainly funded by private payments. Ukraine's macroeconomic picture has improved since 2015. Although the situation in the Donbas area of the country

remains unpredictable, the increased normalisation has resulted in improved domestic consumption and slightly improved private healthcare spending.

	Germany	Poland	Romania	Ukraine
GDP per capita, PPP (current international \$) ¹⁾	48,860.5	27,383.3	23,027.3	8,296.6
GDP Growth rate, % change to previous year	1.9	2.9	4.6	2.3
Unemployment rate 2017, %	3.8	4.6	5.0	8.9
Employment rate, %	78.6	69.3	66.3	65.5
Population 2017, million	82.8	38.0	19.6	42.6

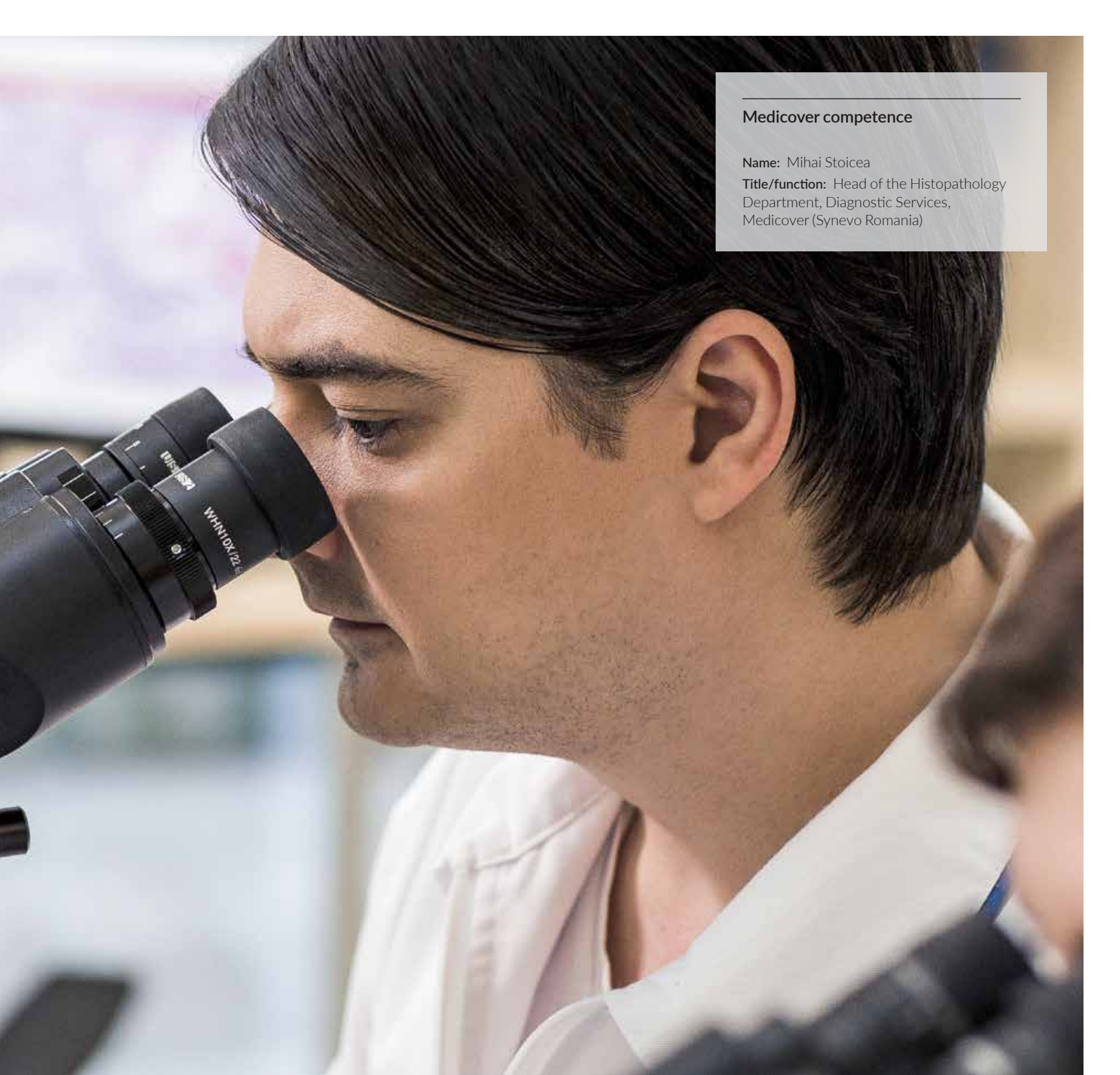
¹⁾ PPP=purchasing power parity

Source: Eurostat. State Statistics Service of Ukraine and The World Bank. Figures refers to 2016 unless otherwise stated.





“Digital pathology gives physicians the tools to be more effective in this new world of healthcare, making critical health information available faster to healthcare professionals and patients, and at lower cost.”



Medicover competence

Name: Mihai Stoicea

Title/function: Head of the Histopathology Department, Diagnostic Services, Medicover (Synevo Romania)

The first digital histopathology department in South-Eastern Europe opened in September 2017 within Medicover's state-of-the art central laboratory site under the Synevo brand near Bucharest.

The digital pathology technology allows the shift from the conventional microscopes to digital samples, which can be easily analysed and shared between doctors and specialists. It will bring numerous benefits to our patients, including a significantly reduced processing time, and access to the expertise of the entire Diagnostic Division pathology team from the seven histopathology laboratories in the international network, who can exchange information and opinions, no matter where they are.

A CLEAR DIRECTION

A long-term strategic agenda for profitable growth.

Medicover is dedicated to profitable growth. This is demonstrated by our proven track record. To continue to be successful, the company's activities are based on a long-term strategic agenda. The strategic agenda is then implemented and adapted to the two divisions since their businesses, scope and activities are specific. The financial targets aim to strengthen Medicover's market position in its countries of activity and to generate a healthy return for the company's shareholders.

STRATEGIC DIRECTION

■ Healthcare Services

Use brand reputation and client loyalty to drive organic growth:

- Fully integrated model in Poland and Romania
- Funding and healthcare partnerships in Hungary.

Selective acquisitions:

- Extending network in Poland and Romania
- Grow speciality healthcare business
- Existing and new markets.

■ Diagnostic Services

Focus on high-value diagnostic segments:

- Expansion of advanced laboratory capabilities.

Create closer working relationships with physicians:

- Education & seminars.

Expand footprint:

- Clinics, laboratories and blood-drawing points
- Establish or acquire
- Germany, Poland, Romania and Ukraine.

ORGANIC GROWTH

+14.5%

Organic revenue continued to grow in 2017 supported by both divisions.



HEALTHCARE SERVICES

Driving organic growth

In Poland and Romania, Medcover has built a strong business for Healthcare Services based on the Integrated Healthcare Model. Medcover's strong brand reputation in combination with proven client loyalty is the obvious springboard to drive further organic growth in these countries. This is accentuated by Medcover's exceptionally high customer retention of corporate clients, which is 98 per cent. During 2017, organic growth was 13.0 per cent in Poland and 15.4 per cent in Romania. And the total division's membership base increased by 15.2 per cent. This confirms the long-term underlying trend: the Medcover Healthcare Services offering is attractive. Employers are becoming more health-aware and

increasingly willing to invest in good health and preventive care for their employees. It is an important tool for attracting and keeping the best talent.

Maintaining the high level of quality and the best possible service by offering the best clinicians is key to Medcover's continued success. This is the decisive factor in differentiating the business from its competitors. Education of the company's specialists is therefore a key issue. Every year, all Medcover staff working in the care business get at least two days of professional training. This approach is essential for attracting and keeping the best talent in our own business.

By introducing new formats and delivery channels, Medcover also strives to increase

the capacity and convenience of services without actually increasing the cost of providing care. At the same time, Medcover is constantly looking for opportunities to expand the market. Additional services are introduced to current members and their families, and potential new customers are systematically approached to be introduced to the Integrated Healthcare Model.

In Hungary, Medcover is active only through providing its risk carrier, contracting provision of healthcare. Actual care is provided by independent institutions.

Selective acquisitions

In the Healthcare Services business, roughly two thirds of Medcover's revenue is generated by the Integrated Healthcare Model. Today, the company has strong coverage in its dedicated geographical markets – Poland, Romania and Hungary. There is an obvious opportunity to expand the footprint through selective and well-chosen acquisitions.

Almost one third of the division's revenue is generated through the strong and expanding Fee for-Service (FFS) model. The FFS services cover specialty-care areas like dental care, orthopaedics, senior care and the diagnosis and treatment of infertility. Medcover sees an opportunity to expand its specialist-care business based on FFS in both existing and new markets.





DIAGNOSTIC SERVICES

Focus on high-value segments

Overall, through its combined resources, Medcover is equipped to handle an assortment of analyses covering more than 3,000 different routine and advanced diagnostic tests. Currently the market for advanced diagnostic tests is showing significant growth. Only 3 per cent of all tests performed at Medcover's 91 clinical laboratories can be classified as advanced tests. Because of the higher value added nature of these tests, they provide much more value to the diagnosis for the treating physician and patient and hence is providing a much larger proportion of revenue, now more than 30 per cent and growing faster than the overall portfolio.

In order to take advantage of this emerging business opportunity, Medcover is focusing its resources so that it can make further dedicated inroads into the advanced-test area. In each of Medcover's four key markets for Diagnostic Services – Germany, Romania, Ukraine and Poland – the company has well-equipped central laboratories able to handle advanced tests. Medcover's reputation is especially strong in the fields of immunology, allergy diagnostics, histopathology and drug effectiveness and analysis.

To further exploit the advanced-test opportunities, Medcover is focusing on expanding its existing expertise and capacity as well as acquiring new advanced laboratories that cover new application competences and new geographical areas, for example acquisitions of further genetic testing capabilities in our core Berlin market.

Creating closer working relationships with physicians

Medcover provides its diagnostic services to hospitals and to public and private medical facilities as well as directly to individual patients and doctors. However, the regulatory environment and market dynamics vary between the countries that the company is active in. The approach must therefore be tailored to each specific market.

Germany, for example, has a high proportion of public payment and a well-functioning public healthcare system. In contrast, markets like Romania and Ukraine rely to a greater extent on patients who pay privately for their tests. Regardless of the paying system there is a strong common denominator: the tests are mostly performed on the recommendation of a doctor. It is therefore important for Medcover to work with, and have good relations with, doctors responsible for ordering diagnostic tests on behalf of their patients.

As a consequence, a strategic priority for Diagnostic Services is to enhance and extend relationships with referral partners. Important steps in this direction were the establishment of a network of German clinics in 2016. These have given the company direct access to the diagnostic-testing markets in the countries, providing opportunities to cooperate and exchange experience and to learn how to advance the business.

Medcover is also building stronger relationships with referral partners by introducing testing aids that support doctors and clinics when they strive to diagnose and monitor patients better, particularly when it comes to advanced diagnosis. To achieve this, Medcover puts strong emphasis on educating physicians to take advantage of new diagnostic testing methods which can

improve care quality. The constantly extended range of tests available and ways to use them makes education an absolute must. Medcover is responding to this challenge through extended personal contacts and dedicated educational seminars with the medical community.

Expanding the footprint

Today Medcover has a total of 91 clinical laboratories (including the central laboratories) and 511 blood-drawing points across more than ten countries. Geographical cov-





erage through the company's network of strategically located blood-drawing points is critical to growing the business. It is therefore a priority for Medcover to establish or acquire additional blood-drawing points. In pace with this expansion, further laboratories can be built or acquired to take care of the growing number of tests. The expansion of the network of clinics in Germany is also an opportunity to further improve business opportunities.



MEDICOVER FINANCIAL TARGETS

	MID TERM TARGET	OUTCOME 2017
GROWTH	9–12% Annual revenue growth in constant currency	14.5%
PROFIT	18–20% Annual EBITDA growth in constant currency	27.3% ¹⁾
CAPITAL STRUCTURE	<3.5X Interest-bearing net debt/EBITDA	0.2X

¹⁾ excluding IPO-costs.

WELL ON TRACK TO DELIVER ON MID-TERM TARGETS

Growth

For 2017 organic growth amounted to 14.5 per cent which is well above our mid-term target of 9–12 per cent. Organic growth is supported by both of the divisions with the employer funded business within Healthcare Services, which showed solid growth reflecting good member development. Diagnostic Services is showing test growth adding to organic growth. As the majority of revenue is private pay there has been little impact from changes in public reimbursement.

Profit

The EBITDA growth was strong in 2017 well above mid-term target. Good leverage from organic growth, scale and new businesses improving profitability are main contributors.

Capital structure

Currently there is very little debt on the balance sheet, allowing room for funding of further expansions organically but above all through acquisitions.

DRIVERS FOR GROWTH

Advancing leading positions, mainly through organic growth.

Medicover's strategy is to drive profitable growth by creating the highest possible customer satisfaction in its areas of activity. The company has a strong focus on operational excellence and professional development of its specialist staff. The road ahead is well paved for continued success. By further exploiting its inherent strengths Medicover is dedicated to advancing its leading position, mainly through organic growth and supported by acquisitions.

OUR STRENGTHS

■ Regional leadership and scale:

- Attractive markets
- Strong customer base
- Positive macro trends
- Growth potential.

■ Integrated Healthcare Model:

- Fund raising
- Service management
- Provisions of care.

■ Leading the way in diagnostics:

- Focus on advanced tests
- Building strong relations with referral partners
- Education and seminars.

■ Proven track record:

- Strong organic growth and stable margins
- Experienced management team
- Committed long-term shareholders.

Regional leadership and scale

In the markets where Healthcare Services operates – mainly Poland, Romania and Hungary – there is entitlement to universal public healthcare. However, in reality the State's ability to provide such care is always limited as healthcare spending as a percentage of GDP in these countries is significantly lower than the average for most countries. Private healthcare funding is then the obvious way to fill the gap between demand and supply and is expanding fast. In Poland, for example, private healthcare spending (excluding pharmaceuticals) has grown by almost 60 per cent during the last five years. Romania shows a similar development.

Medicover is well positioned to take advantage of the business opportunity this offers. In Poland, the company is one of the two leading players in the privately funded market. In addition, Medicover scores the highest quality-satisfaction among peers. In Romania, Medicover is one of the top-three private healthcare providers and has the highest patient satisfaction from care delivered by doctors.

In Diagnostic Services, Medicover currently has four key markets – Germany, Romania, Ukraine and Poland. The German market is highly fragmented with some large nationwide laboratory networks and around 300–400 regional laboratories. Medicover is one of the largest regional

players and probably the fastest-growing group with a purpose to expand its geographical presence in a controlled way. In Romania, Medicover holds a position as the largest provider of diagnostic services and is more than twice as big as the second-largest player. In Ukraine, Medicover is the only laboratory with a nationwide network of blood-drawing points and has the strongest brand awareness of all competitors. In Poland, finally, Medicover has the third-largest network of laboratories.

By constantly adding new blood-drawing points – 57 new BDPs were opened in 2017 – and expanding advanced test and laboratory capabilities, Medicover is taking advantage of its strong market position and reputation and benefiting from the inherent growth potential for both routine tests and advanced tests.

Integrated Healthcare Model

Medicover's Integrated Healthcare Model differs from traditional stand-alone insurance and healthcare models. The company offers a wide selection of contracts, ranging from basic to advanced coverage and at different price levels.

Medicover's approach is to combine pre-paid memberships with provision of healthcare services through the company's own facilities and medical staff in one integrated model. The healthcare package is substan-

tially an employer-funded employee benefit. Medicover receives a contractual fixed fee. In turn the company offers the employee – sometimes including family – individual access to a defined range of services. The care is delivered predominantly through Medicover's own network of clinics and medical facilities. In some cases, a third-party health provider may be involved.

This model enables Medicover to offer end-to-end healthcare solutions. The result is better control over service quality together with improved customer experience and satisfaction. The model also increases cost-efficiency. In addition, the model encourages focus on prevention and health education since healthier customers need fewer services and consequently cost less. Above all, the model creates more satisfied customers.

Through its proprietary integrated IT system, Medicover has continuous access to real time information which allows fairer pricing. The system also enables immediate settlement of claims. Risk calculations can be more accurate, which creates a higher credibility compared to a stand-alone insurer since Medicover also provides the care. As a result, Medicover has been able to make long-term investments in the health and wellbeing of its customers. The result is high customer satisfaction and a strong loyalty from corporate clients.



Medicover leverages data across the entire value chain always recognising the primary interest of data protection and patient confidentiality. The daily uploads of information provide insight into customer and clinician behaviour, customer needs, doctor quality and benchmarking. This input enables the company to plan and manage the supply chain more effectively in terms of quality, cost optimisation and outcome. This is essential when tailoring solutions for specific clients in order to gain their trust and build for the long term.

Our proprietary information systems support the complete journey of healthcare service provision whilst ensuring optimal patient care, clinical service quality and efficiency. From the data gathered, we are able to establish an anonymised research database upon which we may perform deep analytics and draw valuable clinical insights to support continuous improvement of service quality and clinical outcomes. As the volume of data in our proprietary research database accumulates, so the analytical value and clinical relevance of this resource increases. It is therefore significant that in 2017 we added 5.7 million medical consultation records and 124 million laboratory test results to our research resources. In so doing, we extended the accumulated total number of anonymised clinical research records to nearly 50 million clinical consultations, 12 million prescriptions, and over 570 million laboratory diagnostic test results – in all pertaining to some 39 million individuals to whom Medicover has provided clinical services since 2004, of which more than 10 million individuals received healthcare or diagnostic services through our two divisions during 2017.

Leading the way in diagnostic services

A correct diagnosis is a prerequisite for good healthcare provision and modern treatment methods. Diagnostic services are therefore a stable component of healthcare spending over time. Overall, some two thirds of all decisions regarding care, medicine and treatments are based on IVD (in vitro diag-

nostic) tests, which clearly indicates the central role of diagnostics in healthcare.

Medicover's diagnostic services range from routine to advanced testing across all major clinical pathology areas. The tests are performed on biological samples such as blood, urine and tissues. New and more complex IVD tests are continually being developed, and this is an important driver of growth and profit in the diagnostic services market. Advanced specialty tests are therefore a focus area for Medicover. They include histopathology, genetics, immunology, allergology and molecular diagnostics, among others. Altogether, the company can handle analyses covering more than 3,000 different parameters – and the scope is constantly expanding.

This rapid development is an opportunity for Medicover. But it is also a challenge. Because, to take advantage of the rapidly expanding diagnostic offering, the company has to spend efforts and resources to inform and educate clinicians about the uses and advantages of the ever-expanding range of tests – often dedicated to complex disease areas. This supports Medicover's underlying ambition to maintain and extend relations with its referral partners. They have to be constantly informed and educated – through personal visits or seminars – about the benefits of latest advanced diagnostics in particular and how these can help in their daily interaction with patients. To lead the way in diagnostics, therefore, Medicover must also lead the way in building trust and loyalty from physicians.

Proven track record

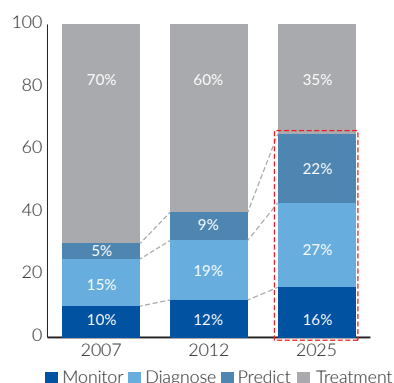
Medicover can demonstrate an unparalleled long-term growth record. Since its foundation, the company has demonstrated 23 consecutive years of organic growth. In 2007, Medicover reported revenue of EUR 97.1m. Last year the figure was EUR 580.2m, a compounded growth rate of 19.6 per cent per year. This demonstrates the power of the business concept and its inherent growth potential.

The management team is experienced,

and many of them have a long background with Medicover. The nine members of the executive team have spent a total of 80 years in the company. This spells continuity and a thorough understanding of the company, its drivers and its markets. As the company has grown, management has been further strengthened, step by step, with industry and specific competences. The constitution and the long experience of Medicover's board of directors also underline the company's long-term perspective. Throughout its growth journey Medicover has been supported by its main owner the Jonas and Christina af Jochnick Foundation (Celox Holding AB). Without this support Medicover would not be where it is today.

All in all, Medicover seeks to maintain the highest level of corporate governance. Although it is not operational in the Swedish marketplace apart from our insurer Medicover Försäkrings AB, the Company has a culture of transparency that adheres to Swedish corporate governance practices.

% of global healthcare spending



Source: Company information based on an independent third party research report.

HEALTHCARE SERVICES

Ranging from primary to specialist care.

The Healthcare Services division was established in Poland in 1995 and now has operations in Poland, Romania, Hungary, Ukraine, the UK and India. The division represented 48 per cent of total revenue in 2017. Its main activities range from primary to specialist healthcare and inpatient care and are targeted at both corporate and private customers and patients. Medcover currently runs more than 100 medical clinics, 18 fertility clinics and four hospitals.

62 per cent of Healthcare Services' revenue is generated by an Integrated Healthcare Model targeted primarily at corporate customers. Medcover offers prepaid insurance/membership solutions to employees of its corporate clients, manages access to healthcare and also provides the care through its own networks of clinics, hospitals and local healthcare providers.

The remaining 38 per cent of revenue consists of 34 per cent generated through a Fee-For-Service (FFS) payment model, where the customer pays for healthcare services as they are used, and of 4 per cent generated through public funding. The public payment part relates mainly to services conducted at Medcover's Wilanow hospital in southern Warsaw.

Poland is the dominating market with 81 per cent of divisional revenue, followed

by Romania, Hungary and Ukraine. In 2017 Medcover moved into India which is expected to become a significant market over time.

Integrated Healthcare Model

The Integrated Healthcare Model differs from traditional stand-alone insurance or stand-alone healthcare provider models. Medcover combines the insurance and healthcare provision by raising funds through memberships and providing access to healthcare services in one integrated model. This allows Medcover to price the membership subscription based on the overall health and potential risks of individual customers, as well as giving a better understanding of the costs of care provision which enables more accurate pricing. This method of pricing permits immediate settlement of claims, leading to more accurate risk calculations.

By year-end 2017 Medcover had a membership-base in excess of 1,024,000 members, representing 15.2 per cent growth over 2016. The growth is driven by both an increased number of employees at current clients and new corporate clients joining. Medcover offers different types of contracts ranging from basic to more comprehensive and covering all types of healthcare coverage. The Integrated Healthcare Model is offered in Poland, Romania and Hungary. However, in Hungary Medcover offers just the insurance part.

Private prepaid memberships entitle members to choose from a selection of benefit plans that provide them with access to Medcover's health centres, network pro-

viders, affiliated hospitals and laboratory services.

Members can also opt into access to urgent healthcare in all locations where Medcover is present. In addition, members wishing to access services beyond the scope of their benefit plans, and other individuals who have not subscribed to prepaid membership, can gain access to the services at any time through a Fee-For-Service (FFS) model.

Fee-For-Service

Around one third of Healthcare Services' revenue comes from private payers who benefit from access to the services through the Fee-For-Service model. In recent years Medcover has broadened the offering of FFS, increasing growth and share of revenue for the division. Customers in this segment have access to outpatient centres and hospital services and also to a broad offering of consumer care services such as:

Fertility: Medcover operates 18 fertility clinics across Poland, Ukraine, the UK and India. These clinics specialise in diagnosis and treatment of infertility and perform over 5,000 IVF cycles and egg donations per year. High-value, elective healthcare services such as fertility typically fall outside corporate and private insurance schemes, and as a result, more than 90 per cent of Medcover Fertility's revenue in 2017 was FFS.

Dental care: Medcover currently runs a total of 24 dental facilities in Poland. The clinics offer a broad range of services, including implants and prosthetics, orthodontics, paediatric dentistry and periodontics. Between 55 and 60 per cent of this revenue now comes from FFS and the remainder from services provided to prepaid customers.

Optical care: Established in 2015, Medcover Vision offers specialised eye examinations and professional advice. It operates out of four retail shops in Warsaw and through 15 partner locations across Poland.

Pharmacies: Medcover Pharmacies operates on-premise pharmacies in twelve healthcare centres across Warsaw, Kraków, Gdańsk, Wrocław and Poznań. Through





these pharmacies, Medcover offers a wide range of products, including prescription and over-the-counter medications, dietary supplements, vitamins, dermo-cosmetics and various skin-care products.

Online services: Medcover GO is an online dietary and physical-exercise platform that aims to help customers live and eat more healthily. Medcover GO is available through Medcover Club and was introduced as a way to differentiate Medcover from other service providers and attract a new segment of more health-conscious customers.

Rehabilitation: The internationally recognised Rehasport Clinic offers orthopaedic and sports medicine solutions in Poland. It is the country's largest private-sector orthopaedic network. Rehasport operates its own hospital, Rehasport Hospital, in Poznan, as well as four orthopaedic clinics and a physiotherapy department.

Senior care: Through Medcover Senior, Medcover offers senior care services in Warsaw, Wrocław, Kraków, Poznań, Łódź, and Gdańsk. Medcover is able to offer

home care and specialised therapies for patients with dementia.

Service and quality

Healthcare Services maintains and monitors about 30 clinical performance metrics by regularly collecting patients' feedback on the treatment and customer service received.

The comprehensive service offering is made possible by leveraging Medcover's technology platform and efficient use of eHealth and telemedicine services. For example:

- Evidence-based care (EBC) reduces variation in treatment of selected conditions and ensures compliance with guidelines and the Medcover care process to achieve desired health outcomes and significantly reduce unnecessary services.
- Telemedicine enables remote consultations with doctors by telephone or by chat, audio or video consultation over the internet. The system is integrated with Medcover's Electronic Medical Records, call-centre and online systems, which gives patients convenient and fast

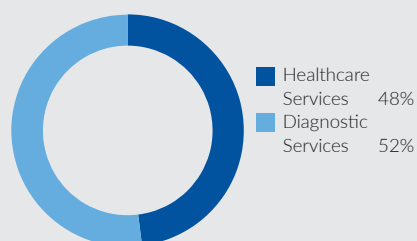
access to care and allows doctors to enjoy a flexible home/clinic work model. All within a controlled and secure environment ensuring patient confidentiality and record keeping. In 2017 the number of medical services online grew by 29 per cent close to 1 million online consultations.

- An online and mobile app enables customers to schedule and manage appointments, receive test results, order prescriptions, consult with doctors online through chats or video, etc.
- **MediClub:** a membership portal which provides consumers with access to a spectrum of value-added services, including health management and monitoring tools, free diet plans, exercise programmes and lifestyle discounts. The portal can be accessed online and through the MediClub app.
- **Medistore:** launched in early 2015, Medistore is Poland's first comprehensive e-commerce platform for healthcare services, offering customers more than 600 products, including consultations, diagnostics, screenings, vaccinations, dental services and pre-paid packages. Today Medistore has approximately 100,000 monthly visitors.
- **E-member:** a self-service platform for corporate customers, offering a range of services such as online enrolment, healthcare policy management, access to medical and occupational reports and e-invoicing.

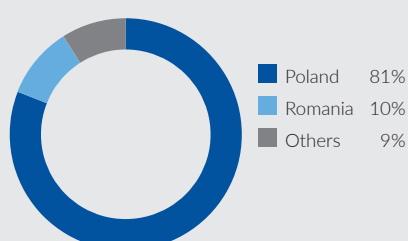
	Revenue, EURm	Clinics	Hospitals ¹⁾	Fertility	Dental	Members (thousand)	Visits (million)
Poland	242.1	74	3	5	24	735	5.0
Romania	29.0	21	1	–	–	200	0.7
Others	26.0	1	9	13	–	89	–
Intra-segment	-11.3					–	
Total	285.8	96	13	18	24	1,024	5.7

¹⁾ Incl 9 MaxCure hospitals.

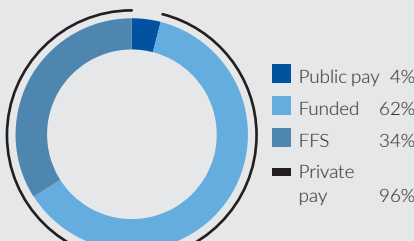
Revenue by division



Revenue by country



Revenue by payer





“Embracing patient individuality helps to build and maintain trust with them, and gives me – as a professional – the sense of accomplishment.”



Medicovert competence

Name: Jacek Wojciechowski

Title/function: MD, Healthcare Services,
Medicovert (Dental clinic, Poland)

We are consistently developing a network of dental clinics, where patients have access to the most advanced dental procedures based on modern technological solutions.

This has been confirmed by the recent acquisition of a CAD/CAM (Computer-Aided Design and Manufacturing) dental laboratory. We are changing the way we approach patient care, focussing on comprehensive treatment and the personalised approach to our patients, ensuring their maximum comfort in the treatment process.

DIAGNOSTIC SERVICES

A broad range of tests across all major therapeutic areas.

The Diagnostic Services division has operations in Germany, Romania, Ukraine, Poland, Belarus, Moldova, Serbia, Turkey, Georgia and Bulgaria. The division accounted for 52 per cent of total revenue in 2017. Diagnostic Services offers a portfolio of diagnostic laboratory services, including a broad range of routine and advanced tests across all major therapeutic areas. Diagnostic Services processed more than 124 million tests in 2017. The division currently operates a total of 91 clinical laboratories and 511 blood-drawing points (BDPs) across ten countries.

Due to the regulatory environment and market characteristics in Central and Eastern Europe, many of Medcover's key markets have a strong dependency on private payers, except for Germany which is predominantly publicly funded. Consequently, in 2017 private payments made up 61 per cent of Diagnostic Services' revenue, and public pay made up 39 per cent of revenue.

Tests

A correct diagnosis is a prerequisite for good healthcare provision, and modern medicine depends on many different diagnostic techniques. At the highest level, diagnostics can be subdivided into in vitro diagnostics and in vivo diagnostics. In vitro diagnostics (IVD) are non-invasive tests performed on biological samples (for example blood, urine or tissues), which is the focus of Diagnostic Services.

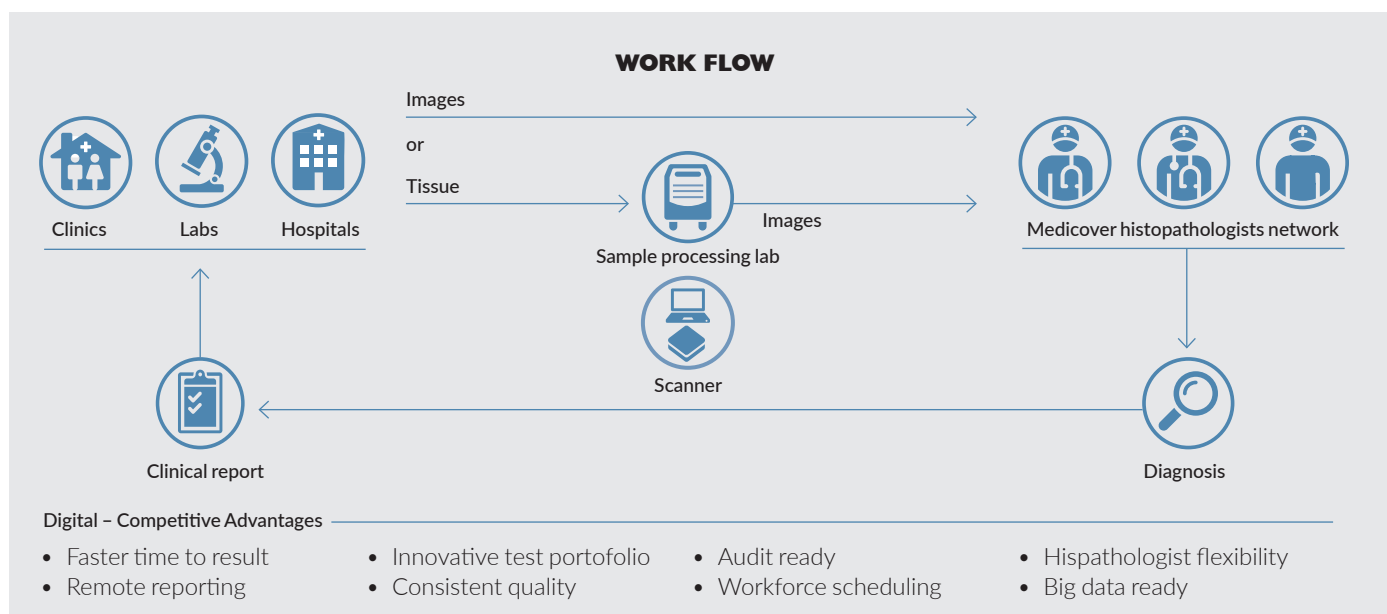
The global market for clinical laboratory services – the business in which Medcover's Diagnostics Services Division operates – was valued at USD 196.9 billion in 2015, with a forecast of 6.4 per cent compounded annual growth rate from 2016 to 2024.

In 2017, routine tests represented 70 per cent of revenue, while advanced tests represented for 30 per cent of revenue but only 3 per cent of the total number of tests performed. However, new and more complex IVD tests are continually being developed, which is an important contributor to the growth of Diagnostic Services. Examples of specialty areas which Medcover focuses on are histopathology, molecular diagnostics and non-invasive prenatal testing (NIPT):

- Histopathology is the study of solid tissue obtained through elective biopsy or during surgery. The samples are used in primary testing for diagnosis and around 15–20 per cent of them are referred for a second-opinion.
- Molecular diagnostics is a collection of techniques used to analyse genetic codes by applying molecular biology to medical testing.
- Non-invasive prenatal testing (NIPT) is a new type of genetic test that screens for birth defects and inherited diseases.

Common routine tests conducted during 2017 were:

1. Haemogram: a test for complete blood count (CBC)
2. Creatinine: a blood test measuring kidney function
3. Urea: a blood test measuring kidney function
4. ALT: an alanine aminotransferase (ALT) test to detect liver disease or injury
5. AST: a blood test for aspartate aminotransferase (AST) usually used to detect liver damage.



Common advanced tests were:

1. Viral load for hepatitis B and C: blood tests to screen for, diagnose, and guide and monitor treatment of a hepatitis infection
2. Blood karyotype: a test to detect any kind of functional abnormality in the chromosomes
3. Histopathology tests: microscopic examinations of biological tissues to observe the appearance of diseased cells and tissues of the body in great detail
4. Mutations for thrombophilia: a genetic test to detect gene mutations causing thrombophilia
5. IgE for allergies: a test to confirm the diagnosis of an allergic disorder.

Laboratories

Diagnostic Services operates a range of central and regional laboratories, hospital laboratories and special laboratories, as well as a large network of blood-drawing points (BDPs). The hub-and-spoke layout enables Medicover to capture a vast coverage and provide a wide range of tests regardless of location.

Central and Regional laboratories: At the end of 2017 Medicover operated six central laboratories providing advanced diagnostics as well as clinical trial support. These cen-

tralised laboratories act as hubs in their country of operation and conduct routine tests, immunology tests and advanced tests (including histopathology and genetics). There are a total of 54 regional laboratories located around the central laboratories, providing a range of routine and immunology tests with shorter processing times, often with same-day delivery.

Hospital laboratories: At the end of 2017 Medicover operated 19 hospital laboratories. These laboratories provide urgent diagnostic testing and facilitate off-site access to a broad range of tests.

Special laboratories: At the end of 2017 Medicover ran a total of 12 laboratories providing centralised services in a dedicated field such as special immunology, genetics and histopathology.

BDPs: At the end of 2017 Medicover operated a total of 511 BDPs spread across Poland, Romania, Ukraine, the Balkans and other countries. These operate as collection points for blood, urine and tissue samples. The samples are then transported to Medicover's laboratories where they are analysed.

Medicover Clinics: In 2016 Medicover entered the German clinical services market. At the end of 2017 Medicover ran a total of 16 clinics specialised in for example

endocrinology, HIV, genetics and rheumatology. The clinics employ specialist doctors who are reliant on good quality diagnostics which can be supported by the laboratory network.

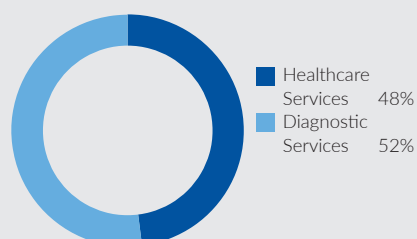
Customers

Medicover provides its diagnostic services to hospitals and to public and private medical facilities as well as to doctors and patients. However, due to diverse regulatory environments and market dynamics, Medicover has to tailor its approach to each market.

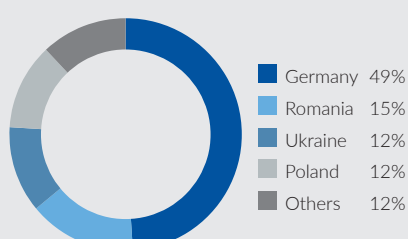
For example, in Germany, which has a high proportion of public payment and a well-functioning healthcare system, Medicover tends to work with doctors who are responsible for ordering the diagnostic tests on behalf of their patients. In contrast, markets in Central and Eastern Europe such as Poland, Romania and the Ukraine rely to a greater extent on private payment, and it is the patients themselves who, on the recommendation of a doctor or by their own choice, go to BDPs and order the laboratory tests.

	Revenue, EURm	Total number of laboratories	Central labs	Regional labs	Hospital labs	Specialised labs	Medicover clinics	BDPs	Lab test/ year (million)
Poland	37.3	30	1	16	7	6	–	81	24
Germany	158.0	16	2	3	6	5	16	–	61
Romania	47.0	16	1	12	2	1	–	78	15
Ukraine	39.2	7	1	6	–	–	–	211	15
Others	39.9	22	1	17	4	–	–	141	9
Intra-segment	-17.0						–		
Total	304.4	91	6	54	19	12	16	511	124

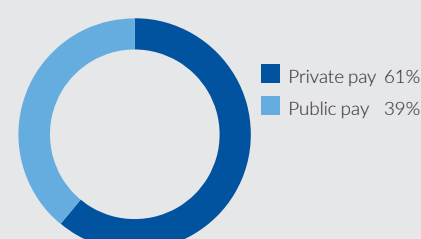
Revenue by division



Revenue by country



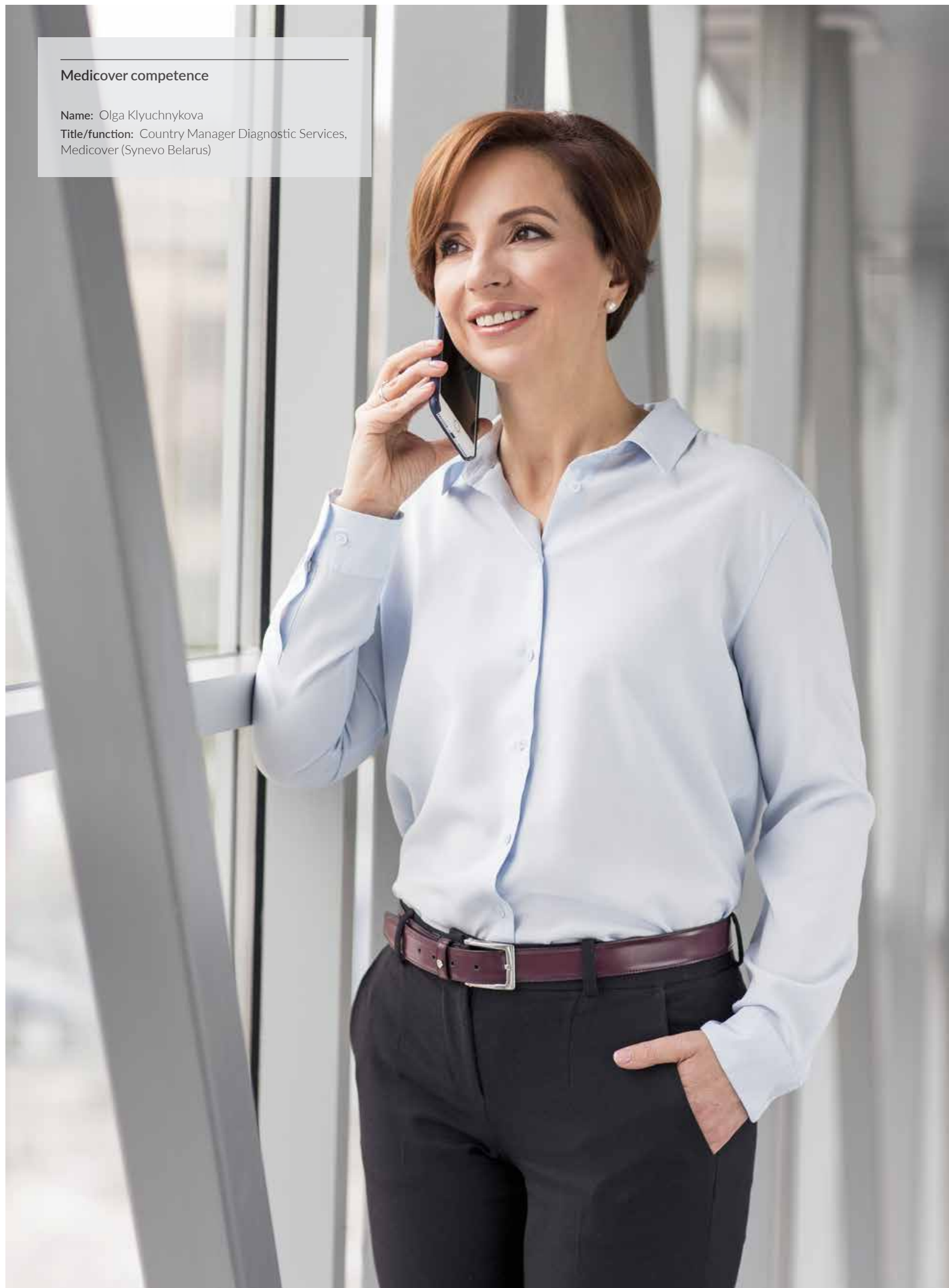
Revenue by payer



Medicover competence

Name: Olga Klyuchnykova

Title/function: Country Manager Diagnostic Services,
Medicover (Synevo Belarus)



“Keeping up with the new fast-paced healthcare world is the challenge that motivates me and my team.”

Olga represents Medcover's Diagnostic Services division which amounted to 52 per cent of total revenue in 2017.

She joined the company in Ukraine in 2009, carrying out executive functions (Regional Director and Executive Director), and since January 2018 has been the Country Manager of Medcover's diagnostics in Belarus under the Synevo brand. Medcover's Diagnostic Services focus on routine and advanced laboratory testing across all major clinical pathology areas, performed on biological samples such as blood, urine or tissues.

OUR PEOPLE

Our staff are our most valuable asset.

Medicover is here to improve and sustain the health and wellbeing of our customers and patients. We prize innovation that impacts quality, accessibility and affordability. Together, we shape the future of healthcare.

15,900
people

>10
countries

107,000
hours invested
in training

48
projects

800
volunteers

Our approach

Medicover's business is to care. Our business begins with caring for our people. We support and develop our staff so they can provide the best care to customers and patients, and so they can have fulfilling careers.

The continued success of Medicover depends on our ability to develop the right culture to lead and engage our staff. With the right conditions and tools we can excel, grow and achieve more together. This is why Medicover is strongly committed to attracting, retaining and developing the best people.

Everything we do, including how we approach human resources management, stems from our values:

- Passion for quality: We continuously seek excellence in all we do.
- Teamwork: We pool our talents, value diversity and share credit for our successes.
- Empowerment: We give our people the space and the support they need to make the right decisions for all our stakeholders.
- Integrity: We are direct and honest, and always fulfil our commitments.
- Entrepreneurship: We recognise and reward those people who invest time and money wisely to obtain the maximum benefit.

We are Medicover

Close to 15,900 people in more than 10 countries make up Medicover. Together, we work to make healthcare better, more accessible and more affordable for more people. Around two thirds of our staff are medical professionals: doctors, nurses, specialist medical technicians and laboratory specialists. More than 75 per cent of staff are women.

Around two third of staff are employed by Medicover. The other one third, mainly medical professionals, choose self-employment. We also hire seasonal workers to accommodate the needs of patients, for instance during flu and allergy seasons. Either way, our aim is to have long-standing relationships with everyone working with us. On average

over 35 per cent of staff stay with Medicover for longer than five years.

Working at Medicover

Working at Medicover means having an engaging experience with an evolving and excelling company. We look for positive and forward-looking people with merits that suit our needs. We recognise that competence can come in any package, and welcome diversity in the broadest sense. Our culture of inclusion creates a work environment where everyone can contribute, learn and grow.

We take a long-term view and keep growing our operations in both current and new markets. Our dedication to excellence is evident – we continue to improve the quality of care and services as well as financial performance. Those who join us are definitely in for a fulfilling journey.

Clear leadership profile

Medicover's values are demonstrated in our leadership – we emphasise passion for quality in everything we do, and promote empowerment and entrepreneurship. Everyone can propose targets and is free to achieve them in the way they see fit. Consistent evaluation promotes performance and accountability.

Medicover's leadership profile defines what our leaders need to deliver to achieve the company's strategic ambitions. We focus on transactional, transformational and innovative leadership. Basically, this means that leadership begins with knowing yourself and doing what you do well. The next steps entail leading others, being able to innovate and enabling others to innovate.

Leadership programmes

Medicover has two main leadership programmes: the Emerging Leader Programme for managers to be, which focuses on transformational leadership, and MILE (Medicover Innovative Leadership Experience) for senior leaders, which focuses on innovative leadership. Around 50 per cent of participants in these programmes are women and 50 per cent are medical staff.

We employ an annual global performance management process, where the performance of senior managers and leaders is measured against business objectives, including financial targets.

Continuous development

Medicover relies on dedicated and highly skilled people. Apart from professional skills, we value four specific capabilities: attitude and behaviour in line with our corporate values, committing and contributing to our business, being willing and able to develop as a leader, and having the mental agility necessary to adapt to change. According to Medicover's review model, everyone receives feedback from their manager, peers and direct reports.

Our staff are able to develop in many ways – everyday learning on the job, learning experiences from various sources and formal training and education. Development opportunities are offered depending on the individual's role and area of expertise, motivation and potential. During 2017 Medicover invested 107,000 hours in training, which corresponds to 1.7 days per full-time staff.

Nursing education

Some of our training programmes are very comprehensive. For instance, Medicover educates nurses. Over 200 students in three years in Poland and 1,500 students in four years in Ukraine have been trained through Medicover's nursing-school programmes.

Medicover also works in partnership with many excellent educational institutes in all regions of operation, for example Roffey Park Institute in the UK and MIM Business School in Ukraine. Read more on page 30.

Innovating together

To harness the resourcefulness of our people, Medicover set up an innovation hub, Health Innovators by Medicover, during the year. Anyone working for Medicover can submit ideas on how to improve and develop Medicover and the services we provide. By the end of the year, 50 ideas

had been transformed into 90 development projects. For instance, we are piloting a chatbot (a chat where the patient communicates with a virtual assistant) to facilitate patients' interaction with us.

Wellbeing at Medicover

We help our people stay safe, healthy and productive. Medicover ensures safe workplaces in compliance with legislative requirements and industry standards. All staff receive comprehensive training in workplace health and safety.

We take a holistic approach, recognising that everyone working for us is affected by a variety of factors, both at work and outside. Some jobs and tasks in our hospitals and clinics are associated with specific risks, for instance exposure to UV and ionizing radiation and chemical and biological factors. In every case, our focus is on providing our staff with the right conditions and protection to perform their job. We also offer tools to cope with stressful situations and lead a healthy life. All health and safety measures and wellbeing programmes are managed at a local level.

We track the wellbeing and engagement

of our staff in various ways. Our most comprehensive tool is Medicover's engagement survey, which is conducted every two years. The next survey will be conducted in 2018.

Finally, Medicover intends to provide a work environment where everyone is treated equally and fairly. This is specified in the Medicover Code of Business Conduct. The Code pays particular attention to equal opportunity and freedom from discrimination and harassment.

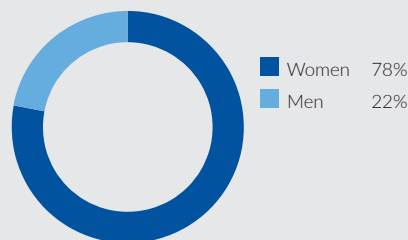
Dedicated people

The dedication of our staff goes beyond their jobs. In 2017, more than 800 volunteered to assist in 48 projects that benefited more than 4,000 people. They offer their compassion, time and professional knowledge to those who need it.

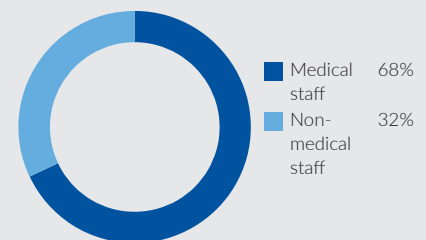
Besides the gift of helping others, employees who volunteer gain new skills and develop on a personal and professional level. For example, those who want to boost their leadership skills can manage groups of volunteers or coordinate entire events.

Read more about the Medicover Foundation on page 31.

Total staff by gender



Total staff by type



SUSTAINABILITY

A mission to improve health and wellbeing.

Our job is to take care of our patients and their health. We aim to be a responsible and sustainable company by doing what we do in the right way.

Medicover began as an idea from Swedish entrepreneurs Bengt Beckmann and Jonas af Jochnick, who experienced the sub-par quality of Polish healthcare. We are still driven by the ambition to deliver the highest standards of healthcare and to keep

improving what we do. Read about Medicover's business model on pages 6–7.

By operating responsibly, we meet the expectations of customers, patients and society in general. Sustainability is handled by several departments – human resources, legal, investor relations – and as a part of the operations of Medicover's divisions.

During the year, Medicover conducted a stakeholder and materiality analysis to define the company's sustainability topics. The analysis was conducted with members of Medicover's Executive Management and

other internal key stakeholders. The development of Medicover's sustainability agenda will continue in 2018 and the work to establish KPI:s will be initiated.

Medicover's main sustainability topics are:

- Prevention and education
- Quality of care and services
- Access to care
- Environmental care
- Business ethics.

PREVENTION AND EDUCATION

Our commitment

Medicover's mission begins with prevention and education. We educate and engage with internal and external stakeholders to promote health and wellbeing. Medicover invests heavily in various types of capacity-building and support, both as part of company operations and through the Medicover Foundation.

Our approach

Medicover's approach to prevention and education consists of several building-blocks. Firstly, the care and services offered to customers and patients make up our core. Secondly, we build capacity to support communities where we operate, mainly through the Medicover Foundation. Thirdly, we make our expertise widely available and engage in advocacy and campaigns to promote health and wellbeing.

Medicover's Healthcare Services division takes a thorough approach to prevention. At the individual level, this is based on the patient's medical history, detailed examinations, health advice, vaccinations and additional diagnostic tests. We use our Prevention Standard, which specifies the requirements of general care for adults, oncology

screening, and healthcare standards before and during pregnancy. The Standard describes preventive actions given to groups of patients according to age, gender and health risks. The Standard is updated annually to reflect changes in laws and other requirements.

In addition, we carry out anonymised health analyses of our corporate clients' employees. The purpose is to suggest and implement preventive actions according to the needs of specific employee groups. We offer a wide variety of preventive measures including seminars, workshops, campaigns, wellness days and ergonomic measures. Topics include healthy eating, heart health and stress management.

Medicover's Diagnostic Services division is largely centred around prevention. Several initiatives are aimed at prevention and early detection. In addition to offering a broad range of routine laboratory testing, Diagnostic Services is increasing its focus on advanced testing and advice. Advanced tests are conducted in the fields of specialist pathology (for instance, molecular pathology and genetics) and histopathology.

Contributing to education

Medicover contributes to and runs several training and education programmes for nurses in Poland, Romania and Ukraine.

Since 2011, the Józef Piłsudski University of Physical Education in Warsaw (AWF) has offered full time studies for nurses in partnership with Medicover. Classes take place at AWF and in the Medicover Hospital in Warsaw and in our clinics. The partnership is a response to a shortage of nursing staff and insufficient practical preparation of graduates.

Medicover Romania has teamed up with Carol Davila, Romania's largest vocational nursing school. As part of the collaboration, students can get internships at Medicover's hospitals and clinics. Diagnostic Services in Romania runs a clinical-trial training for nurses in partnership with the Prof. Dr. Matei Bals National Institute of Infectious Diseases.

In Ukraine, Diagnostic Services runs an internal nursing school. The training covers everything from practical nursing to customer service.

Finally, Medicover is a strategic partner to the Queen Silvia Nursing Award, a scholarship for nursing students in Sweden, Finland, Poland and Germany. The purpose



of the award is to increase awareness of and focus on good care of elderly and dementia patients.

Boosting the healthcare sector

Medicover helps boost the healthcare sector in several of our countries of operation. We organise and contribute to various conferences and other capacity-building activities. For instance, in 2017 Medicover's Diagnostic Services held its trademark symposiums to support medical education and to advance laboratory medicine and healthcare. The events attracted nearly 3,000 healthcare specialists in Ukraine, Moldova and Romania. In Ukraine, Medicover has partnered with Roche Diagnostics to provide 600,000 diabetes and prediabetes screening tests free of charge over three years. The aim is to identify a significant number of undiagnosed diabetics and prediabetics in Ukraine and is one of Medicover's prevention programs.

Medicover Foundation

The Medicover Foundation was established to add to the company's mission of maintaining and improving health and wellbeing. Its purpose is three-fold: to educate about the power of preventive medicine, to

inspire healthy living and to offer humanitarian aid to communities in special need.

Medicover's extensive medical experience, resources and expertise form the basis of all the Foundation's programmes. Activities are designed to meet the needs of children, adolescents and their families as well as seniors.

Diabetes is one of the Medicover Foundation's main focus areas. The Foundation's diabetes prevention programme for school children, launched in 2013, has expanded nationwide in Poland and is one of the largest prevention programmes of its kind in Europe. During 2017 the programme was duplicated in Romania. The diabetes programmes involve individual health screening and coaching, complemented by parental support groups and school programmes. More than 30,000 children have been reached by the programme in Poland, and more than 20,000 will be reached in Romania. This programme has been made possible through a significant donation from the Jonas and Christina af Jochnick Foundation.

Activities in 2017

In 2017 we launched a comprehensive website to raise public awareness of health

and wellbeing. The effort reinforces Medicover's position as one of Poland's major providers of credible healthcare and health information. The website offers various types of content: facts about diseases and health issues, facts about preventive actions, articles to inspire healthy living, along with quizzes and other tools.

During the year, we published the report "Work, Health and Economy" to demonstrate the value of investing in preventive measures, and to enable employers to invest wisely by targeting the specific needs of their employees. The report was prepared based on anonymised medical data from employees with Medicover healthcare coverage; all in all, from 255,000 individuals aged 18–67 from all industries in Poland. We paid particular attention to the costs associated with sickness absence and sickness presenteeism, and made a comparison between employees with Medicover healthcare coverage and employees covered by Polish state health care. The report shows that both corporate and public healthcare spending could be substantially reduced by applying the healthcare insurance model used by Medicover.

QUALITY OF CARE AND SERVICES

Our commitment

Our commitment to quality involves delivering the highest standards of healthcare and continually improving our services. All our efforts are guided by Medicover's core values, among which passion for quality is at the forefront.

Our approach

Medicover's focus is to take care of patients' health at the right time and place. All advice, care and treatment must be provided in a safe, appropriate and efficient way, and produce the right outcomes.

Furthermore, quality of care and services are crucial for Medicover to remain successful. Maintaining premium quality and effectiveness strengthens our market position and enables us to attract the best medical practitioners.

We measure a wide range of parameters to indicate the quality of our delivery. Some indicators are standardised across the industry and some are self-developed to suit our aims and needs.

At present, quality is managed at the division or country level. We are working to establish a unified approach for the entire Group. Medicover's Healthcare Services division applies a quality policy to guide its quality targets. The quality management system used by our Diagnostic Services division is certified according to ISO standards 9001, 15189 and 17125.

Each physician is assessed by clinical outcomes as well as by their attitude, effectiveness of decisions and customer satisfaction. The purpose of our meticulous follow-up and analysis is to further improve services, clinical effectiveness and patients' experience and satisfaction.

In general, the satisfaction of patients visiting Medicover medical facilities is at well above 90 per cent. Our patients are also willing to recommend Medicover – Net Promoter Score for Medicover is more than 20 per cent higher than for our main competitors.

Activities in 2017

Our challenge, and our opportunity to further our operations and services, is to define and apply the right key performance indicators. We want to capture not only processes and activities but also outcomes and effects. One of our aims for the longer term is to be

able, through use of appropriate surveys, to collect and communicate patient-reported outcomes. During the year, we began developing a joint approach to quality and a set of high-level indicators to be used by the entire Group. Where questions arise, specific audits can be conducted to help drive continuous improvement.

In line with our ambition to develop a Group-wide approach to quality of care and services, and to promote health, we established a Medical Advisory Council. The Council is chaired by Medicover's Chief Medical Officer and reports to the board of directors.

>90%
satisfied patients



Doctors dashboard

Doctors dashboard provides up-to date, relevant information about patient satisfaction, quality indicators, medical costs, and many other metrics.



ACCESS TO CARE

Our commitment

Medicover continues to expand in order to reach even more customers and patients, in existing and in new markets. We improve access to care by digitalisation and capacity-building.

Our approach

By providing quality care and services, we ensure client loyalty and drive continuing organic growth in our main markets in Central Europe and Germany. Furthermore, we reach new markets and clients by selective acquisitions and by adding new segments of speciality care to our offer. Read more about Medicover's strategy on pages 14–19.

Innovation to meet clients' needs and expectations is absolutely key. This includes finding new ways of meeting, diagnosing and treating clients and patients.

An increasing portion of patients' interaction with Medicover takes place online. Research shows that many in-person visits, especially concerning minor ailments, are simply unnecessary. Patients can manage many issues by using Medicover's online platform; for example appointments, test results and prescriptions. Patients are also able to communicate with their physician via messaging, video calls or voice calls.

Diagnostic Services uses modern technology to make vast improvements in services, efficiency and access. Advanced automated solutions facilitate the entire process, from sample collection to providing valuable insights to doctors and patients. So-called next-generation DNA sequencing allows us to read and decode DNA quicker and cheaper than ever before. These improvements enable us to treat more patients.

Activities in 2017

Healthcare is being reinvented and many advances are enabled by the digital transformation. In 2017 Diagnostic Services continued to develop and promote online lab test orders and digitalised histopathology slides together with an external partner. The latter measure means that patients and medics do not need to relocate. The division also increased online reporting of test results. In addition, Medicover's Diagnostic Services established blood-drawing points in 71 cities, to further improve access.

ENVIRONMENTAL CARE

Our commitment

Medicover is committed to decreasing the company's environmental impact over time. We see environmental care as part of caring for human health and wellbeing.

Medicover's main environmental impacts originate from energy use in our hospitals, clinics and other premises, from the use of various equipment and materials, from external and internal transport, and from waste.

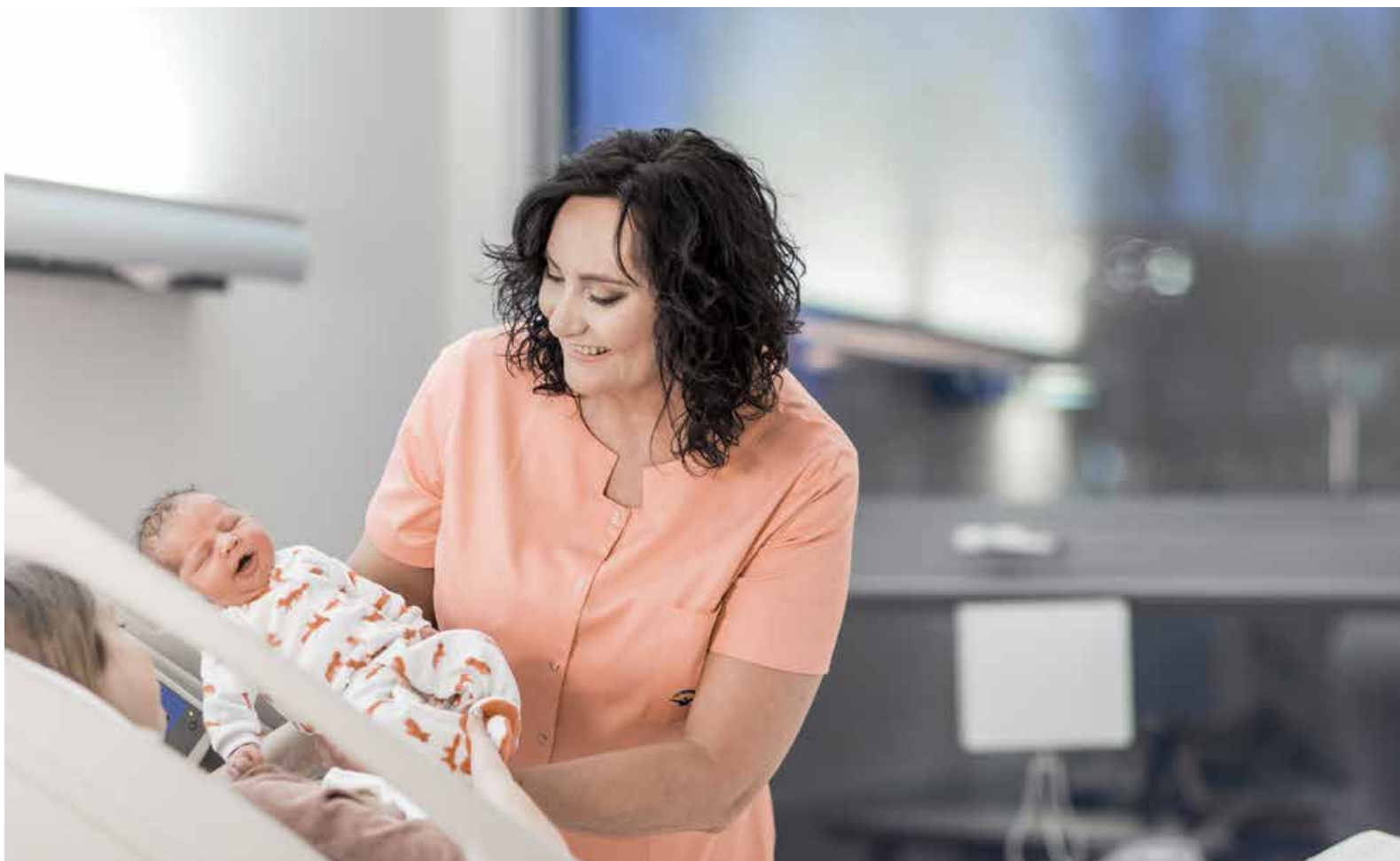
Our approach

Based on our principle of decentralised responsibility and accountability, environmental management takes place locally in each division and country. The environmental management systems used by several Medicover units are certified, by for instance EMAS. EMAS helps organisations to evaluate, report and improve their environmental performance. Legal compliance as well as continual improvement of performance is required.

Currently, our main focus is to ensure compliance with all applicable rules and regulations and to manage environmental risks. Our operations also achieve environmental gains by focusing on efficiency and cost. Overall, we seek to find a healthy balance between environmental, social and economic concerns.

Activities in 2017 and beyond

Initiatives in many parts of Medicover encourage reducing environmental impact. During 2017 environmental policies have been developed and implemented and measures have been taken to reduce energy use and carbon emissions. For instance, some facilities began to purchase energy from renewable sources and converted to LED lighting. Our laboratories in Germany began using electric cars for transporting tests. Several units have also involved their staff by encouraging them to save energy at work and at home, and to go to and from work by bicycle instead of by car.





BUSINESS ETHICS

Our commitment

Medicover has zero tolerance of non-compliance with rules and regulations.

Our business is built on people and trust, and being entrusted with our customers' health is a responsibility we take very seriously. Our commitment to responsible business entails measuring our success not only by financial measures, but also by the way we do business.

Medicover faces risks in the area of business ethics. Corruption as well as the complexity of administrative procedures and changing legislation constitute potential obstacles in certain markets. Read more about Medicover's risks and risk management on pages 46–48 and note 24.

Our approach

Medicover's Business Code of Conduct, which was implemented in 2006 and last amended in 2017, sets out the ethical standards we expect of everyone working at Medicover. The Business Code of Con-

duct is the foundation of the Group's sustainability efforts, guiding our way of doing business and supporting sound decisions.

Activities in 2017

At the beginning of the year, Medicover developed and adopted an Anti-Bribery Policy to complement the Business Code of Conduct. The Anti-Bribery Policy is available in local languages on the Group's intranet.

As a second step in the implementation of the Anti-Bribery Policy, we plan to roll out an e-learning programme for members of management Group-wide. The training will be completed in 2018. We will supplement the e-learning with in-person training sessions for certain members of management. These sessions will primarily focus on local laws and requirements. Finally, we plan to adopt a whistleblower policy in 2018, to further promote sound business conduct.

In addition, we developed a Code of Ethics adapted for Medicover's fertility centres.

The purpose is to ensure patient treatment and assisted reproductive technology procedures according to the highest ethical standards. Frequent advances in technology and science in the field of fertility medicine constantly raise new ethical dilemmas. The Medicover Code of Ethics will develop as new issues arise.

Ensuring the confidentiality and security of personal data is a top priority. We apply a comprehensive set of information security, integrity and confidentiality policies and procedures detailed in the Group Information Security Policy (GISP). GISP was implemented in 2006 and most recently updated in 2017.

During the year, a dedicated internal committee was established to assess the implications of the EU's General Data Protection Regulation (GDPR). The committee guided working groups in different business areas to ensure preparedness and compliance by the time GDPR comes into force in May 2018.

FINANCIAL REPORTS





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INFORMATION ABOUT THE SHARE

Medicover's B-shares have been listed on Nasdaq Stockholm since 23 May 2017. Total share capital in Medicover amounts to EUR 26.7m and the quota value is EUR 0.2 per share. Medicover has two classes of shares: 81,348,161 class A shares which carries one vote and 51,987,034 class B shares which carries one tenth vote. According to the Company's articles of association, the Company may also issue class C shares.

Share performance and volume

During the year the highest closing price paid was SEK 71.75 on 16 June and the lowest closing price paid was SEK 58.75 on 19 September. The Company's market capitalisation at year end amounted to SEK 8.4 billion. The share price declined with 3.9% since the first trading date, compared to the introduction price SEK 56 the share price has increased with 16.9%. Total share turnover amounted to 21,784,544 with a daily average volume of 141,458 shares.

Shareholders and ownership structure

At 31 December 2017 Medicover had 2,240 shareholders. Ownership outside of Sweden corresponded to 34.3% (244 shareholders) of the total share capital and 25.9% of the voting rights. Financial and institutional shareholders held 85.8% of share capital and 85.2% of the voting rights and private shareholders 14.2% of share capital and 14.8% of voting rights.

Dividend

There will be no dividend payable to shareholders in 2017 or 2018, but from 2019 onwards, the board of directors will consider an annual dividend of up to 30% of net profits. The proposed dividend will take into account Medicover's long-term development opportunities and its financial position.

Silent period

Medicover maintains a silent period beginning 30 days prior of publication of interim and year-end reports. During the silent period no meetings with investors, analysts or media are arranged.

	29/12/2017	Capital, %	Voting rights, %
Class A shares	81,348,161	61.01	93.99
Class B shares	51,987,034	38.99	6.01
Total no of shares	133,335,195	100.00	100.00

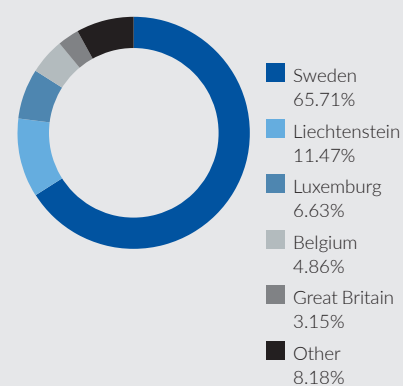
	Number of shareholders	% of shareholders	Capital, %	Votes, %
Private shareholders	1,788	79.82	14.21	14.76
– of which based in Sweden	1,747	77.99	13.94	14.69
Institutional shareholders	452	20.18	85.79	85.24
– of which based in Sweden	249	11.12	51.77	59.45
Total	2,240	100.00	100.00	100.00
– of which based in Sweden	1,996	89.11	65.71	74.15

Source: Euroclear as of 29 December 2017

Number of shares	Number of shareholders	% of shareholders	Capital, %	Votes, %
1–500	1,362	60.80	0.20	0.03
501–1,000	255	11.38	0.16	0.03
1,001–5,000	310	13.84	0.55	0.10
5,001–10,000	78	3.48	0.45	0.08
10,001–50,000	119	5.31	2.01	0.44
50,001–100,000	22	0.98	1.21	0.36
100,001–	94	4.21	95.42	98.96
Total	2,240	100.00	100.00	100.00

Source: Euroclear as of 29 December 2017

Share capital by country



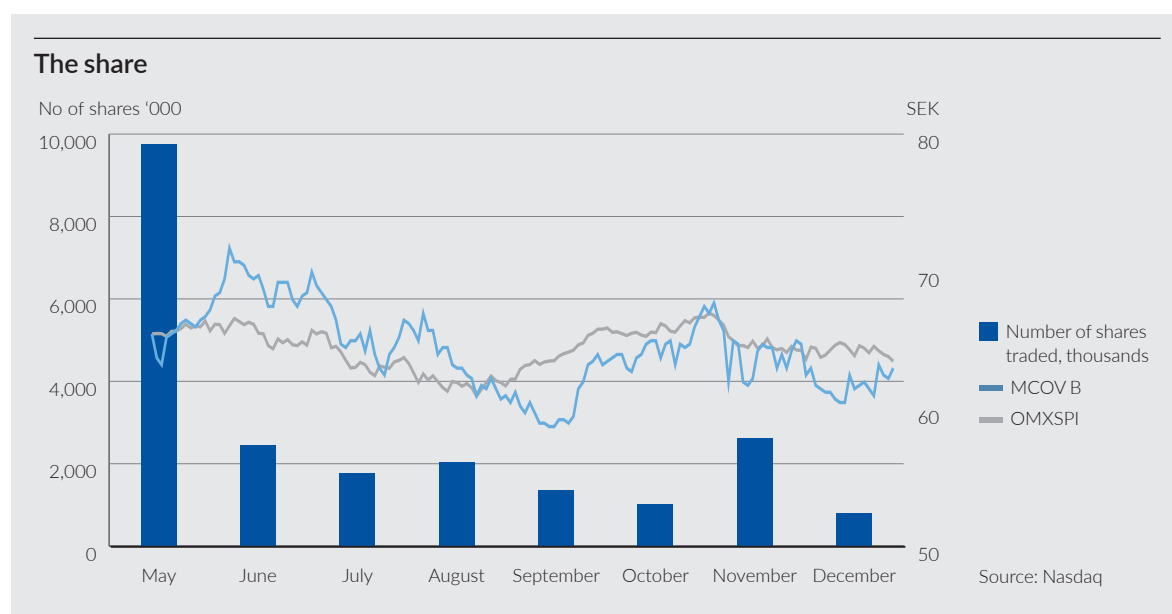
Source: Euroclear as of 29 December 2017

10 Largest shareholders

	No of shares	Capital, %	Votes, %
Celox Holding AB	47,157,365	35.37	54.47
Jonas af Jochnick Family	18,913,125	14.18	21.81
Robert af Jochnick Family	12,089,365	9.07	11.65
Fjärde AP-fonden	4,574,924	3.43	0.53
SEB S.A.	2,635,529	1.98	0.30
Fredrik Rågmark	2,479,155	1.86	0.29
Euroclear Bank S.A	2,244,010	1.68	2.59
Gladiator	1,830,935	1.37	0.21
UBS AG	1,600,000	1.20	0.18
Svenska Handelsbanken AB	1,497,075	1.12	0.17
Others	38,313,712	28.74	7.80
Total	133,335,195	100.00	100.00

Source: Euroclear as of 29 December 2017

Date	Event	Number of shares			Share capital (€)	
		Change in number of class A shares	Change in number of class B shares	Number of shares following the transaction	Change	Total
22/08/2016	Foundation	-	6,500	6,500	6,500	6,500
02/01/2017	Share issue in kind	17,539,222	1,873,923	19,419,645	19,413,145	19,419,645
02/01/2017	Reduction of share capital	-	-6,500	19,413,145	-6,500	19,413,145
10/03/2017	Share split (5:1)	70,156,888	7,495,692	97,065,725	-	19,413,145
30/03/2017	Share issue in kind	-	6,970	97,072,695	1,394	19,414,539
22/05/2017	New share issue in connection with the Offering	-	36,262,500	133,335,195	7,252,500	26,667,039
22/05/2017	Conversion ¹⁾	-5,774,964	5,774,964	133,335,195	-	26,667,039
30/06/2017	Conversion ¹⁾	-55,555	55,555	133,335,195	-	26,667,039
31/07/2017	Conversion ¹⁾	-320,525	320,525	133,335,195	-	26,667,039
31/08/2017	Conversion ¹⁾	-39,940	39,940	133,335,195	-	26,667,039
30/09/2017	Conversion ¹⁾	-125,855	125,855	133,335,195	-	26,667,039
30/11/2017	Conversion ¹⁾	-31,110	31,110	133,335,195	-	26,667,039

¹⁾ Conversion from A to B shares

MANAGEMENT REPORT

The board of directors and Chief Executive Officer (CEO) for Medcover AB (publ), corporate ID 559073-9487, with its registered office in Stockholm, Sweden, hereby present the annual accounts and consolidated financial statements for the financial year 2017.

Operations

Medcover is a healthcare and diagnostic services provider mainly operating in Poland, Germany, Romania, Ukraine and certain other markets, primarily in Central and Eastern Europe ("CEE").

Business concept

Medcover offers a broad range of high quality healthcare and diagnostic services through a comprehensive network of clinics and laboratories, supported by extensively developed proprietary software and information systems infrastructure. Medcover operates through two divisions, Healthcare Services and Diagnostic Services.

Operations and organisation

Healthcare Services: Offers services ranging from primary care to specialist outpatient and inpatient care. The division generated 48% of the Group's revenue for the year ended 31 December 2017. In 2017, 62% of total Healthcare Services revenue was generated by Medcover's integrated healthcare model, which is predominantly an employer funded employee benefit healthcare package (subscription/health plan). Medcover receives a contractual fixed fee and in return offers the employee or individual entitlement to a defined range of healthcare services. The care is delivered predominantly through Medcover's own network of clinics and medical facilities with a small reliance on third party health providers. Medcover is able to combine efficiently and seamlessly the financing of the services with managing access and demand to its services and providing high quality care, which drives high customer retention and loyalty. 34% of the division's revenue was generated through the strong and expanding Fee-For-Service ("FFS") model, services where customers pay direct out of pocket

for healthcare services as used, and the remaining 4% from public funded sources.

Diagnostic Services: Offers a broad range of diagnostic laboratory testing for humans and some veterinary services across all major clinical pathology specialities. The division generated 52% of the Group's revenue for the year ended 31 December 2017. Of this, 61% was generated from private payments and the remaining 39% through public funding sources, primarily from the German market (32%). The balance of 7% of the division's revenue comes from public payment sources in the remaining markets.

Market: Medcover's services can be subdivided into two main private payment models depending on the relationship between the amount to be paid and the services to be provided: Fee-for-Service ("FFS") with each of the services paid out of pocket by individuals and Funded Pay subscriptions/health plans under insurance contracts or prepaid arrangements. As much as 78% of the Group's revenue in 2017 originated from private payments, reflecting Medcover's low reliance on public funding. In the Healthcare Services division, the overall private pay share of 2017 revenue was 96% compared to 61% in the Diagnostic Services division, where the majority of public pay is derived from Germany. The Group has a strong position in Poland and Germany with these two markets accounted for the majority of the Group's revenue. For the year ended 31 December 2017, the share of revenue for each respective market was: Poland 45%, Germany 26%, Romania 13% and Ukraine 7%. The remaining 9% was generated by operations across Belarus, Hungary, the UK, Georgia, Moldova, the Balkans, Turkey and India.

Important events during the financial year

On 23 May 2017 the Company's B class of shares was listed on the Nasdaq Stockholm exchange and €207.6 million of new capital was raised. Costs incurred in respect of this were in total €9.8 million with €1.5 million expensed in the year and €8.3 million offset

against capital raised. The Group's previous debt facility of €220 million was repaid with the proceeds and a new revolving credit facility of €200 million was entered into.

Medcover Healthcare Private Limited, a company operating fertility clinics in India (Medcover Fertility India) was acquired effective 4 October 2017 for a payment net of cash acquired of €5.2 million and the assumption of €4.8 million liabilities arising under cash settled share-based payments, amounting to a total cost of €10.0 million. This investment as a green field development was originally funded by the major shareholder of the Group, Celox Holding AB, prior to the Company's listing on the Nasdaq Stockholm Exchange with the view to being transferred under the Group's ownership after the listing. See notes 11 on significant business combinations and 31 on related party transactions for more details. The results from the acquired entity were consolidated from October 2017. At year end Medcover Fertility India had 8 clinics operating.

A 23% interest in Sahrudaya Health Care Private Limited (MaxCure) was acquired in the fourth quarter for a payment of €13.8 million in cash and the assumption of a €7.6 million financial liability, measured at fair value, towards an unrelated third party for sourcing the investment and continuing advisory services amounting to a total cost of €21.4 million. In addition, certain rights and obligations (put and call options) over shares of MaxCure were granted to Medcover. These rights to invest further and acquire more shares in 2018 and 2019 if exercised bring the ownership interest in MaxCure to 51%. This investment was initially made in May 2017 by the major shareholder of the Company, Celox Holding AB, who conducted the investment at the time of the IPO whilst granting to Medcover had the right to step into the transaction after the IPO. Please refer to notes 12 on investment in associates and 31 on related party transactions for more details. MaxCure Group had 9 hospital sites in India at year end and revenue for 2017 of €55.0 million.

The contractual rights and obligations to acquire further shares in MaxCure were measured at fair value at the date of acqui-

sition and subsequently re-measured at the year-end as required under accounting standards. This valuation used a model that amongst others relied upon market observable inputs derived from proxy Indian listed companies operating in the same sector. This valuation exercise generated a net profit, reflected in other income in the income statement of €2.7 million. The profit arises as a reflection of the underlying value of MaxCure which has increased in growth and profitability.

The 49% non-controlling interest in Medcover Fertility in Ukraine was acquired for a payment of €3.0 million giving Medcover full ownership of this fast growing activity. Acquisitions were made in Germany in specialist ambulatory clinics and genetic testing and counselling. In Romania a clinical business was acquired in the port city of Constanta and in Poland in the field of dental treatment.

Financial Overview

Revenue

Medcover's revenue was €580.2 million (€497.3 million) a growth of 16.7%. Organic growth was 14.5%. Medcover's operations grew revenue mainly by increased physical capacity, service extensions, distribution reach and higher volume of members and acquisitions. Medcover is exposed to healthcare markets characterised by growing demand.

Healthcare Services

Revenue for the Healthcare Services segment increased by €41.1 million, or 16.8%, to €285.8 million in 2017 compared to €244.7 million in 2016. The segment experienced strong organic growth of 12.7% due to underlying private healthcare market growth in both major operating countries (Poland and Romania), with Polish employer funded care provision contributing approximately half of the organic growth. The employer funded member base increased from 889K at the end of 2016 to 1,024K at the end of 2017, a growth of 15.2%. Moreover, organic growth came from Medcover Fertility in Ukraine, whereas Medcover Fertility in Poland was flat on 2016 as public funding was removed mid-2016. By the

Full year 2017 compared to the full year 2016

Revenue

Growth components (€m)	Revenue 2016	Organic growth	Acquisition growth	Currency effects	Total growth	Revenue 2017
Medcover	497.3	72.1	9.4	1.4	82.9	580.2
As % of revenue		14.5%	1.9%	0.3%	16.7%	
Healthcare Services	244.7 ¹⁾	31.1	5.4	4.6	41.1	285.8 ¹⁾
As % of revenue		12.7%	2.2%	1.9%	16.8%	
Diagnostic Services	260.5 ¹⁾	43.1	4.1	-3.3	43.9	304.4 ¹⁾
As % of revenue		16.5%	1.6%	-1.2%	16.9%	

¹⁾ Including inter-segment revenue of €10.3 million in 2017 (€8.6 million)

€m equivalent	External revenue by location of customers	
	Year 2017	Year 2016
Poland (PLN)	259.8	224.4
Germany (€)	150.7	122.2
Romania (RON)	73.8	61.7
Ukraine (UAH)	44.0	38.1
Other (Various)	51.9	50.9
Total	580.2	497.3

fourth quarter 2017 the public funding was replaced with self-pay and the business resumed growth. Other contributing factors to organic growth were the consumer care initiatives and the insurance business in Hungary. Acquisitions contributed €5.4 million in 2017, or 2.2% primarily related to Polish and Romanian acquisitions. Revenue was positively impacted by 1.9% or €4.6 million relating to the stronger Polish currency effect during 2017.

Diagnostic Services

Diagnostic Services revenue grew by €43.9 million, or 16.9%, to €304.4 million in 2017 compared to €260.5 million in 2016. The number of laboratory tests grew by 7.8% from 115.0 million in 2016 to 124.0 million in 2017. Adjusting for the reduction in volume of tests due to the closure of the Russian business, laboratory test volume growth would have been 11.2%. Organic growth amounted to €43.1 million, or 16.5%, with strong growth from all major markets and a large contribution from the German clinical business. Acquisitions accounted for 1.6% of the growth arising from two specialised genetics laboratories and four specialist clinical practices

acquired in Germany. Weaker currencies in Ukraine and Romania offset by a stronger Polish currency had a net negative impact of €3.3 million or 1.2% on revenue.

Operating profit

Operating profit for 2017 was €28.8 million compared to €17.6 million for 2016. The operating profit in 2017 was impacted by costs expensed in relation to the listing of the shares of the Company of €1.5 million. Excluding IPO costs, operating profit was €30.3 million with an operating profit margin of 5.2%. EBITDA was €55.0 million (€44.3million) a margin of 9.5% (8.9%). Excluding IPO costs, annual organic EBITDA growth reached of 27.3%. Adjusted EBITDA was €56.2 million (€46.5 million) a margin of 9.7% (9.4%). At the start of the fourth quarter the greenfield Indian Medcover Fertility activity was brought into the Group and generated an EBITDA loss of €0.9 million. The underlying development reflected in EBITDA adjusted to exclude the impacts of the listing and the Indian fertility activity consolidated from the fourth quarter was €58.6million (€46.5 million) with a margin of 10.1% (9.4%).

Medical costs for 2017 were €438.2 mil-

lion (€377.3 million) and reduced by 40 basis points from 75.9% of revenue to 75.5% of revenue with contribution increasing by €22.0 million to €142.0 million. Selling and marketing costs increased by €3.5 million to €28.5 million (€25.0 million). Administration costs increased by €7.3 million, including €1.5 million related to the listing, to €84.7 million (€77.4 million).

Other income/(costs) and net financial items and tax

Other income/(costs) gave a profit of €2.9 million (€-0.2 million) mainly arising from fair value changes in respect of the Group's contracts around its MaxCure holding, as the growth in revenue and profits of MaxCure has been reflected in the value of the options to acquire shares.

Net financial items for 2017 amounted to €-3.9 million (€-5.6 million). Unamortised legal and arrangement fees balances of €0.5 million were accelerated and expensed in the first half relating to the early termination of the prior credit facility, replaced with a new undrawn facility for €200 million and commitment fees paid subsequently on the undrawn facility. €4.9 million (€4.6 million) interest was charged on the Group's debt and other discounted liabilities. Unrealised foreign exchange gains amounted to €0.8 million (€-1.1 million).

Profit for the period and earnings per share

Profit before income tax increased by €15.7 million to €28.0 million in 2017 with a margin of 4.8% (2.5%). Income taxes increased from €5.8 million in 2016 to €7.8 million in 2017 due to the higher profit before tax with an effective tax rate of 27.9% (47.2%). Profit for the period in 2017 was €20.2 million compared to €6.5 million in 2016 with earnings per share of €0.157 (€0.046) and diluted earnings per share of €0.157 (€0.045).

Cash flow from operating activities

The net cash flow from operating activities before working capital changes and tax payments increased by €9.9 million, or 21.0%,

to €57.0 million in 2017 compared to €47.1 million in 2016. This translates to a conversion of EBITDA of 103.6%. Working capital decreased by €0.4 million in 2017 compared to an increase of €13.8 million in 2016. As the German clinical business is developing from a high growth start-up phase to a more moderate growth, receivables towards the German public health fund (KV) have normalised with a catch up effect accelerating payments. The increase in net working capital in the previous year's period had been driven by the receivables build-up for the German clinical business and by increased claims against the Polish national health fund (NFZ) for life saving inpatient procedures at the Wilanów hospital. Income tax payments decreased by €0.3 million, to €7.1 million in 2017 compared to €7.4 million in 2016 as a result of settlements for tax estimates for the full year 2016 and advance payments. In total, net cash from operating activities increased by €24.4 million, or 94.2%, to €50.3 million in 2017 compared to €25.9 million in 2016.

Cash flow from investing activities

The net cash flow from investing activities amounted to €-53.5 million in 2017 compared to €-66.1 million in 2016. Payment for acquisition of fixed assets decreased by €24.9 million to €29.4 million in 2017 compared to €54.3 million in 2016 and payments for acquisition of subsidiaries decreased by €1.7 million to €10.6 million in 2017 compared to €12.3 million in 2016. Both of these figures in 2016 were considerably larger on the back of the start-up investments in the German clinical business as well as the acquisition of the Polish hospital real estate. A payment of €13.8 million was made to acquire a 23% associate interest in MaxCure.

Cash flow from financing activities

The net cash flow from financing activities was impacted by the net receipts from the capital increase of €199.3 million with the underlying net cash from financing activities being €31.3 million in 2017 compared to €41.5 million in 2016.

Financing

Consolidated debt amounted to €57.2 million at year end 2017 a large reduction on the €210.7 million balance at the end of 2016. Net debt has been paid down with the proceeds from the new share issue, with full repayment of the €167.0 million outstanding of the former €220.0 million credit facility in the second quarter 2017. Remaining drawn credits comprise a €30.3 million loan financing the hospital building in Warsaw, Poland and other minor operational overdrafts and facilities. Net financial debt was €11.8 million at year end 2017, a reduction of €180.5 million from year end 2016.

Share capital

Share capital as at 31 December 2017 was €26.7 million represented by 133,335,195 shares divided into 81,348,161 class A shares and 51,987,034 class B shares. The quota value is €0.2 per share. Each class A share carries one vote. Each class B share carries one tenth of a vote. Medicover's class B share has been listed on Nasdaq Stockholm since May 2017. Celox Holding AB, the largest shareholder, owns 47,157,365 shares with 35.4% of the capital and 54.5% of the voting rights. Jonas af Jochnick family owns 18,913,125 shares with 21.8% of the voting rights. Robert af Jochnick family owns 12,089,365 shares with 11.7% of the voting rights.

Consolidated equity as at 31 December 2017 amounted to €304.0 million (2016: €98.8 million). The increase in the levels of equity are as a result of profits for the period and the new share issue with share capital of €7.3 million and €192.0 million additional paid in capital recognised during the year. The payments for the acquisitions of the non-controlling interests in the third quarter were accounted as transactions between shareholders and the amounts paid in excess of the non-controlling interest balance were offset against shareholder reserves. The Medicover Fertility acquisition was treated as a business combination between entities under common control, resulting in a reduction to additional paid in

capital of €8.3 million, representing the difference between the consideration and the predecessor net book value of the assets and liabilities transferred.

Staff

Medicover recognises that its business results, growth and brand value are dependent upon its ability to develop the right culture to lead and engage its employees. The Group therefore puts strong commitment towards the organisation's ability to attract and retain talent, including a focus on training and development in order to further solidify the Group's position across markets and develop a strong identity as an employer of choice. For more information about Medicover's staff please see "Our People" section.

As of 31 December 2017, Medicover had 14,579 active staff (including contractors) and 9,848 FTE's on average over the year, split into 80% women and 20% men. Within the positions of managerial responsibility in the group, such as unit heads and function heads, women held 34% and men 66% of the positions.

Sustainability report according to the Annual Accounts Act

Medicover AB has prepared a sustainability report according to the Annual Accounts Act. The report contains material information about the Group's efforts and results within the sustainability issues environment, social conditions and personnel, respect for human rights and anti-corruption.

The sustainability report is available on the following pages:

- Business model: pages 6–7
- Risks and risk management: pages 46–48
- Sustainability issues: pages 28–35

During the year, Medicover conducted a stakeholder and materiality analysis to more clearly define the Group's material sustainability areas. Medicover's focus is on the business, customers and patients, employees and social responsibility. Consequently, Medicover's sustainability areas are preven-

tion and education, quality of care and services, access to care, environmental care and business ethics. The sustainability report is structured based on these areas.

The auditor's report of the sustainability report can be found on page 105.

Remuneration to the board members

Fees and other remuneration to the members of the board of directors are resolved by the shareholders' meeting. At the annual shareholders' meeting held on 10 March 2017, it was resolved that remuneration for the time until the end of the next annual shareholders' meeting for board members elected by the shareholders' meeting shall be paid to cover duties and responsibilities of all board and committee members. For details, refer to financial statements note 29 for full disclosure.

Guidelines for remuneration for the CEO and other senior executives

The board proposes that the AGM 2018 approves the following remuneration guidelines for senior executives.

Medicover strives to offer total remuneration and other terms of employment that are fair and competitive in relation to the country or region, position and responsibility, expertise, experience and performance of employment of each senior executive.

The Group's executive management comprises of the CEO and senior executive positions that directly report to the CEO.

The total remuneration may comprise the components stated in the following.

- Annual base salary
- Short term annual incentive plan
- Long term incentive plan
- Pension benefits
- Other benefits and severance terms and conditions

The annual base salary ("ABS") shall be fair and competitive in relation to the country or region, position and responsibility, expertise, experience and performance of employment of the relevant senior executive. The ABS represents compensation for

a committed work contribution at a high professional level. Salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognise individual performance.

Variable compensation shall be measured against pre-defined targets and have minimum eligible levels and maximums. Variable compensation shall relate both to financial performance targets and non-financial targets that benefit both short and long term Group strategic targets and shareholder value. The targets shall be specific, clear, measurable and time bound. The variable compensation may comprise two programs, i) a short term annual incentive plan ("STI") based on the performance of the Company and the member during each calendar year and ii) a long term share based incentive plan. The maximum STI entitlements shall be dependent on job position, and expertise and may amount up to a maximum of 75% of ABS (i.e. nine months ABS). The board of directors has decided that the CEO will not participate in the STI.

Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement shall, in addition to the target requirements set out above, be made for recruitment or retention purposes, are agreed on an individual basis, shall never exceed three times the ABS and shall be earned and/or paid out in instalments over a minimum period of two years. Old age pension and medical benefits shall be designed to reflect home-country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved. Other benefits may be provided on individual level or to the entire executive management. These benefits shall generally not constitute a material portion of total remuneration. The CEO and other members of the executive management do not have any pension contributions beyond defined contributions pension schemes.



The maximum notice period shall be twelve months if the Group and/or the senior executive takes the initiative. In individual cases, severance pay may be approved in addition to the notice periods. Severance pay may only be payable upon the Group's termination of the employment arrangement or where a senior executive gives notice as the result of an important change in the working situation, because of which he or she can no longer perform to standard. This may be the case in e.g. the event of a change in reporting line and/or job scope. Severance pay may be provided as a benefit to the individual through the continuation of the ABS for a period of up to twelve months following termination of the employment agreement; no other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or

independent activities. The board of directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

During the year 2017 there were no deviations from the remuneration guidelines adopted at the 2017 AGM.

For details of the remuneration of the CEO and senior executives for the year 2017 paid under the 2017 guidelines please see note 29 in the financial statements.

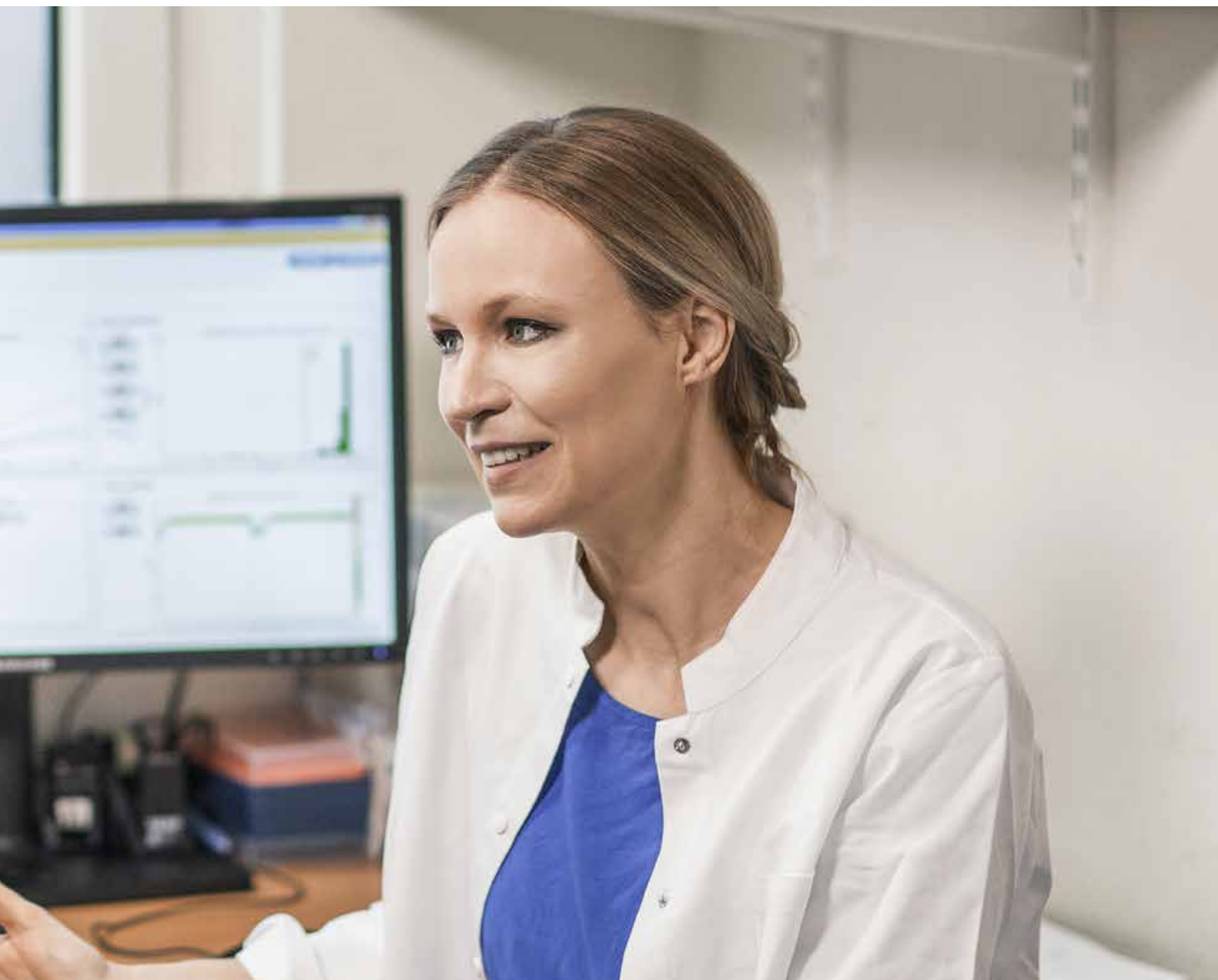
Research and development

Medicover has over many years developed its in house systems to support medical operations, driving effectiveness, safety and efficiency. These tools have driven higher satisfaction and retention. These systems are developed with Medicover's experienced software development teams and part of these costs are capitalised and amortised, amounting to €1.3 million in

2017 (2016 €1.1 million). In addition, Medicover develops novel tests and test protocols for laboratory tests, new approaches for delivery of medical services with a strong focus on electronic means and utilisation of data to improve medical effectiveness. All such development costs are expensed in the period incurred.

Parent company

The parent company, Medicover AB (publ) is the listed parent company of the Group with the CEO being employed by the parent company since 1 April 2017 in conjunction with director appointments in major operating entities. Revenue for the year 2017 was €0.1m and the net loss was €3.7 million. The parent company's assets consist of a participation in Group companies and loans to Group companies. The business is financed with equity contributed by the owners. Equity of the parent company at 31 December 2017 was €430.5 million.

**Financial targets**

Medicover's board of directors adopted the following medium-term financial targets:

Revenue

Annual revenue growth of 9–12% in constant currency.

This growth target refers to organic growth and does not take into account potential acquisitions or new ventures that would be on top of this.

Profitability

Annual EBITDA growth of 18–20% in constant currency and excluding acquisitions.

Capital structure

Interest-bearing net debt/EBITDA does not exceed 3.5x.

However, the indebtedness ratio may temporarily exceed the target level, for example in connection with acquisitions.

Dividend policy

There will be no dividend payable to shareholders in 2017 or 2018, but from 2019 onwards, the board of directors will consider an annual dividend of up to 30% of net profits. The proposed dividend will take into account Medicover's long-term development opportunities and its financial position.

Proposed distribution of earnings

For the 2017 financial year the board has proposed to the annual general meeting that no dividend will be distributed, in line with the dividend policy. More information note 11, page 99.

RISK AND RISK MANAGEMENT

Medicover's business and operations are exposed to risks that could impact its operations, performance or financial position. Management of these risks is a key issue for Medicover to execute its strategy and reach financial targets. Medicover sets out to manage

those risks that are controllable, through identification, assessment and controls and for those that are not controllable to monitor and mitigate as reasonably possible.

Risks relating to the industry and the market

Risk area	Risk management/mitigation
External factors	
<i>Market risk</i>	
<p>Medicover largely operates in privately paid markets where individuals or companies are voluntarily paying for health services provided. As such economic factors are an important driver for demand and pricing of services. Medicover is dependent on the employment market in its Healthcare Services segment, where employer funded healthcare packages are the largest source of revenue. A strong employment market and growing economies support employment and retention benefits such as healthcare packages. Also strong economics support increasing disposable income and ability to afford to pay for health care services.</p> <p>Medicover has competitors that also provide the services that it offers in most of its markets. In order to be competitive Medicover must ensure its offering is competitive and valued both by those paying for the services and those using the services.</p>	<p>Medicover has for over 20 years grown against an economic background of cycles of strong growth and retrenchment. Medicover has developed its ability to remain flexible to manage such cycles through its relative size and resulting scale. This is part based on Medicover's approach to maintain affordability for its services to match the local market's ability to pay for services. The services are to a large degree personal services of medical professionals providing services and thereby creating a natural matching to local affordability. Economic crises also have a tendency to impact central funding for publicly paid healthcare which leads to more people being forced to find healthcare treatment from private providers tending to mitigate the impacts of economic downturns on Medicover.</p> <p>Having a geographical spread between several markets, both those characterised as developing and mature also mitigates to offset the impacts of any one country's economic problems.</p> <p>Medicover has for over 20 years been constantly improving its operations and effectiveness, systems and insights and very importantly its scale. Scale is an important factor in being able to provide services cost effectively to customers and meet their expectations. By having a focus on service to customers, meeting their needs and ensuring good working conditions Medicover is able to maintain its offering as competitive in the market and valued by its customers and payers.</p>
<i>Political risks</i>	
<p>Medicover operates across several countries and is exposed in each of these markets to political risks as to reimbursement structures and tariffs, legislative frameworks and enforcement of contracts and permits, corruption, weak institutions and conflicts. These factors may make it difficult to operate, delay investments, increase costs and impact financial returns and business stability.</p> <p>Healthcare provision is susceptible to ideological political actions and change of public funding arrangements, particularly viewed through the objective of state provision versus privately owned providers. Regulations are often not applied evenly, with state/public providers not being subject to or not complying with legislation, whilst private providers are obliged to comply.</p>	<p>Medicover's diversification across several countries and within those countries in several areas of healthcare services mitigates to a degree individual country actions. Medicover has a history of focus on private funded sources for its activities and in markets characterised as less developed to move that focus to avoid public funded services. This has ensured the robustness of Medicover's business even in periods of strong economic shocks and country crises such as that in Ukraine in 2014.</p> <p>Medicover has had since its inception a focus on business ethics and a culture of complete compliance with laws and regulations. Medicover's Code of Conduct Policy across the group was first launched in 2006, and is supplemented by our Anti Bribery Policy. This has increased Medicover's resilience towards weak institutions and poor legal frameworks, enabling Medicover to operate effectively despite external pressures. Healthcare is also an area which fortunately is not seen as a target area for interference from officials resulting in a less exposed business area. Sometimes Medicover's compliance attitude creates higher cost than competitors in certain markets but this is seen as part of the Medicover culture. These disadvantages are mitigated by professionalism, commitment and education and bring long term advantages, such as respect and integrity to the work place and customer loyalty.</p> <p>In certain markets to mitigate the risks of weak institutions Medicover has a higher investment cost to reduce reliance on third parties, such as owning key properties rather than leasing.</p>
<i>Legislation and regulation risks</i>	
<p>Medicover operates in markets which are regulated and therefore affected by laws, regulations and governmental interpretations and practices which might entail higher costs and constraints on growth. Medicover must comply with, and is affected by, laws and regulations relating to, among other things, access to healthcare and diagnostic services, the quality of such services, qualifications of and requirements on employees and other medical staff members, financing of healthcare and diagnostic services, environment, disposal of clinical waste, pricing and operating guidelines.</p>	<p>Medicover has from the very start of its business operated with the principles of complete compliance with legislation, which after over 20 years of operations has instilled a culture which helps to perpetuate this approach.</p> <p>Becoming an important reference for quality standards and an employer engaged with and respected by the medical community also helps to mitigate risks. In relation to changes in legislation Medicover is an active voice in discussions on areas of new legislation. This is helped by scale within certain markets.</p>

Risk area**Risk management/mitigation***Reputational risk*

Reputational risk is the risk that Medcover's reputation will be damaged among customers or the general public. Activities of health care providers both public and private are covered by the media, whose coverage from time to time may be extensive. Media interest and coverage of Medcover increases as the company grows which can be positive or negative. Negative criticism can have consequences that are more serious than what is justified under the circumstances. Negative publicity concerning Medcover, one of our competitors, or the industry as a whole may have a negative impact on Medcover's reputation directly or indirectly. This may reduce trust of our customers in our services and propensity to maintain contracts or buy services.

Medcover takes an approach to providing safe healthcare that is based on ensuring availability of tools to reduce risk of medical errors, an environment that is transparent and where patients and families are respected. The quality of the staff and their desire to improve and provide safe medicine is an important factor in our staff selection and ongoing relationships. Examples of these practices are our systems based approach to monitoring drug prescriptions to reduce the risks of incorrect prescriptions which was an investment decision justified by increased safety. These approaches are important tools for reducing the risk of rumours and negative publicity as well as demonstrating to our customers our commitment to their health and well-being.

*Internal factors**Staff availability*

Medcover is growing at a fast rate, as more customers wish to access Medcover's network and services. This imposes on Medcover a requirement to expand its facilities and most importantly its staffing levels for services provided directly by medical staff. It is important for Medcover to be able to recruit and retain qualified and well educated staff, such as physicians, nurses, technicians and other healthcare and diagnostic professionals as well as administrative employees and there is a risk that the Group, in some geographies, could suffer from a lack of supply of suitable staff due to reduced funding for education, emigration of skilled and well-educated staff and competition for the available staff with other private and state providers. This may also increase inflation for medical staff costs above general inflation and create pressure on margins where costs cannot be compensated through pricing.

Moreover, Medcover is dependent on certain key individuals in the Group's executive management. Medcover's ability to recruit and retain qualified senior executives is important for Medcover's capability to effectively govern its operations, offer high quality healthcare and diagnostic services and its ability to maintain and obtain relevant permits and licenses for its operations. There is a risk that the Group's senior executives will not perform in accordance with customers' expectations and the quality standards set by the Group. If Medcover is unable to retain a qualified senior management team, this could result in a poorer development and outlook for the Group.

Medcover strives to be a workplace where medical and other staff feel respected and recognised and as a place where they can meet their professional aspirations. This is achieved through investment in systems to facilitate work, continuing education and development and peer based networks providing support and advice. This is combined with market based remuneration levels and a reputation as a respected employer. This may not be sufficient on its own to secure staff and Medcover has taken initiatives in recent years to be a training and development centre for medical staff, with programmes such as a nurse teaching programme in Warsaw now in its 7th year having produced 331 graduate nurses and most recently a collaboration with Dresden University to qualify doctors as endocrinologist specialists and thereby boost doctors in Medcover.

In respect of the Group's executive management Medcover has an approach to pay staff at appropriate market levels and furthermore has a long term incentive plan to assist in motivating executive staff to remain with the Group over a longer period of time.

Information systems

One of the strengths of Medcover is its own developed systems to manage patient interactions, records and processes. These highly specialised in-house developed systems are complemented by, and where appropriate interfaced with various commercially supplied information systems. Medcover's ability to leverage this combination of proprietary and commercial systems has been an important driver for Medcover's ability to meet customer's expectations and manage the costs of delivery of those services. This does mean however that Medcover is dependent on the Group's information systems and platforms and related processes running seamlessly and without interruption. There is a risk that the Group's systems may suffer interruptions or disturbances as a result of for example hacker attacks, infringements, computer viruses, bugs, network failures or human factors, resulting in unavailability, disruption or in sensitive patient information becoming public or accessible for non-authorised persons. The patients concerned could suffer significantly if confidentiality was to be compromised. Any improper functioning of the Group's information systems may prevent the Group's staff to carry out medical services, entail the loss or corruption of data, including patient data, or generally cause disruptions to the Group's activities. With the introduction of new regulations on data privacy across the European Union the impact of regulatory fines will increase for breaches of law.

Medcover manages these risks through dedicating resources to build redundancy and robustness to its systems with a high focus on security and protection against external and internal threats. This approach is Group wide, however wherever there is an increased reliance upon centralised systems the degree of attention and resources dedicated to management of these risks is increased. Regular testing and auditing of systems and processes are conducted to manage threats. Dedicated physical infrastructure is made available for providing central services complemented with offsite remote facilities. Policies and procedures covering the whole Group are maintained centrally. The Group regularly upgrades and invests in its information systems equipment and software solutions to maintain an environment that is able to resist new and developing threats. However strong such preventative measures may be, there is always a risk that failures may still occur and back-up procedures and failure protocols have been developed to mitigate the impact of any such outages or failures.

In house software is developed by dedicated staff teams following and operating under best practise standards with extensive testing and quality control procedures. Medcover has over 20 years of experience in developing and deploying its in house solutions. Medcover has always taken a very strict approach to data privacy and protection and so was well placed to react to the new EU legislation. A programme has been running for over a year to address this new legislation on data privacy across the European Union and has now been deployed to address all legislative changes.

Permits and property

Much of Medcover's operations are governed by specific laws that may impose regulations on physical structures, equipment, staffing and operations. In some countries operational permits or restrictions may apply as to what services can be provided and in which areas or other geographical limitations may apply. These rules and laws may change which could imply additional costs or require write downs to carrying values of permits or licenses that have been acquired. For new locations, extensions or moving facilities permits may impose requirements not adding any value or indeed imposing outdated and inefficient work practises, which may increase operating costs. Granting of permissions or licences may be delayed or take excessive time, leading to increased costs of investment. In certain cases, for key facilities, revocation or cancelling of permits could significantly impair operations.

Medcover is dependent to fulfil its growth to add new facilities and locations and often relies on leasing premises from third parties, either fitted out to its specifications or as bare space to be adapted to Medcover's needs. There is a risk that suitable space is not available at the price that Medcover is seeking or in the locations needed. This could hamper Medcover's expansion plans.

Medcover is diversified across several geographies and within those geographies is usually present across many sites. As most permitting in the markets where Medcover operates is location by location this diversifies the risks of any individual permit being invalidated or cancelled. Furthermore, Medcover has been operating for many years in most of its markets and has a large experience in effectively monitoring and ensuring compliance with all permit and statutory obligations for operating medical facilities. In the larger markets dedicated teams are supporting these activities particularly in respect of expansion and new or moved locations. This builds a robust structure for managing premises from all aspects including permits, project management, sourcing and negotiations. Expansion in new locations is actively managed with multiyear projections of space requirements to enable prime locations to be secured and provide real options for expansion sites.

Risk area**Risk management/mitigation***Acquisition execution*

Growth through acquisitions, large as well as small, is part of Medicovert's strategy. This entails a risk that Medicovert will not identify suitable acquisition targets, that Medicovert will not successfully negotiate acceptable terms, or be able to finance the acquisitions. Growth through acquisition also entails risks that Medicovert will be exposed to unknown obligations in the acquired company or that the costs of acquisition will be higher than expected. In addition, acquisitions of less profitable businesses may have a negative impact on Medicovert's margins and there is a risk that it might not be possible to integrate the acquired operations as planned, thus incurring higher costs than projected or not achieving synergies projected in full or within projected times.

Medicovert has central oversight over all acquisition processes and experienced support resources in executing acquisitions and post-acquisition integration. The companies and units acquired operate in well-known areas. Medicovert executes reviews of areas of the business operations (including customers and suppliers), financials, staffing and legal situation when performing acquisitions. It assesses risks and may negotiate guarantees and retain payments to protect against unknown or quantified risks. In many cases Medicovert mitigates risk by linking the acquisition price to future development and performance of the target acquired. Medicovert has established and implemented a structured acquisition process that requires analysis, documentation and sufficient approval prior to each acquisition. In addition, Medicovert establishes a detailed integration plan in connection with the acquisition decision whereby the risk of increased costs related to integration is measured and managed.

Exchange rate risk

The Group operates across several countries with its major operations in Poland, Germany, Romania and Ukraine. It operates in each country predominately in its local currency. This exposes the Group to the risk of unfavourable movements in exchange rates with the currency risk being classified as:

Transaction risk, arising from transactions being conducted by entities in currencies other than their currency;
Balance sheet translation risk being the risk of the net investment exposure to foreign currency subsidiaries;
Profit and loss translation risk being the risk that the profit of foreign subsidiaries when translated to euros is reduced.

The Group's activities predominantly operate in local currencies, with exceptions in relation to some costs for imported materials denominated in foreign currency in the Diagnostic Services segment and some premises leases in foreign currency, predominantly the Euro. This reduces significantly for the Group the foreign currency transaction risk and is manageable even in extreme situations such as the sharp devaluation of the Ukraine currency in 2015. The Group does not hedge these exposures.

The Group's net investment into subsidiaries in foreign currencies is exposed to translation risk for the balance sheet, and a reduction of the value of local currencies to the Euro could impact the net equity of the Group. The Group views that the ability to earn income and the ability to increase prices in line or above inflation within the relevant markets compensates over time for such devaluations and although an immediate impact or reduction in operating cash-flows can be felt, over a period of 12 to 24 months these effects are compensated through the relatively fast flow through of import cost inflation. With this in mind Medicovert's policy is not to actively hedge the net investment position in our local operations. For more information on foreign currency exposures see note 24.

Credit risk

Credit risk is the risk that trade receivables are not paid or assets held by counterparties are not paid or recoverable.

Customers' compliance with agreed credit terms are monitored closely. A wide diversification of customers reduces the relative size of any individual customer's balances outstanding at any point in time. Where concentration does exist is with government or quasi government institutions which are either guaranteed by the state or have an implied state guarantee. This reduces the risk of irrecoverable amounts impacting the Group significantly.

Counterparties with whom assets are deposits or loaned, such as banks or custodians are monitored for credit worthiness and ratings.

Interest rate risk

This is the risk that an increase or a decrease in general interest rates could adversely impact the Group.

Currently the group does not have any significant borrowings or assets earning interest, which reduces the Group's direct exposure to interest rate movements. Medicovert monitors interest rate projections with a view to decision-making as to investments and acquisitions and how these would be financed in the future.

Liquidity and financing risk

Liquidity risk relates to the ability to pay obligations as they become due, and financing risk relates to the ability to refinance loans or other debt as it matures.

Medicovert is in a position where it does not have significant liabilities coming due in any concentration due to its low debt levels. The Group has a central revolving credit facility of €200 million with a maximum maturity up until May 2022. The Group is cash generative at an operating cash flow level and has central control over investment activity. This provides a large degree of control over managing cash flows in the short term. This enables the Group to match its investment plans to available financing resources.



CORPORATE GOVERNANCE REPORT

Background

Medicover AB (publ) is a public limited liability company, whose class B shares are traded on Nasdaq Stockholm.

Until February 2017, the parent company of the group was Medicover Holding S.A., a Luxembourg registered company. Medicover AB (publ) was registered with the Swedish Companies Registration Office (Sw: Bolagsverket) in August 2016 and acquired as an off-the-shelf company for the purpose of becoming the new parent company of the Group, as a step in the preparation for the planned listing on Nasdaq Stockholm. Hence, in February 2017, Medicover AB (publ) was incorporated in the Group structure as new parent company of the Group through a share for share exchange (1:1), in which all existing shareholders in Medicover Holding S.A. were offered to exchange their shares for shares in Medicover AB (publ). On 23 May 2017, the class B shares in Medicover AB (publ) were introduced on Nasdaq Stockholm. At year end 2017 Medicover Holding S.A. was a wholly owned subsidiary of Medicover AB (publ). The consolidated financial information in the annual report is a continuation of the Group under the new parent company.

Corporate governance

The external framework for Medicover's corporate governance includes the Swedish Companies Act, the Swedish Annual Accounts Act and, since it was listed on Nasdaq Stockholm, the Nasdaq Stockholm's Rules for Issuers and the Swedish Corporate Governance Code (the "Code"). The Code is based on the principle of 'comply or explain'. This means that companies which apply the Code may deviate from certain individual rules but are required to provide an explanation of the reasons for each such deviation. Medicover deviates from the Code in one respect (point 2.4), which is that the chairman of the board is also chairman of the nominating committee. This deviation is explained below under "The Nominating Committee". The current version of the Code is available on the Swedish Corporate Governance Board's website: www.bolagsstyrning.se.

Internal regulations that effect the governance environment are the articles of association, rules of procedure for the board, rules of procedure for and instructions to the audit committee and the remuneration committee, instructions to the CEO and various other policy documents.

Shares and votes

Medicover AB (publ) has 133,335,195 shares, consisting of 81,348,161 class A shares and 51,987,034 class B shares. Medicover's class B shares have been listed on Nasdaq Stockholm since 23 May 2017. Each class A share represents one vote, and each class B share represents one tenth of a vote. Except for these differences, there is no difference between the class A shares and the class B shares.

Shareholders

The largest shareholder is Celox Holding AB with 47,157,365 class A shares, equivalent to 35.4% of the shares and share capital and 54.5% of the votes. For additional information on the share and owners, see pages 38–39 and Medicover's website www.medicover.com.

Authorisations – approved by the 2017 annual general meeting ("2017 AGM")

At the 2017 AGM, two resolutions were passed authorising the board to issue shares:

- Authorisation for the board to, on one or several occasions, increase the Company's share capital by issuing new shares of class B. Such share issue resolution may be made with or without deviation from the shareholders preferential rights and with or without provisions for contribution in kind, set-off or other conditions. The authorisation may only be utilised to the extent that it corresponds to a dilution of not more than 10% of the total number of shares outstanding at the time of the 2017 AGM, after full exercise of the authorisation. The purpose of the authorisation is to increase the financial flexibility of the company and the acting scope of the board. If the board resolves on an issue in deviation from the share-

holders' preferential rights, the reason for this must be to provide the company with new owners of strategic importance to the company or in connection with an acquisition agreement, or, alternatively, to procure capital for such acquisition. In case of such deviation from the shareholders' preferential rights, the new share issue shall be made at market terms and conditions.

- Authorisation for the board to resolve, at one or several occasions, on a directed share issue in connection with the listing of the company's shares of class B on Nasdaq Stockholm, however provided that any such issue must not result in the company's share capital exceeding the company's maximum allowed share capital as set out in the articles of association as adopted from time to time.

The above authorisations are valid until the next annual general meeting.

General meetings

The general meeting is Medicover's highest decision-making body, at which Medicover's shareholders are entitled to exercise their right to vote at annual general meetings ("AGM") and extraordinary general meetings ("EGM") in accordance with the Swedish Companies Act.

Notice of general meetings shall be published in the Swedish Official Gazette and on the Company's website, within such time as set forth in the Swedish Companies Act. It shall be announced in Svenska Dagbladet that a notice has been issued.

Shareholders who are unable to attend in person may be represented by an authorised proxy. Only shareholders who are listed in the share register and that have notified the Company of their intention to attend before the deadline stipulated in the convening notice are entitled to participate at the general meeting and vote for their shares.

Information from Medicover's most recent AGMs and EGMs held after the IPO can be found in the corporate governance section of Medicover's website www.medicover.com. There is also information on the

shareholders' right to have matters addressed at meetings and the date by which Medcover must receive shareholder requests to ensure the matter is included in the notice to attend the meeting.

The AGM is the name of the annual shareholders' meeting at which the annual report is presented. Among other matters, the company's board of directors and the chairman of the board are elected at the AGM. The AGM also appoints the company's auditors. The AGM must be held within 6 months of the end of the financial year. The meeting date and venue is announced on Medcover's website no later than in connection with the publication of the third quarter interim report.

At the AGM the shareholders have an opportunity to ask questions about the Group's operations. Members of the board are present to respond to shareholder questions. The auditor will also attend the AGM.

2017 AGM

The 2017 AGM took place on 10 March 2017 in Stockholm. All votes and shares were present or represented at the meeting, either in person or by proxy. It should be noted that at the time of the 2017 AGM shares in the Company were not yet listed at Nasdaq Stockholm. The following main resolutions were passed:

- Adoption of annual report, allocation of the result and discharge from liability

with respect to the board members and the CEO

- Remuneration to the board members and the auditor
- Re-election of the members of the board and the auditor
- Authorisation for the board to issue shares (see previous page)
- Authorisation for the board to issue shares in connection with listing (see previous page)
- Adoption of guidelines on remuneration to senior management
- Adoption of principles for appointment of a nomination committee
- Change of Company category and adoption of new articles of association
- Split of the Company's shares.

2017 EGMs

Two EGMs took place in 2017; one on 2 February 2017 and one on 31 March 2017. At the time of these 2017 EGMs, shares in the Company were not yet listed at Nasdaq Stockholm. All votes and shares were present or represented, either in person or by proxy, at those EGMs.

At the 2 February 2017 EGM the main resolutions passed were adoption of new articles of association, issuance of shares against payment in kind linked to the share-for-share exchange mentioned in section Background above (i.e. payment by shares for shares in the Company with shares in

Medcover Holding S.A.) and the appointment of Fredrik Stenmo as chairman of the board and the appointment of Jonas af Jochnick as vice chairman of the board.

At the 31 March 2017 EGM, the main resolutions passed were the adoption of amended articles of association providing for the possibility to issue class C shares and the adoption of a long term performance-based share program. For further information on the long term performance-based share program, see note 30 page 88.

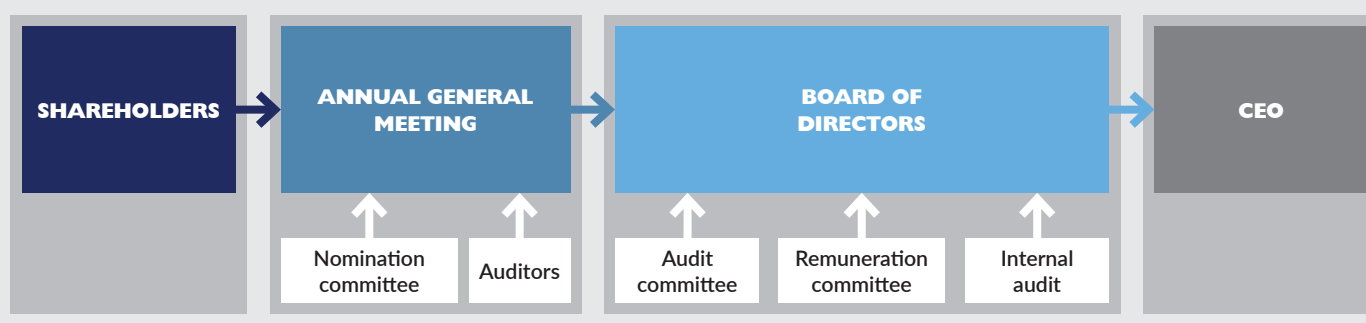
2018 AGM

Medcover's 2018 AGM will take place on Thursday 26 April 2018 at Grev Turegatan 30 (GT30) in Stockholm. Shareholders wishing to have a matter addressed by the AGM must submit a request in writing to the board well in advance of the AGM. More information is available on Medcover's website www.medcover.com.

Articles of association

Medcover's articles of association provide for the possibility to issue three classes of shares (class A shares, class B shares and class C shares) and contain a conversion clause based on which class A shares and class C shares may be converted to class B shares. The class C shares do not carry any right to a dividend and each share represents – just as each class B share – one tenth of a vote.

Governance model



Medicover's articles of association do not contain any limitations in terms of the number of votes each shareholder may exercise at general meetings or any specific provisions on the appointment and dismissal of board members or on amendments to the articles of association.

Nomination committee

The 2017 AGM resolved that the nomination committee will consist of the chairman of the board and one representative of each of the three largest shareholders. According to the principles for appointment of a nomination committee adopted at the 2017 AGM, the representative of the largest shareholder shall be appointed as chairman of the nomination committee, unless the nomination committee unanimously appoints another member. If any of the largest three shareholders renounces its right to appoint one representative to the nomination committee, such right shall transfer to the shareholder who then in turn, after these three, is the largest shareholder in the Company. The chairman of the board, Fredrik Stenmo, being appointed to chairman of the nomination committee is a deviation from the Code. The reason for the deviation is that it seems natural that a representative of the largest shareholder in terms of votes and capital should chair the nomination committee as the shareholder also has a decisive influence on the composition of the nomination committee through its voting majority at shareholder's meetings.

The nomination committee fulfils the duties falling upon it according to the Code. Without any limitation of the foregoing, this includes preparing and submitting for the AGM:

- motivated proposals regarding a) the number of members of the board, b) election of a chairman and other members of the board; c) fees and other remuneration for each of the chairman and the other members of the board as well as remuneration for committee work;
- with the support of the Company's audit committee, a proposal regarding the

election of and remuneration to the external auditor;

- a proposal regarding the chairman of the annual general meeting; and
- a proposal for the principles for appointment of the nomination committee.

As announced in a press release on 23 October 2017, the current nomination committee consists of:

- Fredrik Stenmo (chairman of the board and the nomination committee), representing the af Jochnick family's total shareholding
- Per Colleen, Fjärde AP-Fonden
- Gunnar Blix, Tredje AP-Fonden.

Nomination committee's work in preparation for 2018 AGM

The nomination committee has held one meeting in 2017 and two in 2018 (one of which per capsulam) and has in addition to the meetings had contact by email and phone. The work has been conducted in a good and friendly spirit of broad consensus. The chairman of the board has provided the nomination committee with information on the board and board committee work during the year. The chairman of the board has also accounted for the board evaluation performed. The committee has discussed the board's composition, addressing the existing and possible future requirements with respect to new experience and expertise. The nomination committee suggests no changes to the board's composition. Special attention has been paid to the importance of diversity and gender balance when preparing the proposal on board members for the 2018 AGM, and the nomination committee has applied point 4.1 of the Code as diversity policy when preparing the proposal. Medicover's board consists of 22% women and the nomination committee's ambition is to strive to reach a more equal gender distribution in the board over time. The committee has concluded that a majority of the proposed board members are independent in relation to the Company, its management and the Company's major shareholders. Furthermore, when making its proposal regarding the appoint-

ment of the external auditor, the recommendation from the audit committee has been taken into account.

For further information about the nomination committee's work, please refer to Medicover's website www.medicover.com.

The shareholders have had the possibility to submit proposals to the nomination committee. The nomination committee's proposal to the 2018 AGM are presented in the convening notice to the AGM on Medicover's website www.medicover.com. The AGM will be held on 26 April 2018, see page 109.

Board of directors

The board's overall task is to manage the Company's affairs in the interests of the Company and all shareholders, and the board shall ensure that the organisation of the Company is structured so that the accounting, management of funds and the Company's overall financial situation is controlled in a satisfactory way. The board shall carry out its work in accordance with applicable EU rules and legislation, the Swedish Companies Act and other Swedish legislation, the Company's articles of association, the rules of procedure for the board and other policies, Nasdaq Stockholm's Rulebook for Issuers, the Code as well as any other applicable guidelines and directives. The chairman of the board shall ensure that the work of the board is evaluated annually by a systematic and structured process in accordance with the Code.

The board appoints, and if necessary dismisses, the CEO, who is responsible for day-to-day operations based on guidelines and instructions prepared by the board. The CEO informs the board regularly about events of significance for Medicover, including information on the Company's progress and the group's earnings, financial position and liquidity.

The board shall supervise the performance of the Group and ensure that the CEO fulfils the imposed obligations. The distribution of responsibilities between the board and the CEO is set out in the instructions for the CEO.

Composition of the board

According to Medicover's articles of association, the board should (to the extent elected by the general meeting) consist of at least three and no more than twelve members.

Medicover's board consists of nine members elected by the AGM, including the chairman of the board. All nine board members were re-elected at the 2017 AGM; Fredrik Stenmo (chairman), Jonas af Jochnick (vice chairman), Peder af Jochnick, Robert af Jochnick, Arno Bohn, Sonali Chandmal, Michael Flemming, Margareta Nordenvall and Fredrik Rågmark (CEO). Information about remuneration for board members resolved upon at the 2017 AGM is available in note 29. The independence status of each board member is indicated on pages 56–57.

The board's rules of procedure and written instructions

Annually, at the inaugural board meeting the board reviews and adopts the rules of procedure for the board, instructions for the CEO and instructions for financial reporting.

The chairman of the board

The chairman of the board shall ensure that the work of the board is carried out efficiently and that the board fulfils its commitments. In addition to directing and organising the work of the board in order to provide the best possible conditions and to lead board meetings, the chairman shall keep himself/herself informed of the group's operations and development through regular contact with the CEO. The chairman must regularly confer with the CEO on any strategic issues and represent the Company in matters related to the ownership structure. The chairman may also participate, when necessary in more important external contacts, as well as - in consultation with the CEO - in other, particularly important issues. The chairman shall in cooperation with the CEO secure that well adapted information is communicated to the board before board decisions are taken.

Structure of the board work

As outlined in the board's rules of procedure, the board will hold an inaugural meeting immediately after each AGM or, if so required, immediately after an EGM, and never less than six ordinary meetings in a year. The board may convene additional meetings when necessary or where requested by a board member or the CEO.

The ordinary meetings address established reporting and decision items. The CEO provides ongoing information about the company's progress. The board makes decisions on general matters such as strategic, structural and organisational issues as well as on large investments, acquisitions and divestments. The chairman is also actively involved in these issues in between board meetings. The company's auditor attends at least one board meeting per year.

Work of the board in 2017

In 2017, 25 board meetings were held. The large number of board meetings held in 2017 was primarily caused by the extensive information and decision making process leading up to the IPO and by the M&A activity of the Group, in addition to the usual reporting and decision items. The attendance of the board members at the board meetings is indicated in the table below.

Board work evaluation

The chairman of the board is responsible for evaluating the board's work. This includes gaining an understanding of the issues that

the board thinks warrant greater focus, as well as determining areas where additional competence is needed within the board and whether the board composition is appropriate. The evaluation also serves as guidance for the work of the nomination committee. During 2017 the board has evaluated its work through a so called self-assessment, and in the beginning of 2018 an external professional consultant firm was engaged to perform an independent evaluation of the board and the board's work based on several parameters. The result from these evaluations is that the board is performing well and that the board is well composed with good competencies.

Board committees

The board has appointed an audit committee and a remuneration committee. The committee members are selected from the board members for a one-year term in accordance with the principles stipulated in the Swedish Companies Act and the Code.

Audit committee

The audit committee has in 2017 consisted of three members, as indicated in the table below. The audit committee has the following main responsibilities:

- Preparations for the board's work on assuring the quality of the company's and the Group's accounting, financial reporting and internal control as well as financial risk and risk management.
- Monitoring and addressing issues concerning the efficiency of the Company's

Attendance	Board meeting	Audit committee	Remuneration committee	Board fees, €	Committee fees, €
Fredrik Stenmo, chairman	25/25	7/7	4/4	50,000	10,000
Jonas af Jochnick, vice chairman	24/25		4/4	30,000	5,000
Robert af Jochnick	22/25			30,000	
Peder af Jochnick	23/25			30,000	
Arno Bohn	24/25			30,000	
Sonali Chandmal	25/25			30,000	
Michael Flemming	23/25	7/7		30,000	10,000
Margareta Nordenvall	25/25	7/7		30,000	5,000
Fredrik Rågmark	25/25				

internal controls, regulatory compliance and risk management, in general as well as, in particular, in respect of the financial reporting.

- Monitoring and evaluating the work of auditor, and monitor the impartiality and independence of the auditor.
- Inform the board of the outcome of the auditors' audit and explaining how the audit contributed to the integrity of financial reporting and what the role of the committee was in that process.
- Assist in conjunction with preparation of, and recommend the nomination committee, proposals to the AGM's resolution regarding election of an auditor, including administering the selection procedure.
- Monitoring accounting developments in areas that may affect Medcover.

Effective as of 1 January 2018, the number of members of the audit committee has been increased to four members.

The committee held seven ordinary meetings in 2017 with particular emphasis on interim reports, audit reports, internal control and audit (internal and external). The attendance of the committee members is indicated in the table on page 53.

Remuneration committee

The remuneration committee consists of two members, as indicated in the table on page 53. The remuneration committee has the following main responsibilities:

- Preparing the board's decisions on issues concerning principles for remuneration, remuneration amounts and other terms of employment for the executive management.
- Monitoring and evaluating programs for variable remuneration, ongoing as well as such that have ended during the year, for the executive management.
- Monitoring and evaluating the application of the guidelines for remuneration to the executive management established by the AGM, as well as the current remuneration structures and remuneration levels within the company.

In 2017, the committee held four ordinary meetings focusing on remuneration policies within the Group, which included preparations and proposals for the long-term performance-based incentive program approved by the 31 March 2017 EGM. The attendance of the committee members is indicated in the table on page 53.

Executive management team

The Group's executive management team consists of nine members; in addition to the CEO, the team comprises the CFO, the Director Corporate Communication & IR, the CIO, the COO for the Diagnostic Services division, the COO for the Healthcare Services division, the CMO, the HR Director and the General Legal Counsel. See pages 58–59 for more information on the individuals in the executive management team. The executive management team holds meetings on a regular basis at which the main topics discussed are the Group's financial progress, projects in process and other strategic issues.

For principles, remuneration and other fees for the CEO, see note 29 pages 86–87.

Auditor

Medcover's auditor is the accounting firm BDO Sweden AB, with the authorised auditor Jörgen Lövgren as auditor-in-charge. BDO Sweden AB was re-appointed at the 2017 AGM for the period until the end of the next AGM.

Control environment

The internal control framework is governed by the Swedish Companies Act and the Code. Internal control is a process affected by the board of directors, the audit committee, the CEO, the executive management and other employees and which is intended to provide a reasonable assurance that the Company's objectives are met, with respect to effective and efficient operations, reliable reporting and compliance with applicable laws and regulations. Internal control with respect to financial reporting is an integral part of the overall internal control,

using for example such control activities as segregations of duties, reconciliations, approvals, safeguarding of assets and controls over information systems. Internal control over the financial reporting is intended to provide reasonable assurances regarding the reliability of external financial reporting in the form of quarterly and annual reports and financial statements as well as that external financial reporting is prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

The process for the Company's internal control is based on the control environment which establishes the character and provides the discipline and structure for the other four integral components of the process: risk assessment, control activities, information and communication, and monitoring.

Control activities, communication and monitoring

The board of directors has the overall responsibility for the Company's internal control. This is executed formally through written rules of procedure which define the board of directors' responsibilities and how the responsibilities are divided between board members, the board committees and the CEO. However, it is the control environment as established by the board of directors that is the key factor in the overall process. Written policies, guidelines and instructions, such as the Group's Information Security Policy, Business Code of Conduct and Internal Control Guidance are examples of the body of direction, guidance and support available to the managers and staff of the Group. The audit committee is responsible for increasing the quality and improving the supervision and control of the Company's internal control and risk management particularly on matters regarding compliance and financial reporting.

Risk assessment is a component of internal control and is expected to be part of business unit managers' activities and approach to internal control. Within the area of financial reporting and compliance,

managers identify risks and the potential impact and likelihood as part of the process of defining processes, roles, procedures and other internal control activities. For more information on the major risks and management see the risk section.

The managers of the Group's business divisions and units, together with their respective organisation, have a responsibility for internal control (including operational, compliance and financial monitoring). The Group has established common reporting standards across all entities of the Group, overseen by dedicated controlling finance personnel with monthly review against plans and budgets and monitoring of variances and unusual or unexpected amounts or exceptions. Combined with monthly and periodic management reviews by the CEO and operational managers within the business units this regular information and communication across the business and close monitoring is part of the process of assurance that the objectives set by the board of directors are achieved.

Communication of Medcover's internal control objectives and processes is assisted by a Group wide intranet and other communication channels. This is further supported by internal control education processes for managers run as a regular integral part of the internal audit activities as well as induction processes and compliance education under the Human Resources departments.

Internal audit

Medcover has established an internal audit function that is staffed with suitably qualified and experienced personnel. The head of internal audit is appointed by and reports to the audit committee who review and approve the resources dedicated to and the work and results of the function. The head of internal audit reports to the CFO for administrative issues.

The function has been in existence for many years gaining experience within the Group and thereby giving a deep understanding of the operational units, business model, systems and controls. This has been instrumental in driving efficiency of opera-

tions and understanding of internal controls throughout the operational management. Part of the work of the function is to conduct an annual self-assessment based review of the internal control environment of the major business units, validate and report the results to the audit committee. Combined with materiality aspects and historical outcomes of internal audit reviews this forms part of the basis of developing the annual internal audit program set by the audit committee.

The purpose of the internal audit function is to provide assurance to the Board that the internal control environment around the Company's objectives is effective, efficient, in compliance with laws and provides reliable financial reporting. An aspect of achieving these objectives is through education of management and staff in respect of internal controls. Regular training sessions are conducted whenever internal audit conducts field audits.

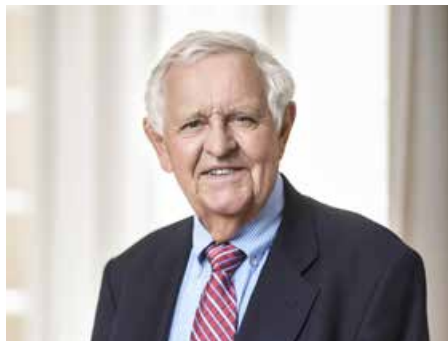
The objectives are achieved through reviews of business unit's major cycles, such as the sales cycle through to cash, procurement through to payment, payroll, reporting. These reviews look at management's identification of risks, development of policies, controls and procedures to address risks, application and efficiency of these controls and procedures through testing and eventually action plans to address deficiencies and follow up of those action plans.

BOARD OF DIRECTORS



FREDRIK STENMO

Chairman of the board since 2017.
Board member since 2005.
Member of the audit committee, the remuneration committee and nomination committee.
Born 1971.
Nationality: Swedish.
Education: Law Degree, Lund University. Business Administration, Lund School of Economics.
Other assignments: Chairman of the board of Oresa Ventures Limited. Board member of the Jonas and Christina af Jochnick Foundation, Celox Group Limited, and Celox Holding AB.
Professional experience: Partner at FSN Capital and earlier experience from Bank Boston Capital and SEB.
Independency in relation to major shareholders: No.
Independency in relation to the company and management: Yes.
Shareholding in the company¹⁾: 5,497,050 class A shares and 7,210 class B shares.



JONAS AF JOCHNICK

Vice chairman of the board since 2017.
Board member since 1997.
Member of the remuneration committee.
Born 1937.
Nationality: Swedish.
Education: Law Degree, Stockholm University and MBA, Harvard Business School.
Other assignments: Board member of the Jonas and Christina af Jochnick Foundation and Celox Holding AB.
Professional experience: Co-founder of Oriflame and Medcover.
Independency in relation to major shareholders: No.
Independency in relation to the company and management: Yes.
Shareholding in the company¹⁾: 4,470,020 class A shares and 25,000 class B shares.



ROBERT AF JOCHNICK

Board member since 2007.
Born 1940.
Nationality: Swedish.
Education: Graduate from Stockholm School of Economics and Law Degree, Stockholm University.
Other assignments: Chairman of the board of Credus Management AB, Mint Capital Ltd and Stichting af Jochnick Foundation (NL). Board member of Oriflame Holding AG and Goodcause Holding AB.
Professional experience: Co-founder of Oriflame and board member as of 1970.
Independency in relation to major shareholders: Yes.
Independency in relation to the company and management: Yes.
Shareholding in the company: 250,000 class A shares and 891,410 class B shares



PEDER AF JOCHNICK

Board member since 2012.
Born 1971.
Nationality: Swedish.
Education: Graduate from Lund School of Economics. Graduate of Royal Swedish Naval Academy and National Defence Staff College.
Other assignments: Chairman of the board of Scandinavian Risk Solutions AB, Grafair Flight Management AB, Grafair Bromma AB and Viceroy AB. Board member of Celox Holding AB.
Professional experience: CEO Scandinavian Risk Solutions, COO and Accountable Manager Air Express. Helicopter Pilot Scandinavian Air Ambulance.
Independency in relation to major shareholders: No.
Independency in relation to the company and management: Yes.
Shareholding in the company: 2,921,965 class A shares.



ARNO BOHN

Board member since 2001.
Born 1947.
Nationality: German.
Education: Executive ISMP, Harvard Business School.
Other assignments: Vice Chairman of the Supervisory Board of Hueck Folien GmbH. Member of the Supervisory Board of Market Logic Software AG. Board member of Segera Ltd.
Professional experience: Deputy CEO Nixdorf Computer AG, CEO Porsche AG, Corporate VP General Electric Co.
Independency in relation to major shareholders: Yes.
Independency in relation to the company and management: Yes.
Shareholding in the company: 122,640 class A shares and 160,000 class B shares.



SONALI CHANDMAL

Board member since 2017.
Audit committee member since January 2018.
Born 1968.
Nationality: Belgian, Indian.
Education: MBA Harvard Business School and, BA (economics) University of California (Berkeley).
Other assignments: Member of the Board of Trustees in The International School of Brussels. Partner at A Lamot & Company.
Professional experience: Bain & Company from 1997–2017.
Independency in relation to major shareholders: Yes.
Independency in relation to the company and management: Yes.
Shareholding in the company: 25,000 class B shares.

¹⁾ Including holding of closely related parties.

**MICHAEL FLEMMING**

Board member since 2015.

Member of the audit committee.

Born 1957.

Nationality: South African.

Education: Bachelor of Commerce, Bachelor of Law and B Proc; AMP, Harvard Business School.

Other assignments: Board member of Capio AB (publ) and True North Development Ltd.

Professional experience: Board member and CEO of Life Healthcare Ltd. Board member of Saanyati Holding Ltd.

Independency in relation to major shareholders: Yes.

Independency in relation to the company

and management: Yes.

Shareholding in the company: –

**MARGARETA NORDENVALL**

Board member since 2001.

Member of the audit committee.

Born 1954.

Nationality: Swedish

Education: MD, PhD, The Karolinska Institute and MBA, Sloan, Massachusetts Institute of Technology.

Other assignments: Board member of Swedish Parliament's Veterans.

Professional experience: CEO Sophiahemmet AB.

Board member of Feelgood AB and Focal Point AB.

Mando AB. Member of Swedish Parliament. Board

member of Swedish Medical Science Ethic Council and

National Institute of Public Health.

Independency in relation to major shareholders: Yes.

Independency in relation to the company

and management: Yes

Shareholding in the company: 78,830 class A shares.

**FREDRIK RÅGMARK**

CEO.

Board member since 1997.

Employed since 1996.

Born 1963.

Nationality: Swedish.

Education: Law Degree, Stockholm University and BA Economics, Stockholm School of Economics.

Other assignments: Several assignments within the company.

Professional experience: Managing Director Oresa Ventures, Business Development Manager, Oriflame Eastern Europe.

Independency in relation to major shareholders: Yes.

Independency in relation to the company

and management: No.

Shareholding in the company: 2,479,155 class B shares.

EXECUTIVE MANAGEMENT



FREDRIK RÅGMARM

CEO.

Board member since 1997.

Employed since 1996.

Born 1963.

Nationality: Swedish.

Education: Law Degree, Stockholm University and BA Economics, Stockholm School of Economics.

Other assignments: Several assignments within the company.

Professional experience: Managing Director Oresa Ventures, Business Development Manager, Oriflame Eastern Europe.

Shareholding in the company: 2,479,155 class B shares.



LISELOTTE BERGMARK¹⁾

HR Director.

Employed since 2018.

Born: 1966

Nationality: Swedish

Education: Bachelor and Master in Human Resources, University of Linköping.

Other assignments: Board member Aino Health since 2017.

Professional experience: Head of Group Human Resources at Dometic, Executive VP HR at Sanitec, VP Talent & Leadership Development at TeliaSonera, VP Management & Organizational Development at SCA, Head of Human Resources DHL Sweden, Global Management Development Manager, DHL Brussels.

Shareholding in the company: –

¹⁾ Will replace Catherine Crevesy in mid 2018.



JENNY BRANDT

General Legal Counsel.

Employed since 2010.

Born 1974.

Nationality: Swedish

Education: Master of Laws, Stockholm University and Master of Laws, Queen Mary & Westfield College, London.

Other assignments: –

Professional experience: Mannheimer Swartling Advokatbyrå and Stockholms tingsrätt.

Shareholding in the company: 2,500 class B shares.



BENEDIKT VON BRAUNMÜHL

COO, Diagnostic Services.

Employed since 2016.

Born 1968.

Nationality: German.

Education: Bachelor in Business Administration, Lorange Institute of Business in Zürich.

Other assignments: Chairman of the Supervisory Committee of PathoQuest.

Professional experience: Member of the advisory committee in PositivelD and Industry Advisor Healthcare Practice in Clairfield International. Member of the Executive Committee and Head of Global Commercial Operations at QIAGEN, VP Commercial Operations, Emerging Regions at QIAGEN, GM Italy at QIAGEN, VP Latin America at QIAGEN, Regional Director Latin America Novartis Vaccines & Diagnostics, Director Global Marketing Pediatric Vaccines at Chiron

Shareholding in the company: 10,000 class B shares.



ANTHONY CAMERON

CIO.

Employed since 2001.

Born 1959.

Nationality: Irish.

Education: MSc. Healthcare Informatics, University of Southampton, U.K.

Other assignments: Several assignments within the company.

Professional experience: Managing Director of UK based healthcare informatics consultancy company, National Health Service (UK).

Shareholding in the company: 418,595 class A shares and 20,000 class B shares.



JOE RYAN

CFO.

Employed since 1996.

Born 1965.

Nationality: Irish.

Education: BSc. and BEng., University of Manchester. Fellow of the Institute of Chartered Accountants of England and Wales (FCA). ACT Association of Corporate

Treasurer. Senior Executive Programme, London Business School.

Other assignments: Several assignments within the company.

Professional experience: UK. Chartered Accountant BDO Binder Hamlyn. Internal audit, Philip Morris Inc. Switzerland.

Shareholding in the company: 859,570 class A shares and 300,000 class B shares (own holding and through company).

**JOHN STUBBINGTON**

COO, Healthcare Services.

Employed since 2010.

Born 1968.

Nationality: British.

Education: Accelerated Development Programme, London Business School.

Other assignments: Several assignments within the company.

Professional experience: 18 years at BUPA within several positions whereof 9 years working globally for International Arm.

Shareholding in the company: 443,825 class A shares and 80,000 class B shares.

**PAULA TREUTIGER**

Director Corporate Communication & IR.

Employed since 2017.

Born 1967.

Nationality: Swedish.

Education: Bachelor of Science in Business Administration and Economics, Stockholm University.

Other assignments: –

Professional experience: Vice President Corporate Communications, IR & Sustainability for Meda AB (publ), Portfolio manager, Swedbank Robur, Vice President Corporate Communication Gambro AB (publ)

Shareholding in the company: 4,000 class B shares.

**Dr. ANDREW VALLANCE-OWEN**

CMO.

Employed since 2017.

Born 1951.

Nationality: British.

Education: MBE, DUniv (B'ham), MBA, FRCS Ed.

Other assignments: Senior Independent Director at the Royal Brompton and Harefield NHS Foundation Trust. Chair of UK's Private Healthcare Information Network and Chair of the Scientific Advisory Board of 'iamYiam'

Professional experience: Chief Medical Officer and Medical Director, Bupa, Chair of UKTI's Healthcare Business Group and Specialist Medical Advisor to Healthcare UK

Shareholding in the company: –



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Consolidated income statement

For the years ended 31 December, €m	Note	2017	2016
Revenue	3	580.2	497.3
Operating expenses			
Medical provision costs	5	-438.2	-377.3
Gross profit		142.0	120.0
Distribution, selling and marketing costs	5	-28.5	-25.0
Administrative costs	5	-84.7	-77.4
Operating profit		28.8	17.6
Other income/(costs)	21	2.9	0.2
Interest income		0.2	0.1
Interest expense	7	-4.9	-4.6
Other financial income/(expense)		0.8	-1.1
Total financial result		-3.9	-5.6
Share of profit of associates		0.2	0.1
Profit before income tax		28.0	12.3
Income tax	8	-7.8	-5.8
Profit for the year		20.2	6.5
Profit attributable to:			
Owners of the parent		18.7	4.3
Non-controlling interests		1.5	2.2
Profit for the year		20.2	6.5
Earnings per share (EPS) attributable to parent:			
Basic, €	27	0.157	0.046
Diluted, €	27	0.157	0.045

Consolidated statement of comprehensive income

For the years ended 31 December, €m	2017	2016
Profit for the year	20.2	6.5
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	-1.0	-2.4
Income tax relating to these items	-0.2	0.1
Other comprehensive income for the year, net of tax	-1.2	-2.3
Total comprehensive income for the year	19.0	4.2
Total comprehensive income attributable to:		
Owners of the parent	17.2	2.0
Non-controlling interests	1.8	2.2
	19.0	4.2

Consolidated statement of financial position

€m	Note	2017	2016
ASSETS			
Non-current assets			
Goodwill	9	126.8	118.6
Other intangible fixed assets	9	36.4	31.6
Tangible fixed assets	10	148.9	141.8
Total fixed assets		312.1	292.0
Deferred tax assets	8	3.7	3.7
Investment in associates	12	22.1	1.0
Other financial assets	21	5.2	1.3
Total non-current assets		343.1	298.0
Current assets			
Inventories	14	30.7	25.8
Other financial assets	21	2.1	-
Trade and other receivables	15, 21	82.5	77.3
Cash and cash equivalents	21	45.4	18.4
Total current assets		160.7	121.5
Total assets		503.8	419.5
SHAREHOLDERS' EQUITY			
Issued capital and reserves attributable to owners of the parent	26	300.3	92.7
Non-controlling interests		3.7	6.1
Total shareholders' equity		304.0	98.8
LIABILITIES			
Non-current liabilities			
Loans payable	19, 20, 21	52.9	195.4
Deferred tax liabilities	8	22.8	23.4
Provisions		0.4	0.4
Other financial liabilities	21	23.6	16.6
Other non-current liabilities	18	4.7	-
Total non-current liabilities		104.4	235.8
Current liabilities			
Loans payable	19, 20, 21	4.3	15.3
Provision for unearned premiums/deferred revenue	17	12.3	6.7
Corporate tax payable		6.8	4.4
Other current financial liabilities	21	4.9	1.3
Trade and other payables	16, 21	67.1	57.2
Total current liabilities		95.4	84.9
Total liabilities		199.8	320.7
Total shareholders' equity and liabilities		503.8	419.5

Consolidated statement of changes in equity

€m	Share capital	Reserve for own shares	Additional paid in capital	Accumulated profit & loss reserve	Non-controlling interests put-option reserve	Other reserves	Translation reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
Opening balance as at 1 January 2016	106.3	-0.1	46.5	-37.4	-10.0	2.3	-18.4	89.2	4.0	93.2
Profit for the year	-	-	-	4.3	-	-	-	4.3	2.2	6.5
Other comprehensive income	-	-	-	-	-	0.1	-2.4	-2.3	-	-2.3
Total comprehensive income for the year	-	-	-	4.3	-	0.1	-2.4	2.0	2.2	4.2
Transactions with owners in their capacity as owners:										
Share issue	2.7	-	-	-	-	-	-	2.7	-	2.7
Movement on reserves for own shares	-	0.1	-0.1	-	-	-	-	-	-	-
Non-controlling interests put-option reserve	-	-	-	-	-3.0	-	-	-3.0	-2.1	-5.1
Non-controlling interests on business combinations	-	-	-	-	-	-	-	-	2.0	2.0
Employee share-based compensation costs	-	-	-	-	-	1.8	-	1.8	-	1.8
Reclassification on issuance of shares to employees	-	-	-	3.8	-	-3.8	-	-	-	-
Total transactions with owners in their capacity as owners	2.7	0.1	-0.1	3.8	-3.0	-2.0	-	1.5	-0.1	1.4
Closing balance as at 31 December 2016	109.0	-	46.4	-29.3	-13.0	0.4	-20.8	92.7	6.1	98.8
Profit for the year	-	-	-	18.7	-	-	-	18.7	1.5	20.2
Other comprehensive income	-	-	-	-	-	-	-1.5	-1.5	0.3	-1.2
Total comprehensive income for the year	-	-	-	18.7	-	-	-1.5	17.2	1.8	19.0
Transactions with owners in their capacity as owners:										
De-recognition of previous parent company	-109.0	-	-125.1	-	-	-	-	-234.1	-	-234.1
Issuance of Medicover AB shares for in kind contribution	19.4	-	214.7	-	-	-	-	234.1	-	234.1
Contributions of equity, net of transaction costs (note 26)	7.3	-	192.0	-	-	-	-	199.3	-	199.3
Acquisition of an additional interest in a subsidiary	-	-	-	-0.8	-	-	-	-0.8	-2.2	-3.0
Business combination under common control	-	-	-8.3	-	-	-	-	-8.3	-	-8.3
Non-controlling interests put-option reserve	-	-	-	-	-0.8	-	-	-0.8	-2.1	-2.9
Non-controlling interests on business combinations	-	-	-	-0.1	-	-	-	-0.1	0.1	0.0
Employee share-based compensation costs	-	-	-	-	-	1.1	-	1.1	-	1.1
Reclassification on issuance of shares to employees	-	-	-	0.2	-	-0.2	0.0	-	-	-
Total transactions with owners in their capacity as owners	-82.3	-	273.3	-0.7	-0.8	0.9	-	190.4	-4.2	186.2
Closing balance as at 31 December 2017	26.7	-	319.7	-11.3	-13.8	1.3	-22.3	300.3	3.7	304.0

Consolidated cash flow statement

€m	Note	2017	2016
Profit before income tax		28.0	12.3
Adjustments for:			
Depreciation and amortisation	5, 9, 10	26.2	23.3
Impairment	5, 6, 9	-	3.5
(Gain)/loss on disposal of fixed assets		-0.1	-0.1
Other income/(costs)	21	-2.9	-0.2
Net interest expense	7	4.7	4.5
Employee share-based compensation costs	30	1.1	1.8
Other non-cash transactions		1.4	1.5
Unrealised foreign exchange (gain)/loss		-1.4	0.5
Cash generated from operations before working capital changes and tax payments		57.0	47.1
Changes in operating assets and liabilities:			
Increase in receivables & inventories		-10.1	-25.5
Increase in payables		10.5	11.7
Cash generated from operations before tax payments		57.4	33.3
Income tax paid		-7.1	-7.4
Net cash from operating activities		50.3	25.9
Investing activities:			
Payment for acquisition of fixed assets	10	-29.4	-54.3
Proceeds from disposal of fixed assets	10	0.2	0.2
Payment for acquiring interest in associates	12	-13.8	-
Dividends received from associates		-	0.2
Payment for acquisition of subsidiaries, net of cash acquired	11	-10.6	-12.3
Proceeds from disposal of subsidiaries, net of cash sold		-	0.0
Interest received		0.1	0.1
Net cash used in investing activities		-53.5	-66.1
Financing activities:			
Proceeds from issue of shares	26	199.3	2.7
Acquisition of non-controlling interests	13	-3.1	-
Loans repaid	20	-174.8	-21.1
Loans received	20	16.0	64.6
Interest paid		-5.0	-4.7
Distribution to non-controlling interests	20	-1.1	-
Net cash from financing activities		31.3	41.5
Total cash flow		28.1	1.3
Cash and cash equivalents			
Cash balance as at 1 January		18.4	17.2
Net effects of exchange gain/(loss) on cash balances		-1.1	-0.1
Total cash balance as at 31 December		45.4	18.4
Increase in cash and cash equivalents		28.1	1.3

Notes to the consolidated financial statements

NOTE 1 STATUS AND PRINCIPAL ACTIVITY

Medicover AB (publ) ("the Company") is a company registered in Sweden with registered address at P.O. Box 55720 Riddargatan 12A, SE-114 83 Stockholm and company registration number 559073-9487. The principal activity of the Company is to act as a holding company and the principal activity of the Group is to provide diagnostics with a focus on invitro diagnostics as well as comprehensive healthcare ranging from basic services to complex surgery in an integrated delivery environment, combined with risk sharing and affordable payment methods. The financial statements for the year ending 31 December 2017 were authorised by the board of directors on 26 March 2018. The Annual General Meeting will be held on Thursday 26 April 2018 in Stockholm, Sweden.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries ("the Group") have been prepared in accordance, and comply with International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee, as adopted by the European Union for mandatory application to 31 December 2017.

b) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make estimates as well as judgements in the choice and application of accounting policies. This may affect the reported amounts of assets and liabilities, income and expenses and supplementary information. Estimates and underlying assumptions are reviewed on an ongoing basis and may be based upon historical experience, future expectations deemed reasonable at the time of approval of these statements, observable markets and other sources of information as a basis for those estimates and assumptions. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods that may be affected. Actual results may differ from these estimates.

Items where assumptions, estimation uncertainties in the financial statements with potentially the most significant effect within the following 12 months are included in the following notes: goodwill and intangible assets with indefinite useful life impairment testing (note 9), share-based payments (note 30), recognised fair value measurements (note 21) and revenue recognition (note 15).

Also, management has exercised judgements in the application of its accounting policies and those that have the most significant effect on the amounts recognised in these financial statements are: the determination of cash generating units for the testing of goodwill and intangible assets with indefinite useful lives (note 9); first day profit and loss release of financial instruments (note 21); recognition of liabilities assumed upon acquisitions of business interests (notes 11 and 12).

c) Historical cost convention and presentation currency

The financial statements have been prepared on a historical cost basis, except for those financial assets and liabilities measured at fair value as set out in 2.17 to 2.20 below.

The consolidated financial statements are presented in Euro, rounded to the nearest million, except for per share information or where specifically mentioned on a different basis.

d) New and amended standards and Interpretations

The accounting policies have been consistently applied by the Group and are consistent with those used in previous years.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRS Interpretations Committee, that are relevant to its operations and effective in the European Union for the accounting year starting on 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows was early adopted and applied to the 2016 financial statements providing a reconciliation between the opening and the closing balances for liabilities arising from financing activities. No other of the new standards, Interpretations or Amendments that are mandatory for the first time for 31 December 2017 year-end affect the Group's accounting policies or any of the disclosures.

e) Standards and interpretations issued but not yet effective in the current period

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of the new standards and interpretations is set out below:

IFRS 9, Financial Instruments: The Group has assessed the estimated impacts from the new measurement, classification and de-recognition rules on the Group's financial assets and liabilities and has concluded that they will not have any material impact. IFRS 9 will be implemented as from 1 January 2018 under the exemption not to restate comparative information for prior periods. No differences in carrying amounts of financial assets and liabilities resulting from the adoption of the standard are expected to be made in retained earnings and reserves on initial application at 1 January 2018.

IFRS 15, Revenue from Contracts with Customers: This standard addresses the recognition of revenue, replacing IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 sets out that revenue is recognised by reference to contracts and performance requirements and the stage of fulfilment of such performance obligations and to provide users of financial statements with more relevant disclosures. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. It provides a single, principles based five step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

Management has assessed the impact of the new standard and has not identified any areas of revenue recognition that have any material impact. In particular, a detailed analysis has been performed on cardiac emergency surgery services provided above budget limits for life saving procedures in Poland. These services are not provided under a contract but under a legal obligation imposed by statute upon Medicover to provide these services. The recovery is through legal action to the body responsible for paying for these services under the Polish constitution. This requires the Group to estimate the amount of variable consideration to which it will be entitled using the sum of probability-weighted amounts in the range of possible consideration amounts, and to adjust these estimates so they do not include amounts for which it is probable that a significant reversal will occur. In 2017 the amount of revenue recognised under this was an amount of €5.2 million net

of provisions to recognise that part of these claims that may be disallowed (risk) (see note 15). Management concluded that no change in revenue recognition would arise upon the application of IFRS 15 on this or other revenue items.

As there is no impact resulting from the application of IFRS 15, the Group will adopt IFRS 15 using the cumulative effect option. No adjustments resulting from the adoption of the standard are expected to be made in retained earnings and reserves on initial application at 1 January 2018.

IFRS 16, Leases: the IASB has issued a new standard on the recognition and accounting for leases of mandatory application for financial years commencing on or after 1 January 2019. The definition of operating leases is substantially reduced and most leases will be accounted in a way similar to finance leases under the current standard. Under the new guidance, lessees will be required to present right-of-use assets and lease liabilities on the statement of financial position. At the lease commencement date, a lessee is required to recognise a lease liability, which is the lessee's discounted obligation to make lease payments arising from a lease, as well as a right of use asset, representing the lessee's right to use, or control the use of that specified asset for the lease term.

Leased properties form a significant part of the Group's business model. Leases currently recognised and accounted as operating leases with the periodic lease cost expensed in the income statement will mostly be recognised under the new standard which will have a material impact on gross assets and gross liabilities, changing ratios that are based on these figures. In particular gearing ratios, as total debt will be higher than under the previous standard. IFRS 16 will replace the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the right of use asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. IFRS 16 is expected to result in higher profit before interest compared to the amounts reported applying IAS 17. This is because, applying IFRS 16, a company presents the implicit interest cost in lease payments for former off balance sheet leases as part of finance costs. In contrast, applying IAS 17, the entire expense related to off balance sheet leases was included as part of operating expenses. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reduction of total expense as an individual lease matures, which may affect the expense profile between IFRS 16 and IAS 17 depending on an entity's portfolio of leases and their start and end dates. Additional disclosures will also be required as to estimates used in the accounting calculations and reconciliations to cash flows and other items. In summary IFRS 16 requires explicit disclosures in the statement of financial position of the future discounted lease obligations, whereas IAS 17 only requires disclosure in the notes of future amounts to be paid under such leases.

The Group has current operating lease costs expensed in 2017 of €30.8 million (2016: €30.5 million) and future minimum undiscounted operating lease obligations as of 31 December 2017 of €86.4 million (2016: €79.2 million), maturing over periods up to 10 years (2016: 10 years).

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. As the impact will be material the standard will be applied retrospectively to comparative figures and balances, with the cumulative effect of initially applying the standard recognised at the date of initial application, thereby assisting users of the financial statements by providing a context of comparability. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. The Group will adopt the standard for the accounting period commencing 1 January 2019.

The Group is currently reviewing the impact of **IFRS 17: Insurance Contracts**, issued in May 2017 (but not yet endorsed by the EU) establishing the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. As the Group's insurance contracts are short term contracts no major changes to the amounts recognised are expected.

In June 2017 the IASB issued **IFRIC 23: Uncertainty over Income Tax Positions** to specify how to reflect uncertainty in accounting for income

taxes. The current assessment is that the measurement of taxes will not be impacted.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation

(a) Subsidiaries

The Group prepares consolidated financial statements, which aggregate the assets and liabilities, revenue and expenses of the Company and its subsidiaries. A subsidiary is an investee over which the Company exercises control through ownership or otherwise. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has power over an investee when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. A listing of the Group's principal subsidiaries is set out in note 32. All inter-company balances, profits and transactions are eliminated upon consolidation.

Non-controlling interests in subsidiaries are disclosed as part of total equity in the statement of financial position.

(b) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method.

2.3 Foreign currencies

(a) Translation of foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate ruling at the time of the transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. The foreign exchange differences arising on these translations are recognised in the income statement.

(b) Translation of foreign operations

Assets and liabilities of foreign operations are translated to Euro at the exchange rates ruling at the end of the reporting period with the exception of goodwill and fair value adjustments arising on consolidation dating prior 1 January 2005, which are kept at historical cost. Foreign operations' results and cash flows are translated into Euro using average rates of exchange. Foreign exchange differences arising on translation are recognised in equity through the statement of comprehensive income.

Exchange differences arising on a monetary item that form part of the Group's net investment in a foreign operation are recognised in other comprehensive income and reclassified from equity to the income statement in the event of disposal of the net investment.

2.4 Revenue

Revenue represents:

- (a) Earned premiums in respect of insurance contracts, received for access to a predetermined range of medical services or benefits (see 2.5 below)
- (b) Fees paid for access to medical services on a per-usage basis (fee for service)
- (c) Other contractual amounts that are due for the rendering of medical or other services

Revenue for services in (b) and (c) is recognised in the period when rendered.

2.5 Insurance contracts

IFRS 4 Insurance Contracts has a broad definition of insurance contracts, or contracts that have characteristics of insurance, and applies both to regulated type insurance business and other commercial contracts that are not regulated as insurance business however where the risk of uncertain events or demand in the future is assumed by the Group against a fixed periodic fee. A large proportion of the Group's activities are providing not only medical services but also providing payment and financial systems to finance the cost of this care. The Group provides medical services through its owned and controlled facilities and medical staff to treat its members who subscribe to our insurance policies or commercial fixed rate contracts. The

Group assumes the risk in relation to the member's health demand needs. Both the regulated insurance contracts and the commercial contracts fall under the definition of Insurance Contracts as defined by IFRS 4. The revenue earned on the contracts (earned premiums) is apportioned over the term of the contract on a straight line basis. A risk apportioned basis of allocating insurance revenue would not be materially different from a straight line apportionment. Costs of servicing these contracts are incurred mainly in respect of operating the Group's own medical facilities. Costs incurred but not yet invoiced by suppliers and contractors are estimated from experience at the end of each period and expensed in the income statement. A deferred revenue liability is established in the statement of financial position in respect of unearned premiums to defer these to future periods for future release to the consolidated income statement as earned premiums.

2.6 Insurance contract acquisition costs

Insurance contract acquisition costs represent commissions, salaries and direct costs associated with selling and acquiring fixed fee medical contracts where the contract is not a regulated insurance contract written by a regulated insurer. All of these costs are expensed in the period when incurred regardless of the duration of the contract. Where the costs arise from selling or acquiring a regulated insurance contract, these are capitalised and then amortised over the expected life of that contract on a straight-line basis, not exceeding 12 months.

2.7 Segment Reporting

To understand the nature and financial effects of the Group's activities, segment information in line with management's use of information is disclosed. Information for the Group's operating segments has been determined by reference to the information used by the chief operating decision maker of the Group [CODM] to review the performance of the Group and in making decisions on allocation of resources, the nature of the activities and the management structure and accountabilities. The Group's CEO has been identified as the chief operating decision maker in accordance with his designated responsibility for the allocation of resources to operating segments and assessing their performance through periodic reporting. The CODM periodically reviews the Group's segments, budgeting and investment decisions and is in regular contact in relation to business performance with the two segment management heads. These reviews concentrate on segment level performance and components of each segment based upon geography and in the case of Healthcare Services further by specialisation of activity. The review of the performance of the Group's activities is focused on sales and EBITDA as the two major financial measures of accountability and performance. Segment assets and liabilities do not regularly form part of the information reviewed by the CODM and hence are not disclosed in the segment disclosures.

The Group's management is organised and accountable on reporting lines reflecting the two reportable segments: Healthcare Services and Diagnostic Services with a management head for each reportable segment who is part of the Executive Management Group.

2.8 Share-based payments

(a) Equity settled plans

The Group has issued share options and share grant programs to be settled in its own shares to employees. The costs for share-based payments are based on the fair value of the share rights at the date of granting. These payments are reported as employee costs during the vesting period with a corresponding increase in equity. Non-market performance conditions (EBITDA target) and service conditions (being employed) affect the share-based payment cost during the vesting period by the change in the number of shares that are expected to finally vest. The Group records a liability for social security expenses, at each reporting period, for all outstanding equity settled share-based payments. The liability is revalued at the end of each reporting period and is based on the share-based payment's fair value at the end of the reporting date distributed over the vesting period. In case of an acceleration of the vesting terms or other waiver or amendment the amortisation period is also accelerated to reflect the change in the terms.

(b) Cash settled plans

The Group has entered into agreements where employees and third parties may receive payments in the future based upon the equity value of Group entities. A liability is recognised initially where these obligations have been

assumed for services already rendered or where vesting conditions have not been fulfilled completely the proportion not yet vested is recognised in line with the vesting condition (employment). The liabilities are measured on a fair value basis, revised over time to reflect best estimates of the likely cash amount to be settled. At each reporting date subsequent changes to the fair value measurement for vested proportions are recognised in the income statement such that the cumulative amount recognised over time is equal to the cash amount that is finally paid.

2.9 Acquisitions

(a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. A contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

(b) Business combinations between entities under common control

Combinations between entities under common control are business combinations in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination and that control is not transitory. The Group applies the predecessor value method to account for a business combination involving entities under common control. In the consolidated financial statements of the Group, assets and liabilities of the acquired entities are measured at the carrying amounts recognised previously in the seller's consolidated financial statements at the date of the combination, subject to appropriate adjustments being made to achieve uniformity of accounting policies in the combining entities. Any difference between the fair value of the consideration transferred and the carrying amounts recognised is recorded as an adjustment to additional paid in capital. The results of the acquired entity are included in the consolidated financial statements from the date of the combination.

2.10 Intangible fixed assets

(a) Goodwill

Goodwill represents the difference between the fair value of the consideration payable for an acquisition and the fair value of the Group's share of the net identifiable assets of the acquired company at the date of the acquisition. Where intangible assets are identified in the acquired company, such as brands, ongoing contracts or customer lists, these are valued to form part of the net identifiable assets.

Goodwill arising from business combinations is not amortised but is subject to an annual impairment test, according to IAS 36 *Impairment of Assets*. Any impairment adjustments are reflected as an expense in the income statement. Impairment of goodwill is not reversed.

Goodwill arising from business combinations is allocated to cash generating units, which are expected to receive future economic benefits from synergies that are most likely to arise from the acquisition. These cash generating units form the basis of any future assessment of impairment of the carrying value of the acquired goodwill.

(b) Software

Cost related to internal development of software are capitalised and amortised on a straight-line basis over 5 years. Externally acquired software is stated at cost less accumulated amortisation. Software is amortised on a straight-line basis over 5 years.

(c) Separately acquired other intangibles

Other intangibles are stated at cost and amortised on a straight-line basis. The following are indications of the estimated useful life:

Brand/know-how	5–20 years
Operating licenses	10 years

2.11 Impairment of non-financial assets

Goodwill acquired in a business combination and intangible assets with an indefinite life are tested for impairment annually irrespective of whether there is any indication of impairment. The Group reviews its other assets annually to determine whether there is any indication of impairment. When tested for impairment, an asset's or cash generating unit's recoverable amount is estimated from assessing its value in use, or using the net selling price that could be realised for that asset or cash generating unit, whichever is higher. In assessing value in use, the estimated future cash flows of the asset or the cash generating unit to which the asset is allocated are discounted to their present value. The discount rate is estimated as a pre-tax rate reflecting the risks specific to that asset, business unit or cash generating unit. In assessing which groups of assets form cash generating units, management uses judgement in respect of the independence of cash flows between assets and groups of assets.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised by the above method are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the cash generating unit. Any impairment loss in respect of goodwill is not reversed if the conditions indicating its impairment are reversed or improve. In respect of other assets an impairment loss is reversed if there has been a change in the conditions indicating the original estimate of impairment.

2.12 Tangible fixed assets

Tangible fixed assets are stated at cost and depreciated on a straight-line basis over their estimated useful life.

The following are indications of the estimated useful life by asset class:

Land	not depreciated
Buildings	20–50 years
Leasehold improvements	over the life of the lease contract up to 10 years maximum
Equipment	3–10 years
Vehicles	4–5 years
Other	3–5 years

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand together with term deposits and highly liquid debt instruments with original maturities of three months or less.

2.14 Inventories

Inventories include raw materials and comprise costs of purchase, transport and any taxes of customs duties. Raw materials are valued at the lower of cost or net realisable value using the first in first out method.

Inventories also arise where there is a change in use of investment properties evidenced by the commencement of development with a view to sale, and the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of reclassification. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses.

2.15 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date.

2.16 Payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost.

2.17 Financial assets

(a) Measurement on initial recognition

At initial recognition financial assets are measured at fair value including transaction costs unless the financial asset is carried at fair value through profit or loss, in which case the transaction costs are immediately recognised in profit or loss. The best estimate of the fair value at initial recognition is usually the transaction price, represented by the fair value of the consideration given or received in exchange for the financial instrument. Any difference between the fair value estimated by the entity and the transaction price ("day one gain or loss") is recognised:

- in the income statement if the estimate is evidenced by a quoted price in an active market; and
- deferred as an adjustment to the carrying amount of the financial instrument in all other cases.

(b) Subsequent measurement

After initial recognition, trade and other receivables and some other financial assets are measured at amortised cost using the effective interest method, less provision for credit loss.

The Group holds call options to increase the investment in an associate, whose exercise price is based on a surrogate for the fair value of the shares at the date of exercise. These options are carried at fair value less deferred day one gain, with the subsequent fair value re-measurement at each reporting date being reflected in the income statement along with the release of the initial deferral.

2.18 Financial liabilities

(a) Measurement on initial recognition

At initial recognition financial liabilities are measured at fair value including transaction costs unless the financial liability is carried at fair value through profit or loss, in which case the transaction costs are immediately recognised in profit or loss. The best estimate of the fair value at initial recognition is usually the transaction price, represented by the fair value of the consideration given or received in exchange for the financial instrument. Any difference between the fair value estimated by the entity and the transaction price ("day one gain or loss") is recognised:

- in the income statement, if the estimate is evidenced by a quoted price in an active market; and
- deferred as an adjustment to the carrying amount of the financial instrument in all other cases.

(b) Subsequent measurement

After initial recognition, borrowings, trade and other payables, are measured at amortised cost using the effective interest method.

The following financial liabilities are carried at fair value:

- derivative financial instruments being reported at fair value through profit and loss (see 2.20)
- a put option liability over non-controlling interests in one of the Group's subsidiaries being reported at fair value with the changes in fair value being reported to equity as a transaction between shareholders (see 2.19);
- contingent consideration payable in relation to acquisitions;
- a liability arising from an agreement with a third party that entitles the other party to receive cash based on the value of equity instruments of an associate, carried at fair value through profit or loss; and
- certain put options written over shares of an associate, carried at fair value less deferred day one gain, with the fair value re-measurement at each reporting date being reflected in the income statement along with the release of the initial deferral.

2.19 Put options over non-controlling interests

The Group has granted a put option to a minority shareholder whereby the minority has the right to sell his/her shares to the Group at some future date at a market price to be determined at the time of exercise or based on an agreed formula approximating a market price. The terms do not provide a present ownership interest in the shares subject to the put, the Group's accounting policy is to partially recognise non-controlling interests and to account for such put options as follows: the obligation price to acquire the minority shares in the future has been estimated at the date of the original agreement and a discount factor applied to that future obligation to reflect

the time value of money. This obligation has been recognised as a financial liability in the consolidated statement of financial position in long term or short term obligations/debts depending on the earliest exercise dates of the put. This obligation has been offset to shareholder's equity in a separate reserve to reflect that this transaction is from an economic point of view a transaction between shareholders; accordingly the Group recognises the non-controlling interest's share of net profit in the income statement. Any subsequent changes in the fair value of the future obligation is recognised as an equity transaction. Fair value is determined by estimating the potential put price taking into account projected results of the entity discounted for the time value of money.

2.20 Derivative financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes. From time to time, the Group may enter into fair value hedges to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, or into cash flow hedges such as interest rate swaps converting a floating rate loan to a fixed rate. The Group does not apply hedge accounting and the hedging instruments, normally derivatives, are measured at fair value with changes in value reported in the income statement.

2.21 Leasing

(a) Operating

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(b) Finance

Finance leases are capitalised in the consolidated statement of financial position and the corresponding liability represents the outstanding principal.

2.22 Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

2.23 Earnings per share

The Group presents basic and where relevant diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS takes into account the potentially dilutive impact of stock options/grants.

NOTE 3 REVENUE

	2017	2016
Insurance contracts earned premiums	177.6	152.4
Laboratory services	289.5	248.8
Other	113.1	96.1
Total revenue	580.2	497.3

NOTE 4 INSURANCE CONTRACTS

The Group conducts insurance activities in the field of medical insurance. Part is through insurance contracts which are written by the Group's regulated insurance entity and thereby subject to regulatory oversight by authorities under insurance legislation and part is conducted by other commercial entities as activities which do not fall under regulation but still contain elements of insurance contracts as defined under IFRS 4 *Insurance Contracts*.

Following are details in respect of the contracts:

2017	Regulated	Non regulated	Total
Revenue earned in the period	50.4	127.2	177.6
Claims	40.3	93.7	134.0
Expenses	4.5	8.7	13.2
Assets	22.5	52.3	
Liabilities	-7.7	-26.9	

2016	Regulated	Non regulated	Total
Revenue earned in the period	44.2	108.2	152.4
Claims	35.5	79.0	114.5
Expenses	3.9	7.6	11.5
Assets	18.3	39.7	
Liabilities	-5.9	-22.9	

The insurance contracts are predominantly with employer groups to pay for health care services to be provided to their employees and dependents. The Group has extensive experience in assessing the risk accepted by entering into these insurance contracts. The Group assesses both new business accepted and continuing contracts against internally generated actuarial risk profiles and has procedures in place to estimate future profitability and cash flows on both proposed and existing business. The risk profiles are adapted for each market the Group operates in.

Certain benefits which could lead to larger individual claims are capped. Certain benefits incorporated into the insurance contracts issued are backed by the other insurers on a non-recourse basis, mainly in the area of travel insurance. Reinsurance is not used to transfer insurance risk as the scope of large scale losses is naturally limited by the facility based medical service model and the restrictions incorporated into the insurance contracts.

The Group's insurance contracts are heavily dispersed across a wide range of employers and geographical locations, with no large concentrations of risk. Furthermore, contract terms limit recourse of the contract holder in the case of inability to provide medical services for whatever reason. Generally, contracts do not have any cash reimbursement for services provided outside of the Group's own facilities or network.

NOTE 5 NATURE OF EXPENSES

Within the functional headings in the consolidated income statement, the following cost categories are included:

2017	Medical provision costs	Distribution, selling & marketing costs	Administrative costs	Total
Staff costs	-190.6	-16.6	-46.8	-254.0
Property lease costs, heat and other establishment costs	-38.7	-0.7	-6.0	-45.4
Depreciation & amortisation	-18.8	-0.5	-6.9	-26.2
Goodwill impairment	-	-	-	-
Materials and consumables	-98.5	0.0	0.0	-98.5
Other	-91.6	-10.7	-25.0	-127.3
Total operating expenses	-438.2	-28.5	-84.7	-551.4

2016	Medical provision costs	Distribution, selling & marketing costs	Administrative costs	Total
Staff costs	-157.2	-14.3	-38.7	-210.2
Property lease costs, heat and other establishment costs	-36.4	-0.8	-7.6	-44.8
Depreciation & amortisation	-15.7	-0.5	-7.1	-23.3
Goodwill impairment	-	-	-3.5	-3.5
Materials and consumables	-89.1	0.0	0.0	-89.1
Other	-78.9	-9.4	-20.5	-108.8
Total operating expenses	-377.3	-25.0	-77.4	-479.7

NOTE 6 SEGMENT REPORTING

The CEO examines the Group's performance under two reportable operating segments of the business model referred to as Healthcare Services and Diagnostic Services. The CEO receives information about the segments' revenue on a monthly basis. A measure of earnings before interest, tax, depreciation and amortisation (EBITDA) is used to assess the performance of the operating segments.

The Healthcare Services segment has a focus upon a broad range of medical services characterised with direct contact between the patient and the medical professional. This may be specialised doctors in a narrow field, general practitioners (or so called family medicine), surgeons or other clinicians. The characteristics of these services are around physical facilities staffed by medical professionals in direct contact with patients, diagnosing, monitoring and treating patients. Trust, reputation and individual service are key characteristics of these services. The payment for these services are either direct payment by the patient or indirect via an employer paid benefit/insurance and in a much smaller degree by public health funds. In all these cases the beneficiary of the service is always the individual patient, and the patient and their experience is what determines the success or otherwise of our business. This business operates across 2 main geographies and some minor ones. The Group has identified several operating segments in Healthcare Services however the characteristics in terms of regulatory regime, ultimate customers and economic characteristics are all similar and have been aggregated into one reportable segment, Healthcare Services. When assessing the economic characteristics, management takes into account that the structure and model of the businesses are similar with employment of staff and own staffed medical facilities. This leads to similar ratios for major medical cost components such as medical cost ratios at similar scale levels, and a convergence of EBITDA margins as the businesses become established and individual facilities become utilised at an optimal level.

The Diagnostic Services segment has a focus on invitro diagnostics characterised by indirect contact between the patient and the medical diagnostic professionals. The clinician orders the diagnostic service and is responsible for interpreting the results and treating the patient. This indirect nature and the fact that the services provided are more of a process rather than an individual treatment give different results in how the business is run and organised. Diagnostic Services is differentiated by such aspects as scale effects, concentration and more industrial type approaches and economics. Customers are ultimately clinicians treating and diagnosing the patients, irrespective of whether the payer is a private clinic, a public health fund or the patient themselves directly. We strive to become a valued partner to the clinician, whether we are in direct or indirect contact by providing additional assistance to the clinician in the form of advice and education as well as reliability and service. The business operates across 4 main geographies and the economic return levels and drivers of the performance of the business units, management and regulation are all similar and have been aggregated into one reportable segment, Diagnostic Services. When assessing the economic characteristics, management takes into account that the same technology is being used and production efficiencies arising at similar volume levels. This leads to similar ratios for major medical cost components such as medical cost ratios at similar scale levels, and a convergence of EBITDA margins as the businesses become established and laboratories become utilised at optimal levels.

Segment results represent the contribution of the segments to central overheads. Where central costs are specific to a segment they have been allocated to that segment and the remaining balance of central costs is shown separately.

Revenue is disclosed on the basis of location of the legal entity providing the services, which is materially the same as location of client. Depreciation of segment assets includes depreciation of property, plant and equipment and amortisation of intangible assets. Impairment of assets includes impairment related to property, plant and equipment, intangible assets and goodwill.

Unallocated items represent non-specific items whose allocation to a segment would be arbitrary and mainly comprise corporate expenses.

2017	Healthcare Services	Diagnostic Services	Other	Group Total
Revenue				
Total revenue	285.8	304.4	0.3	
Inter-segment revenue	-0.4	-9.9	-	
Total revenue from external customers	285.4	294.5	0.3	580.2
Measure of segment profit/(loss): EBITDA	26.9	41.4	-13.3	55.0
Margin, %	9.4%	13.6%		9.5%
Depreciation & amortisation	-13.7	-12.3	-0.2	-26.2
Other income/(costs)				2.9
Share of profit of associates				0.2
Other financial income/(expense)				0.8
Net interest expense				-4.7
Tax				-7.8
Group profit after tax				20.2
Additions to non-current assets:				
Tangible fixed assets, other than land & buildings	12.0	11.1	1.7	24.8
Land & buildings	-	0.1	-	0.1
Intangible fixed assets	3.7	6.3	-	10.0
Goodwill	2.1	5.5	-	7.6
Investment in associates	21.4	-	-	21.4
Total	39.2	23.0	1.7	63.9

2016	Healthcare Services	Diagnostic Services	Other	Group Total
Revenue				
Total revenue	244.7	260.5	0.7	
Inter-segment revenue	-0.4	-8.2	-	
Total revenue from external customers	244.3	252.3	0.7	497.3
Measure of segment profit/(loss): EBITDA	20.0	33.3	-9.0	44.3
Margin, %	8.2%	12.8%		8.9%
Depreciation & amortisation	-11.1	-11.9	-0.3	-23.3
Impairment charge	-	-3.5	-	-3.5
Other income/(costs)				0.2
Share of profit of associates				0.2
Other financial income/(expense)				-1.1
Net interest expense				-4.5
Tax				-5.8
Group profit after tax				6.5
Additions to non-current assets:				
Tangible fixed assets, other than land & buildings	16.1	17.7	0.1	33.9
Land & buildings	51.7	0.0	0.0	51.7
Intangible fixed assets	5.1	13.4	-	18.5
Goodwill	4.8	9.8	-	14.6
Investment in associates	-	-	-	-
Total	77.7	40.9	0.1	118.7

€m equivalent	External revenue by location of customers		Non-current assets by location of assets	
	2017	2016	Dec 31, 2017	Dec 31, 2016
Poland (PLN)	259.8	224.4	125.5	117.1
Germany (EUR)	150.7	122.2	137.6	125.4
Romania (RON)	73.8	61.7	30.7	28.3
Ukraine (UAH)	44.0	38.1	7.7	7.4
Other (Various)	51.9	50.9	15.8	15.1
Total	580.2	497.3	317.3	293.3

Non-current assets by geography include land and buildings, equipment, intangible assets including goodwill and other financial assets. Deferred tax assets of €3.7 million (2016: €3.7 million) and investment in associates of €22.1 million (2016: €1.0 million) are not included in the above table.

As almost all sales in each geography are denominated in the countries' respective currency the above table shows the exposure of the Group to foreign currency risks for revenue and for gross balance sheet translation exposures for non-current assets, see note 24 Risk management and financial instruments.

NOTE 7 INTEREST EXPENSE

Interest expense reflects the costs of debt provided by bank loans and finance leases which have or will be settled in cash; and the release of the discount applied to certain obligations or debts that have a maturity of greater than one year such as acquisition vendor notes.

NOTE 8 INCOME TAX

	2017	2016
Current corporation tax	9.2	6.7
Withholding tax	0.2	0.1
Deferred tax	-1.6	-1.0
Total income tax	7.8	5.8

The corporate tax rate in the main geographical operations is as follows: Poland 19%, Germany 30.18%, Romania 16%, and Ukraine 18%. Brought forward losses of €3.9 million were used against foreign income taxes in the year (2016: €1.2 million).

The difference between the recorded tax charge for the Group and the tax expense based on the prevailing tax rates in each country of operations consists of the following items:

	2017	2016
Profit before tax	28.0	12.3
Weighted average applicable tax rate, %	25.7%	22.0%
Tax at applicable tax rate	7.2	2.7
Reconciliation of tax expense:		
Non-taxable revenue	-5.1	-0.2
Non-deductible expenses	4.1	1.3
Profit share non-controlling interest	-0.6	-0.5
Current period losses not recognised for deferred tax	2.5	2.6
Utilisation of previously unrecognised tax losses and tax credits	-1.3	-
Recognition of prior period unrecognised losses	-0.1	-
Adjustments to prior year estimates	0.8	-0.2
Withholding tax on intra Group payments	0.2	0.2
Other	0.1	-0.1
Tax expense	7.8	5.8
Effective tax rate, %	27.9%	47.2%

Deferred tax balances

Deferred tax assets and liabilities as presented in the statement of financial position:

	2017	2016
Deferred tax assets	3.7	3.7
Deferred tax liabilities	-22.8	-23.4
Net deferred tax liabilities	-19.1	-19.7

A reconciliation of movements in deferred taxes is presented below:

	Accrual- provisions	Goodwill	Other intangibles and PP&E	Tax losses	Other net temporary differences	Total
Assets/ liability as at 1 January 2016	1.7	-18.5	-2.9	0.1	0.1	-19.5
Business combinations	-0.2	-	-1.8	0.3	0.1	-1.6
Recorded in income statement	1.5	-0.5	-0.2	0.1	0.1	1.0
Recorded in statement of comprehensive income	-	-	-	-	0.1	0.1
Exchange adjustments	0.2	-	0.0	0.0	0.1	0.3
Reclassifications	0.0	-	-	-0.1	0.1	-
Assets/ liability as at 1 January 2017	3.2	-19.0	-4.9	0.4	0.6	-19.7
Business combinations	0.0	-	-0.8	0.0	-	-0.8
Recorded in income statement	0.7	-0.4	0.2	1.7	-0.6	1.6
Recorded in statement of comprehensive income	-	-	-	-	-0.2	-0.2
Exchange adjustments	0.1	-	-0.1	0.0	0.0	0.0
Reclassifications	0.0	-	0.0	-0.2	0.2	0.0
Assets/liability as at 31 December 2017	4.0	-19.4	-5.6	1.9	0.0	-19.1

The deferred tax liability in respect of goodwill arising from acquisitions is due to the tax deductibility of goodwill within certain countries. Within IFRS accounting the goodwill is not amortised (but is subject to annual impairment testing), which produces a different basis for tax accounting and financial reporting. To recognise this reduction of the tax value of the goodwill a deferred tax liability is recognised. This is classified as a permanent difference as the liability would only crystallise under specific circumstances where the assets of the underlying businesses were sold. Such a step would be highly unlikely as the business legal and regulatory structure is such that any future sale would be conducted on a basis where the tax liability would not arise.

Management's estimates support the recognition condition that future profits will arise to utilise the recognised deferred tax assets and have proved reliable historically. Subsidiaries of the Group have unrecognised tax losses at 31 December 2017 amounting to €85.9 million (2016: €76.3 million) that are available to be offset against the future profits for periods between five to nine years or unlimited. A large proportion of the increase 2017 on 2016 is due to a corporate restructuring that realised investment losses and hence became deductible against future taxable profits at holding company level. These losses have not been recognised as deferred tax assets as their eventual use is not probable. The movement in unrecognised tax losses in 2017 is the net effect of additional tax losses of €18.8 million, utilisation of €3.9 million, expired losses of €3.0 million, reclassifications of €-0.2 million and foreign exchange impact of €-2.1 million.

NOTE 9 INTANGIBLE FIXED ASSETS

	Goodwill	Software	Other intangibles	Total
Cost				
31 December 2015	125.4	13.7	25.3	164.4
Effect of changes in foreign exchange rates	-0.2	-0.3	-0.2	-0.7
Business combinations	14.6	0.0	9.8	24.4
Additions	-	2.9	5.8	8.7
Impairment charge	-2.5	-	-1.0	-3.5
Retirements	-	-1.0	-1.0	-2.0
Reclassifications	0.1	0.1	-0.3	-0.1
31 December 2016	137.4	15.4	38.4	191.2
Effect of changes in foreign exchange rates	0.6	0.5	0.2	1.3
Business combinations	7.6	0.0	2.8	10.4
Additions	-	4.7	2.5	7.2
Retirements	-	-0.2	0.0	-0.2
Reclassifications	-	0.4	0.0	0.4
31 December 2017	145.6	20.8	43.9	210.3

	Goodwill	Software	Other intangibles	Total
Amortisation				
31 December 2015	-18.8	-10.7	-9.2	-38.7
Effect of changes in foreign exchange rates	-	0.3	0.1	0.4
Amortisation	-	-1.4	-3.5	-4.9
Retirements	-	0.8	0.9	1.7
Reclassification	-	-	0.5	0.5
31 December 2016	-18.8	-11.0	-11.2	-41.0
Effect of changes in foreign exchange rates	-	-0.2	-0.1	-0.3
Amortisation	-	-2.2	-3.7	-5.9
Retirements	-	0.2	0.0	0.2
Reclassification	-	0.0	-0.1	-0.1
31 December 2017	-18.8	-13.2	-15.1	-47.1

	Goodwill	Software	Other intangibles	Total
Net Book Value				
31 December 2016	118.6	4.4	27.2	150.2
31 December 2017	126.8	7.6	28.8	163.2

Included in the above figures is internally generated research and development costs of €6.4 million (2016: €5.2 million) related to development of software applications used within the business. The net book value of these items was €2.5 million at 31 December 2017 (2016: €2.0 million).

Included in the above amortisation charge is €2.6 million (2016: €2.6 million) relating to amortisation of intangible assets recognised upon business combinations.

The following parts of the Group's activities have significant carrying amounts of goodwill:

	2017	2016
Germany Diagnostic Services	81.1	81.1
Germany Clinical Services	16.0	10.5
Other	3.1	3.0
Subtotal Diagnostic Services	100.2	94.6
Poland Healthcare Services	16.1	15.1
Fertility Services	8.7	8.7
Other	1.8	0.2
Subtotal Healthcare Services	26.6	24.0
Total Group	126.8	118.6

The recoverable amounts for annual impairment testing are based on value in use calculations which use cash flow projections based on past and actual operating results and five-year projections of cash generating units. Cash flows for a further 20-year period are extrapolated using a 5% growth with the exception of Germany where a rate of 3% is used. Management's judgement is that the markets where the Group operates are undersupplied in healthcare and their long term growth rates will be above more mature markets. Combined this will create continued growth for healthcare ahead of general GDP growth. As Germany is a more mature market the expectation is that GDP growth will be slower, however the healthcare services market will continue to grow ahead of GDP growth, hence a 3% long term growth projection is used for the German Diagnostic Services cash-generating unit. The most important criteria in the calculation of value in use are expected growth rates based on past performance and management's expectations for the future, maintenance capital investment levels and discount rates. Pre-tax discount rates are used based on the Group's beta adjusted to reflect management's assessment of risks related to the cash generating unit and vary between 6.8% and 22.5% (2016: 5.4% and 21.6%). These rates are then applied in discounting the projected cash flows.

Major pre-tax discount rates used in %:

	2017	2016
Germany	6.8	5.4
Poland	9.4	8.8

Judgement is used in identifying cash generating units to which goodwill and other indefinite life intangible assets are allocated whereby the smallest identifiable group of assets that generates largely independent cash flows is measured for impairment. As the Group's business concept in some areas is as an integrated provider and risk manager individual assets such as clinics or hospitals may be aggregated at a geographical network level.

Management's assessment of the value in use of the Group's established operations materially exceeds their carrying value, therefore the outcomes are not sensitive to management's significant assumptions. Recently initiated business units' recoverability of carrying value is dependent upon the achievement of business plans, growth rates and projected profitability margins; the most significant of these is the German clinical business started in 2016, where the projected profit growth from current levels of EBITDA margin of 5.1% is towards Diagnostic segment operating averages. For this unit, profitability levels would need to be reduced by 60% of current projections before impairment would be indicated.

Amortisation of intangible fixed assets is included in medical costs and administrative costs in the income statement.

In 2016, an impairment loss was recognised of €3.5 million (goodwill €2.5 million; other intangibles €1.0 million) relating to the Turkish Diagnostic Services cash generating unit.

NOTE 10 TANGIBLE FIXED ASSETS

	Land & buildings	Leasehold improvements	Equipment	Vehicles	Total
Cost					
31 December 2015	33.7	39.5	87.3	3.1	163.6
Effects of changes in foreign exchange rates	-1.2	-1.3	-2.6	-	-5.1
Business combinations	2.0	1.6	2.6	-	6.2
Additions	49.7	12.7	16.6	0.4	79.4
Disposal by sale	-	-	-0.4	-0.4	-0.8
Retirements	-0.1	-0.9	-1.5	-0.1	-2.6
Reclassifications	-	-2.7	1.9	0.1	-0.7
31 December 2016	84.1	48.9	103.9	3.1	240.0
Effects of changes in foreign exchange rates	2.8	0.4	1.4	-0.1	4.5
Business combinations	-	0.8	1.3	0.1	2.2
Additions	0.1	11.2	11.0	0.4	22.7
Disposal by sale	-	-	-0.2	-0.6	-0.8
Retirements	-	-0.5	-1.8	0.0	-2.3
Reclassifications	-0.7	-1.4	2.1	0.0	0.0
31 December 2017	86.3	59.4	117.7	2.9	266.3

	Land & buildings	Leasehold improvements	Equipment	Vehicles	Total
Depreciation					
31 December 2015	-5.0	-16.9	-60.0	-2.2	-84.1
Effect on changes in foreign exchange rates	0.1	0.6	1.9	-	2.6
Depreciation	-1.6	-4.8	-10.6	-0.4	-17.4
Disposal by sale	-	-	0.3	0.4	0.7
Retirements	0.1	0.6	1.1	0.1	1.9
Reclassifications	-	-0.3	-1.6	-	-1.9
31 December 2016	-6.4	-20.8	-68.9	-2.1	-98.2
Effect on changes in foreign exchange rates	-0.1	-0.2	-1.4	0.1	-1.6
Depreciation	-2.3	-5.6	-11.8	-0.4	-20.1
Disposal by sale	-	0.0	0.2	0.5	0.7
Retirements	0.0	0.4	1.7	0.0	2.1
Reclassifications	0.7	0.2	-1.2	-	-0.3
31 December 2017	-8.1	-26.0	-81.4	-1.9	-117.4

	Land & buildings	Leasehold improvements	Equipment	Vehicles	Total
Net Book Value					
31 December 2016	77.7	28.1	35.0	1.0	141.8
31 December 2017	78.2	33.4	36.3	1.0	148.9

In August 2016, the Group acquired the land and building previously leased to operate a hospital in Warsaw, Poland. The value of the assets acquired amounted to €47.3 million settled in a cash payment of €14.1 million; debt assumed of €32.2 million and other obligations assumed of €1.0 million. The acquired land and building is mortgaged in favour of the lender of the debt assumed. In December 2016 an adjacent undeveloped plot of land for future expansion of the hospital was acquired settled for €1.9 million cash. This was a related party transactions, please see note 31 for further details.

The net book value of assets held under finance leases is €1.6 million (2016: €2.4 million).

At the reporting date, the cost of fully depreciated tangible fixed assets still in use amounted to €68.3 million (2016: €51.5 million).

Included in leasehold improvements is €6.3 million (2016: €3.6 million) of assets under construction.

NOTE 1 SIGNIFICANT BUSINESS COMBINATIONS

During 2017 the following cash flows (net of cash acquired) were paid in relation to business combinations:

Recognised values	German acquisitions	Medicover Healthcare Private Limited	Other acquisitions	Total
Cash	0.4	1.1	0.2	1.7
Accounts receivable & inventory	1.1	0.8	0.3	2.2
Tangible fixed assets	0.4	1.6	0.2	2.2
Goodwill	5.5	–	2.1	7.6
Customer relations	2.3	–	–	2.3
Other intangible fixed assets	–	–	0.5	0.5
Share-based payments obligations assumed	–	-4.8	–	-4.8
Deferred tax liability	-0.7	–	-0.1	-0.8
Corporate tax payable	0.0	0.0	0.0	0.0
Accounts payable	-1.5	-0.7	-0.5	-2.7
Third party loans	-0.4	–	-0.1	-0.5
Translation reserve	–	–	0.2	0.2
Consolidation difference recognised through equity	–	8.3	–	8.3
Total purchase price	7.1	6.3	2.8	16.2
Less: Cash acquired	-0.4	-1.1	-0.2	-1.7
Vendor note payments prior year acquisitions	0.1	–	0.7	0.8
Deferred and contingent consideration payable for 2017	-4.0	–	-1.5	-5.5
Other	0.8	–	–	0.8
Total cash flow for acquisitions net of cash acquired	3.6	5.2	1.8	10.6

- a) Effective from the 1 July and 5 October respectively, 100% of the shares of a Berlin-based genetics clinic and laboratory (Medicover Genetics GmbH) as well as a Berlin-based infectious diseases clinic (Infektiologie Ärzteforum Seestraße MVZ GmbH) were acquired. These acquisitions resulted in a total cash settlement of €3.6 million with deferred and contingent consideration payables totalling €0.9 million and €3.1 million respectively. €2.3 million has been allocated to intangibles, i.e. client agreements, using discounted cash flow analysis to capitalise future cash flows. €5.5 million goodwill recognised on these acquisitions, unallocated to specific intangibles representing expected synergies with existing operations. An additional €0.8 million was paid in 2017 as an advance for an acquisition of a medical clinic in Cologne, closed on 1 January 2018. These acquisitions expand the Group's penetration of the German market and complement the clinical based business.
- b) The Group acquired 100% of the shares in Medicover Healthcare Private Limited, a company operating fertility clinics in India, on 4 October 2017 for a payment net of cash acquired of €5.2 million. The transaction also included the assumption of certain cash settled share-based payment transaction obligations with a liability measured at the date of acquisition of €4.8 million for a total acquisition price of €10.0 million. This investment as a green field development was originally funded by the major shareholder of the Group prior to the Company's listing on the Nasdaq Stockholm Exchange with the view of being transferred under the Group's ownership after the listing. See note 31, related party transactions for more details. This transaction is a business combination between entities under common control and is not within the scope of IFRS 3 *Business Combinations*. The 'predecessor value method' has been applied resulting in a reduction to additional paid in capital of €8.3 million, representing the difference between the consideration paid and the net book value of the assets and liabilities transferred. Consequently, no goodwill is recognised in relation to this transaction. The results from the acquired entity have been consolidated as from the date of the transaction. No restatement of financial information in the consolidated financial statements for the periods prior to the combination under common control have been made. This acquisition expands the Group's geographical reach for fertility services to the fast growing Indian market with the intention to launch more fertility clinics over the coming years.
- c) Other acquisitions during the year were: 100% of the shares in a Romanian medical clinic practice on 6 July 2017 (lowemed SA, lowemed Helpmed SRL and lowemed Topmed SRL) and in a dental clinic in Poland on 10 January 2017 (Prestige Dent Sp. zo.o) resulting in a total payment net of cash acquired of €1.1 million, with deferred payments of €0.4 million and contingent payments valued at €1.1 million. €0.5 million of intangibles recognised as brand value with an estimated life of 5 and 20 years. The income based brand valuation method has been applied and is based on how much the brand owner would have to pay to use its brand if it licensed the brand from a third party. It uses discounted cash flow analysis (DCF) to capitalise future branded cash flows. A royalty mechanism of 10% of profit has been assumed to build the future cash flow. €2.1 million goodwill was recognised on these acquisitions, unallocated to specific intangibles representing expected synergies with existing operations. These acquisitions complement the existing medical and dental networks in both markets.

Included in the consolidated income statement for the year ended December 31, 2017 is revenue of €5.1 million and net operating loss of €0.6 million relating to the impact of the acquisitions of the Group during the year. If these acquisitions had occurred on January 1, 2017, Group consolidated revenue would be €4.1 million higher and net operating profit would have been €1.3 million lower.

NOTE 12 INVESTMENT IN ASSOCIATES

	2017	2016
MaxCure	21.3	–
Diagenom GmbH	0.8	0.6
Other	–	0.4
Total investment in associates	22.1	1.0

The Group acquired on 4 October 2017 from Celox Holding AB (a related party), a 22.0% interest in the share capital of Sahrudaya Health Care Private Limited ('MaxCure') (which was subsequently increased to 23.0% in November 2017) along with the assumption of contracts giving rise to rights and obligations under certain financial instruments. The cost was €21.4 million consisting of €13.8 million paid in cash and the assumption of a financial liability towards an unrelated third party. The financial liability is a virtual participation interest in the Group's MaxCure investment, remunerating work conducted on sourcing and negotiating the initial investment and assistance in managing the investment, to be settled in cash. The liability was measured at fair value of €7.6 million at the acquisition date and will increase in line with the increase in the effective interest of the Group in MaxCure to an amount of up to 5.1% of the value of equity of MaxCure. Judgement was used in recognising a liability at the date of the investment, rather than over time, as the contract terms vest virtually all the rights at the time Medcover makes each investment. This investment was acquired from the major shareholder of the Group Company, refer to note 31 on related party transactions for more details. Certain financial assets and liabilities arising from call and put options with MaxCure and its shareholders were also assumed in the transaction and are measured at fair value. Refer to note 21 for more details.

MaxCure was founded in 2013, and operates a total of 9 hospitals in the region of Andhra Pradesh and Telangana with its base in Hyderabad in India. MaxCure is a fast-growing business which supported by Medcover can grow at a faster pace than previously reported. Medcover has options to acquire a 51% stake through to 2019 mainly through infusions of new equity to support the growth of MaxCure.

MaxCure is included in the consolidated financial statements using the equity method. No results are recognised in 2017 for the 3 months since acquisition. The accounting year of the associate runs from 1 April 2017 – 31 March 2018.

The table below provides summarised financial information for the MaxCure group for the calendar year ending 31 December 2017:

As at 31 December 2017

Current assets	18.0
Non-current assets	30.0
Current liabilities	-14.6
Non-current liabilities	-12.4

12 months ended 31 December 2017

Revenue	55.0
Profit for the year attributable to the shareholders	1.3

The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not a share of those amounts. These have not yet been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

No significant restrictions on the investee's ability to access or use the assets and settle the liabilities towards the Group in the form of dividends or repayment of loans exist at the balance sheet date.

NOTE 13 ACQUISITION OF NON-CONTROLLING INTERESTS

Non-controlling interests in the Group's fertility business in Ukraine and a small interest in a Turkish entity were settled in cash for €3.1 million. €0.8 million was set off against equity of the parent which is the difference between a cash payment of €3.1 million and the carrying value of the non-controlling interests acquired of €2.2 million to reflect that the transaction is by nature a transaction between shareholders.

NOTE 14 INVENTORIES

Within inventories is included €12.1 million (2016: €8.7 million) relating to real estate developments in Poland and Romania.

Besides the real estate other major classes of inventory include consumables for diagnostic tests, consumables for medical services and retail stocks of pharmaceuticals and drugs. As certain of the Group's markets are less developed, supply chains may be extended and hence to manage this risk the Group operates at relative higher levels of inventory to provide a buffer in case of delays in shipments and customs clearance in these markets.

NOTE 15 TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	62.5	59.5
Other receivables	8.4	7.3
Amounts due from related parties	0.2	–
Third party loan receivables	0.6	0.3
Prepayments	4.3	3.8
Accrued income	6.5	6.4
Total trade and other receivables	82.5	77.3

Trade receivables are shown net of provisions for doubtful receivables. The charge in the income statement for 2017 for doubtful receivables was €1.4 million (2016: €1.6 million).

Within the category accrued income, €5.2 million is recognised out of a total of €6.3 million of nominal claims against the Polish National Health Fund (NFZ) for life saving inpatient procedures which are obliged to be reimbursed under the Polish Constitution (2016: €4.3 million recognised of €5.3 million claims). This represents Medcover's estimate of the amount of revenue that will be paid following a model providing estimated recoveries to recognise the uncertainties inherent in such claims. The Polish National Health Fund routinely rejects these claims and the claimant is required to pursue the claims through the courts, which can take 1 to 2 years. There is a risk that such claims may not succeed in full or part. Medcover has recognised only the value that it judges to be highly probable to be realised. During 2017, a settlement of €2.1 million was made by the NFZ relating to years 2012, 2013, 2015–2017 and an additional €2.8 million was recognised for 2017 procedures. As any claim eventually awarded by the courts is increased by statutory interest, no discounting is applied to the amounts recognised. Applying the concept of prudence this eventual interest award is not recognised until a court award occurs.

NOTE 16 TRADE AND OTHER PAYABLES

	2017	2016
Accounts payable	23.1	22.5
Other liabilities	10.3	9.1
Accruals	33.7	25.6
Total trade and other payables	67.1	57.2

NOTE 17 PROVISION FOR UNEARNED PREMIUMS/ DEFERRED REVENUE

	2017	2016
Deferred revenue	7.4	2.8
Provision for unearned premiums	4.9	3.9
Total provision for unearned premiums/ deferred revenue	12.3	6.7

A provision for unearned premiums is established to defer these to future periods for release to the income statement as earned premiums. At the balance sheet date deferred revenue includes €4.1 million of advances received from customers (2016: nil) related to a real estate development project in Poland which will be recognised in the income statement upon the sale which is expected to be completed mid-2018.

NOTE 18 OTHER NON-CURRENT LIABILITIES

	2017	2016
Other non-current liabilities	4.7	-
Total other non-current liabilities	4.7	-

This relates to share-based payment arrangements which will be settled in cash. Refer to note 30 share-based payments for more details.

NOTE 19 LOANS PAYABLE

	2017	2016
Non-current loans payable		
Loans	43.4	189.1
Finance lease liabilities	0.5	0.9
Acquisition vendor notes and other	9.0	5.4
Total non-current loans payable	52.9	195.4

	2017	2016
Current loans payable		
Loans	1.6	14.0
Finance lease liabilities	0.6	0.6
Acquisition vendor notes and other	2.1	0.7
Total current loans payable	4.3	15.3

Net debt has been paid down with the proceeds from the new share issue, with full repayment of the €167.0 million outstanding of the former €220.0 million credit facility in the second quarter 2017. A new facility of €200.0 million has been signed with a maturity of maximum 5 years and has financial covenants in relation to net debt/EBITDA and interest cover. At the balance sheet date €14.1 million of this facility was utilised (2016: €166.4 million utilised of a €220.0 million facility).

At the balance sheet date, the Group has issued guarantees for premises operation lease commitments, medical equipment and tender specifications for a total of €4.6 million (2016: €2.9 million).

At 31 December 2017, €55.5 million of the plant, property and equipment were pledged as security for liabilities and leases (2016: €48.7 million) including €30.3 million of debt secured on real estate of the Group with a registered mortgage (2016: €32.2 million). This loan has been repaid after year end in January 2018.

Maturity of loans as well as other and acquisition vendor notes are payable as follows at the balance sheet date:

2017	Bank loans	Other liabilities
Within one year	1.6	2.1
Years two to five	43.4	9.0

2016	Bank loans	Other liabilities
Within one year	14.0	0.7
Years two to five	189.1	5.4

Interest rates of debt outstanding at the balance sheet date range between 1.5 and 2.8% (2016: 2.25 and 2.75%).

NOTE 20 LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017	2016
Gross debt		
Non-current loans payable	52.9	195.4
Current loans payable	4.3	15.3
Total gross debt	57.2	210.7

	2017	2016
Other financial liabilities		
Non-current	23.6	16.6
Current	4.9	1.3
Total other financial liabilities	28.5	17.9

A reconciliation of movements of debt and other financial liabilities is presented below:

	Jan-Dec Debt		Jan-Dec Other financial liabilities	
	2017	2016	2017	2016
Opening balance	210.7	129.3	17.9	12.9
Loans repaid	-174.8	-21.1	-	-
Loans received	16.0	64.6	-	-
Net foreign exchange movements	0.1	0.4	-	-
Debt assumed upon business combinations and acquisition of assets	5.3	37.8	-	1.0
Distribution to non-controlling interests	-	-	-1.1	-0.8
Liquidity obligation to non-controlling interests	-	-	2.1	2.1
Economic interest liability for associate	-	-	7.6	-
Other non-cash transactions	-0.1	-0.3	-0.2	-0.3
Fair value changes recognised through equity	-	-	0.8	3.0
Fair value through profit and loss:				
Revaluation movements	-	-	1.2	-
Initial recognition deferral movements	-	-	0.2	-
Closing balance	57.2	210.7	28.5	17.9
Less cash balance	-45.4	-18.4	-	-
Debt net of cash	11.8	192.3	-	-

NOTE 21 FINANCIAL ASSETS AND LIABILITIES

The following table shows the Group's significant financial assets and liabilities. All financial assets and liabilities at amortised cost are considered to have carrying amounts that materially correspond to their fair value.

	Note	2017			2016		
		Non-current	Current	Total	Non-current	Current	Total
Financial assets at fair value through profit and loss							
Call options on associate's shares	21 b)	2.1	2.1	4.2	–	–	–
Financial assets at amortised cost							
Other financial assets		3.1	–	3.1	1.3	–	1.3
Trade and other receivables, gross		–	87.3	87.3	–	81.5	81.5
Provision for bad debts		–	-4.8	-4.8	–	-4.2	-4.2
Subtotal financial assets at amortised cost		3.1	82.5	85.6	1.3	77.3	78.6
Cash and cash equivalents		–	45.4	45.4	–	18.4	18.4
Total financial assets		5.2	130.0	135.2	1.3	95.7	97.0
Financial liabilities at fair value through profit and loss							
Put options on associate's shares	21 b)	1.5	–	1.5	–	–	–
Other financial liabilities	21 c)	7.5	–	7.5	2.1	1.3	3.4
Contingent acquisition consideration payable	21 d)	5.8	0.5	6.3	2.8	–	2.8
Derivatives (interest rate swap)		–	0.4	0.4	0.7	–	0.7
Subtotal financial liabilities at fair value through profit and loss		14.8	0.9	15.7	5.6	1.3	6.9
Put option liquidity obligation with non-controlling shareholder (with movement through equity)	21 a)	14.6	–	14.6	13.8	–	13.8
Subtotal financial liabilities at fair value		29.4	0.9	30.3	19.4	1.3	20.7
Financial liabilities at amortised cost							
Borrowings		44.1	2.3	46.4	190.2	14.6	204.8
Other liabilities		–	4.5	4.5	–	–	–
Trade and other payables		–	67.1	67.1	–	57.2	57.2
Deferred consideration payable		3.0	1.5	4.5	2.4	0.7	3.1
Subtotal financial liabilities at amortised cost		47.1	75.4	122.5	192.6	72.5	265.1
Total financial liabilities		76.5	76.3	152.8	212.0	73.8	285.8

The following amounts were recognised in other income/(costs) in respect of changes in fair value:

	2017	2016
Change in fair value of financial assets/liabilities		
Release of deferred profit upon initial call option recognition	1.7	–
Release of deferred loss upon initial put option recognition	-0.2	–
Change in fair value of call/put option on associate's shares	1.2	–
Change in fair value of other financial liabilities	0.1	–
Total fair value recognised in other income/(costs)	2.8	–

Recognised fair value measurements – valuation technique and principal inputs

A breakdown of how fair value is determined is indicated in the following three levels:

Level 1: Medcover presently has no financial assets or liabilities where the valuation is based on level 1.

Level 2: The fair value of interest rate swaps is determined by discounting the estimated cash flows. Discounting is based on quoted market rates on comparable instruments at the balance sheet date.

Level 3: The Group has the following financial assets and liabilities recurrently measured using level 3 fair value measurements. Sensitivity of fair value of financial assets and liabilities to reasonably possible variations of

unobservable inputs is presented in a table below *Sensitivity – valuation inputs and relationships to fair value*:

- The Group is contractually obliged to acquire at a future date a non-controlling interest at a market price determined at that future time. This put option relates to one of the Group's German subsidiaries. The valuation is based on management's estimate of the exercise date and the expected valuation of the put option at that time. Due to contracted terms disadvantaging the holder, it is estimated that the put option will be exercised in 2023 at the earliest. In determining the fair value of the obligation, estimations of key variables are made, of which the most significant are the growth rate of the business to determine its profitability at the future date of exercise (compound rate of 5.5% in 2017 and 2016) and the discount rate applied to the nominal value (2017: 1.44% and 2016: 1.42%). This is a level 3 fair value technique with subsequent changes in fair value of the future obligation recognised as a movement within equity.
- The Group has rights to invest in an associate to inject new capital and to acquire a set number of existing shares at a price per share-based upon a formula linked to a profit measure. In addition, the Group has written put option agreements to certain investors to acquire their shareholding in the future, these can be exercised anytime between March 2020 and March 2023 and between March 2024 and March 2027 or until they cease to be shareholders. The model used for fair valuing these financial instruments is a Monte Carlo simulation model that takes into account the exercise price, the term of the options, the underlying equity value at grant date and expected volatility, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Each option was valued individually. Market observable input for share price volatility was based on a group of listed Indian hospital stocks, matched to the duration of the options being valued. Volatility input

ranged from 34.6%-38.4%. Market observable growth rates of profitability were used for the same group of stocks also matched to duration of the options. Observable growth rates at 9.5% and volatility of 19.3%.

- c) The Group has a contractual obligation to an unrelated third party in relation to the investment in the associate for services rendered in sourcing and negotiating the transaction and ongoing assistance in mergers and acquisitions as well as corporate governance of the associate. This is remunerated through a contract that grants the advisor a simulated participation in the Group's investment. The liability has been measured at the purchase date using a model relying upon observable and unobservable inputs related to the associate specifically projected growth of underlying profits and estimates of the likely date of exercise and payment of the obligation. The observable inputs relate to discount rates for the equity risks for the listed Indian hospital sector, represented by some 9 listed entities. The rate used at acquisition date was 12.1% and at the year-end, a revalued rate of 12.8%. Management felt that this was a more appropriate model than one weighted to market based information. The expectations for growth are higher than market rates given the infusion of funds that Medcover is likely to make over 2018 and 2019 and the resulting boost to growth and profitability above the hospital sector averages in India. This gives a more prudent and more reliable estimation of the eventual liability likely to be realised. As the contractual obligation is payable regardless of subsequent assistance in areas identified above, the total liability is recognised at acquisition and subsequently remeasured at fair value at each reporting date with differences accounted through the income statement.
- d) The fair value of contingent considerations payable is based on an estimated outcome of the conditional purchase price/contingent payments arising from contractual obligations. This is initially recognised as part of the purchase price and subsequently fair valued with changes recorded in the income statement. An additional €3.5 million has been recognised as contingent consideration relating to 2017 acquisitions based on future performance targets. No material changes have occurred to any related assumptions during the year to 31 December 2017.

No financial assets or financial liabilities have been reclassified between the valuation categories during the period.

Unobservable valuation differences on initial recognition

As described in section c) above, the Group has entered into certain call and put option agreements over shares of an associate. The strike price of these

acquisitions/ subscriptions is to be determined based upon formulas linked to profitability with price caps in some cases. The fair value of these options was determined using valuation techniques which rely on some observable inputs, including volatility of share prices of listed entities in the same field and market profit growth rates of similar listed entities, but also rely on unobservable inputs particularly in respect of inputs specific to the associate. The Group views these fair value calculations as reasonable given comparable observable price metrics that are considerably higher even when adjusted for liquidity and size. The accounting policy of the Group is that upon initial recognition of the financial instruments the Group recognises the fair value and will account for the difference between cost and fair value as an adjustment to bring the carrying amount in line with the transaction price. The net profit will be deferred by reducing the initial carrying amount of the net asset. This reduction will then be reversed in the income statement over the life of the options until exercised or lapsed. Management has judged that this gives assurance of the underlying value of the shares covered by the options as the associate increases its profitability. Subsequent fair value re-measurement of the options at each reporting date is reflected in the income statement along with the release of the initial deferral.

The exercise price of the call options to increase the investment is based on a surrogate for the fair value of the shares at the date of exercise. A valuation of the 4 call options and 2 put options has been performed using a Monte Carlo simulation model at inception with a defined set of variables and volatility. The fair value of the call and put options amounted to €11.7 million and €7.8 million respectively at year-end. Any subsequent change in fair value will be recognised in the income statement.

The aggregate difference yet to be recognised in the income statement at the beginning and end of the year and a reconciliation of the changes of the balance during the year for derivative assets and liabilities are outlined below.

2017	Call options	Put options
Opening balance as at 1 January 2017	-	-
Increase due to options acquired	9.2	-6.5
Deferral of profit or loss of options acquired	-9.2	6.5
Release of profit or loss deferral	1.7	-0.2
Revaluation of options	2.5	-1.3
Closing balance as at 31 December 2017	4.2	-1.5

Sensitivity – valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value (FV)
	2017	2016		2017	2016	
Put option						
(Liquidity obligation with non-controlling shareholder)	14.6	13.8	Earnings growth factor	5.5%	5.5%	Increase of 1% point in profit growth = increase in FV liability of €0.8m
			Risk adjusted discount rate	1.44%	1.42%	Reduction of 1% point in discount rate = increase in FV liability of €0.9m
Call option (to acquire additional associate's shares)	11.7	-	Risk free rate	6.1%-7.6%	-	Reduction of 1% point in risk free rate = decrease in FV asset of €0.3m
			EBITDA growth rate	9.5%	-	Increase of 1% point in EBITDA growth rate = decrease in FV of asset of €0.5m
Put option (to acquire associate's shares held by other investors)	7.8	-	Risk free rate	7.2%-7.6%	-	Reduction of 1% point in risk free rate = increase in FV liability of €1.1m
			EBITDA growth rate	9.5%	-	Increase of 1% point in the EBITDA growth rate = increase in FV liability of €1.0m
Economic interest (Other non-current liability)	7.5	-	4 year projected CAGR EBITDA	43.3%	-	Increase of 10% in CAGR EBITDA = increase in FV liability of €1.0m
			Risk adjusted discount rate	12.9%	-	Decrease of 1% point in discount rate = increase in FV liability of €0.4m
Contingent acquisition consideration payable	6.3	2.8	Risk adjusted discount rate	5.5%	-	Decrease of 1% point in discount rate = increase in FV liability of €0.1m

NOTE 22 OPERATING LEASES

The Group has entered into leases for property to operate offices and clinics. These leases may be for several years, or may be subject to renewal on revised terms, such as revision of lease rates in line with an inflation index, or foreign exchange rates. Other assets lease payments include car lease payments and laboratory machine lease payments. No financial covenants or restrictions have been granted in respect of these operating leases.

Lease payments were as follows:

	2017	2016
Property lease payments	30.8	30.5
Other assets lease payments	4.2	3.1
Total lease payments	35.0	33.6

The total of future minimum non-cancellable property operating lease payments are as follows:

	2017	2016
Within one year	21.2	20.8
Years two to five	46.1	45.0
After 5 years	19.1	13.4
Total	86.4	79.2

NOTE 23 CAPITAL MANAGEMENT

The Group has grown principally through organic growth in the last 10 years with the addition of some acquired growth through business combinations. The organic growth has been within existing markets and new geographies. In expanding organically, the Group has been exposed to potential loss of capital if the expansion or new activities have not immediately met their financial objectives. The Group's objectives have been to balance the cash generation from established business units into higher risk investments in new activities. This has left the equity levels of the Group as a buffer to protect the Group in case of variations in performance that could impact the established activities and to absorb the impacts of currency translation arising from net investments in markets with higher currency devaluation risks. The Group has used debt funding for acquisitions of businesses due to the historically low cost of debt funding and availability of excess cash on the financial markets. When assessing the adequacy of the Group's equity for the activities and exposures the Group looks at net debt plus outstanding and future operating lease obligations compared to total equity, including minority interests as shown in the following table:

	2017	2016
Net debt (see note 20)	11.8	192.3
Future minimum lease obligations (see note 22)	86.4	79.2
Total net debt and future lease obligations	98.2	271.5
Ratio to total shareholders' equity	0.3	2.7

The Group raised new equity in 2017 which has reduced the above ratio. The medium term aim of the Group is to raise this ratio through higher levels of investment in new business development and acquisitions to achieve a more balanced capital structure between debt and equity.

NOTE 24 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In the course of its business the Group is exposed to a number of financial risks, including credit, interest rate, liquidity, foreign exchange and insurance underwriting risks. This note presents the Group's objectives and processes in regards to these risks. The central treasury function has an important role in managing the Group's financial risks with the aim to control and manage the Group's financial exposure and financial costs with a balancing between risk and costs.

Credit risk

Credit risk for the Group primarily relates to customer receivables balances in the ordinary course of business, and assets held by custodians or loaned to counterparties. Customers' compliance with agreed credit terms is monitored regularly and closely. Where payments are delayed by customers, steps are taken to restrict access to services or contracts are terminated. Certain customers, which are public or quasi-public institutions, may have longer payment terms and services may be continued to be delivered when amounts are overdue due to management's assessment of a lower credit risk and that amounts will be settled due to the real or implied state guarantees.

Counterparties with whom assets are deposited or loaned, such as banks or custodians, are monitored for credit worthiness and ratings. At the balance sheet date, there was no significant concentration of counterparty credit risk.

The carrying amount of financial assets, measured at amortised cost, represents the maximum credit exposure. There are no credit enhancements or collateral held that would offset such amounts. As the customer base of the Group is very diverse there are generally no large concentrations of credit risk. The largest credit concentrations are with German Länder health reimbursement systems which are deemed to be quasi state guaranteed.

The maximum exposure to credit risk at the balance sheet date is equal to the carrying amount of the Group's financial assets.

The ageing of trade receivables past due at the balance sheet date but which are not impaired or provisioned are as follows:

	2017	2016
Past due 0–30 days	11.3	8.9
Past due 31–180 days	7.2	8.0
Past due more than 180 days	4.3	4.5
Total	22.8	21.4

The provisions against trade receivables charged to the income statement during the period was € 1.4 million (2016: €1.6 million). Of the past due amounts of more than 30 days a large proportion relates to state guaranteed or quasi-public institutions which systematically have payment delays, but where payment is reasonably assured. See note 2.1 e) for the outcome of management's assessment on the future application of IFRS 9 *Financial Instruments*.

Interest rate risk

The majority of the Group's debt is denominated in Euro and hence it is exposed primarily to fluctuation in the Euro interest rate benchmarks (EURIBOR) however due to a floor agreement on the benchmark in the Group's financing facilities EURIBOR would need to rise by 32 basis points ('bps') from year end levels before there would be an increase in the Group's cost of funding. Interest rate risk on financial debt is managed based on monitoring of likely trends over a 1 to 3-year period and decisions are made as to whether to fix interest rates.

The interest charge in 2017 is based on higher levels of debt in the first part of the year, the arrangement fees for new facilities in relation to the IPO, interest on the real estate funding and commitment fees for the unused facility in the second half of the year.

The long term amortising loan to finance the Polish hospital facility in 2017 of €30.3 million was swapped floating for fixed at 80% of the nominal debt, and both transactions follow the same amortising pattern. This loan was reimbursed in January 2018.

Central treasury closely monitors interest rate outlooks and movements. Management's judgement is that the Euro debt markets will continue with a period of historically low interest rates and has consequently positioned its financial debt by weighting predominantly to short term floating rates.

Liquidity risk

The Group has positive operating cashflows in all of its main markets and business lines, and projections and forecasts expect these cashflows to remain positive. These cashflows have been used to reinvest in the Group's businesses in expanding the activities. Management closely monitors projections of cash flows and has a central control over investment activity. This provides a large degree of control over managing Group cash flows in the short term and oversight over medium to longer term plans, cashflows and

obligations. This gives the Group the ability to match its investment plans to available financing resources and reassure lending parties of the ability of the Group to service its debt obligations.

The Group had committed credit facilities at 31 December 2017 of €236.0 million (2016: €259.7 million) of which €45.1 million was drawn for loans or third party guarantees (2016: €203.0 million). Net debt has been paid down with the proceeds from the new share issue, with full repayment of the €167.0 million outstanding of the former €220.0 million credit facility in the second quarter 2017. A new facility of €200.0 million has been signed with a maximum maturity up until May 2022.

Given the Group's underlying operating cash flows, its relationships with its banking counterparties and the financial strength of its major shareholder the Group does not expect any obstacles to renewal of its banking facilities. At the end of 2017 the Group was at a leverage ratio of Net debt / last 12 months EBITDA (both as defined by the loan documentation) of 0.2x in relation to a covenant of 3.5 x.

At the end of 2016 the Group was operating at a relatively high level of leverage after acquiring its major real estate asset in the period however this asset was effectively already used within the Group via a long term lease and the obligation to service it was accounted for as an annual cost and cash flow through lease payments. The application of the IFRS 16 *Leases* from 2019 onwards will explicitly quantify the effective leverage of businesses using off balance sheet lease obligations as can be seen in the reduction of future lease obligations of the Group in 2016 as a result of acquiring this asset. This will effectively reduce the eventual impact of the application of IFRS 16.

Foreign currency risk

The Group operates across several countries, with its major operations in Poland, Germany, Romania and Ukraine. It operates in each country predominantly in the local currencies, respectively Polish Zloty (PLN), Euros, Romanian Lei (RON) and Ukrainian Hryvnia (UAH). The Group matches local operating revenue to costs in local currencies in these markets where possible. In the Polish and Romanian Healthcare Services activity the Group is exposed to foreign currency exposure in relation to costs of premises leases which are largely denominated in Euros or US dollars and some capital investment items for medical equipment which are priced relatively to Euros

or US dollars. All other costs are denominated in the local currencies, as are substantially all revenues. In the Polish, Romanian and Ukrainian Diagnostic Services activity the Group is exposed to foreign currency exposure in relation to costs of materials and certain consumables which are priced relatively to Euros or US dollars, with other costs being domestically based. The Group does not hedge these transactional costs.

The Group's operations and equity is exposed to developing market currencies in several markets and in a period of devaluation the net equity of the Group could be impacted by a reduction in the Euro value of the Group's net investment in that country of operation. The Group takes a view that the ability to earn income and the ability to increase prices in line or above inflation within the relevant markets compensates over time for such a devaluation and although an immediate impact or reduction on operating cashflows can be felt over a period of 12 to 24 months these effects are compensated through the relatively fast flow through of import cost inflation. With this in mind the Group's policy is not to actively hedge the net investment position in our local operations. Part of the funding of some of the Group's local investments is provided for through short term loans and supplier credit denominated in Euros, these loans and balances may generate foreign exchange losses through the income statement in case of a devaluation.

The revenue of the Group is divided across four main countries of operations and several minor ones. The Group's exposure to foreign currencies for its revenue is shown in the geographical disclosure of segment revenue in note 6. Over the period 2016 to 2017 the Ukrainian Hryvnia (UAH) has seen a sharp devaluation as a result of the economic crisis following on the mid 2014 political changes and ensuing conflict with Russia. The UAH has devalued from a rate of 26.2 at the beginning of 2016 to 33.5 UAH to 1 Euro at the end of 2017, effectively a devaluation of 28.6% over the 2 years. Over this same period, annual CPI inflation has run at 12.4% in 2016 and 13.7% in 2017, meaning an effective reduction in purchasing power of 21.8% over the 2 years. This demonstrates the fast flow through of exchange rate induced inflation to the economy. Due to the high dependence of the general public on private provision of health care, Medcover has adjusted local prices for services to both maintain affordability in the market, whilst compensating for the increase in the costs of imported Euro based consumables and thereby to not only maintain but increase its volumes whilst managing its operating margins.

At the balance sheet date, the currency risk on assets and liabilities was as follows based on notional amounts:

2017 €m equivalents	EUR	PLN	RON	UAH	Other	Total
Receivables	36.7	27.5	7.8	1.4	9.1	82.5
Loans payable	22.7	33.3	0.2	–	1.0	57.2
Payables	16.8	34.3	10.9	1.3	3.8	67.1

2016 €m equivalents	EUR	PLN	RON	UAH	Other	Total
Receivables	38.0	24.7	4.9	1.0	8.7	77.3
Loans payable	206.6	3.6	0.3	–	0.2	210.7
Payables	14.5	29.3	7.7	1.1	4.6	57.2

A 10% strengthening of the following currencies against the Euro at 31 December for equity and throughout the year for profit and loss would have increased (decreased) equity and profit and loss by the amounts shown below. This sensitivity analysis assumes that all other variables remain constant.

	2017		2016	
	Equity	Profit and loss	Equity	Profit and loss
PLN	6.9	1.7	6.4	0.9
RON	3.2	0.5	3.2	0.9
UAH	0.7	0.3	0.6	0.5

A 10% weakening of the following currencies against the Euro at 31 December for equity and throughout the year for profit and loss would nearly equal but opposite effect on the basis that all other variables remain constant.

The major currency translation rates used in these financial statements are as follows:

	Statement of financial position rate 1.00 € to		Annual average rate 1.00 € to	
	2017	2016	2017	2016
United States Dollar	1.20	1.05	1.13	1.11
Polish Zloty	4.17	4.42	4.26	4.36
Romanian Lei	4.66	4.54	4.57	4.49
Ukrainian Hryvnia	33.50	28.42	30.03	28.28
Indian Rupee	76.61	–	73.50	–

NOTE 25 CONTINGENCIES

In the normal course of business, certain Group entities are subject to litigation concerning medical malpractice, employment matters, regulatory disputes or other commercial contract disputes, pending or threatened in the jurisdictions of the entities' operations, and are subject to ongoing tax audits by tax authorities. The outcome of litigation and other claims or lawsuits is intrinsically uncertain. Management views as remote the likelihood of any material claim being found in favour of the claimant for any litigation currently in process, pending or threatened which would exceed insurance coverage in place; accordingly, no material provision for any such claims are made in these

financial statements. In addition to the above disputes in the normal course of business the only other dispute that the Group is involved with and could possibly result in a cash settlement is the one over the ownership of a portion of a plot of land over which one of the Group's buildings is erected. The outcome of this dispute is uncertain and is currently in the courts, an adverse outcome could give rise to a liability of the order of €0.5 million plus statutory interest from August 2002–December 2014 and an annual payment of €0.1m since January 2015. No provision has been recorded in the financial statements.

NOTE 26 SHARE CAPITAL

Under the Company's articles of association, the Company may issue class A, B and C shares. Each class A share carries one vote. Each class B or class C share carries one tenth of a vote. Medcover's class B share has been listed on Nasdaq Stockholm since May 2017. At the shareholder's request class A shares may be converted to an equal number of class B shares. No class C shares have been issued to date.

An overview of the movements in share capital and additional paid in capital is presented below:

	2017 Shares	2016 Shares	2017 €m	2016 €m
Capital	133,335,195	6,500	26.7	0.0
Additional paid in capital			319.7	–
Total capital and additional paid in capital			346.4	0.0

	Number of shares, Class A	Number of shares, Class B	Par value, €m	Additional paid-in capital, €m	Total, €m
Opening balance as at 1 January 2017	6,500	–	0.0	0.0	0.0
Completion of exchange offer and change of parent company	17,532,722	1,875,317	19.4	136.0	155.4
5:1 share split	70,156,888	7,501,268	–	–	–
Share issue on initial public offering	–	36,262,500	7.3	200.3	207.6
Less: transaction costs arising on share issue	–	–	–	-8.3	-8.3
Business combination under common control	–	–	–	-8.3	-8.3
Conversion between class A and class B shares	-6,347,949	6,347,949	–	–	–
Closing balance as at 31 December 2017	81,348,161	51,987,034	26.7	319.7	346.4

NOTE 27 INFORMATION PER SHARE

Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to the owners of the Parent by the weighted average number of shares outstanding during the year.

	2017	2016
Profit for the year, €m	18.7	4.3
Basic EPS, €	0.157	0.046
Diluted EPS, €	0.157	0.045

Weighted average number of shares for EPS (thousands)	2017	2016
Weighted average number of shares for basic EPS	119,187	95,014
Effect of dilution from employee share-based payments	0	1,805
Weighted average number of shares for diluted EPS	119,187	96,819

At the annual general meeting of 10 March 2017, the decision was taken to split each share of both class A and B so that each old share would be represented by 5 new shares in a 5 for 1 split. Correspondingly the quota value per share was reduced from €1.00 to €0.20 per share. Earnings per share comparatives have been retrospectively adjusted for the 5 for 1 share split.

As disclosed in note 30, two major shareholders issued share options for management in 2013, then sponsored a share-award plan in 2014. The two shareholders, not the Company, were the parties to the share-based compensation agreements, so that these as written had no dilutive effect. For the purpose of presenting diluted EPS, management however considered that disclosing share-based compensation as having a dilutive effect provides information that in substance is more relevant to the economic decision-making needs of users of the financial statements. Actually, the shares under both programs were eventually delivered to the managers participating from an issue of new shares in 2016, resulting in effective dilution of the existing shareholders.

The shares issuable under the long-term incentive plan (see note 30) are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

There have been no transactions involving shares or potential shares between the reporting date and the date of authorisation of these financial statements.

NOTE 28 STAFF

	2017			2016		
	Average FTE			Average FTE		
	Women	Men	Total	Women	Men	Total
By country						
<i>Poland</i>	3,234	999	4,232	3,052	995	4,047
<i>Ukraine</i>	1,725	227	1,952	1,464	184	1,648
<i>Romania</i>	1,315	312	1,627	1,185	256	1,441
<i>Germany</i>	806	246	1,052	627	194	821
<i>Belarus</i>	302	43	345	231	38	269
<i>Serbia</i>	113	35	148	110	33	143
<i>Moldova</i>	98	17	115	86	15	101
<i>Turkey</i>	78	31	109	83	32	115
<i>Bulgaria</i>	65	12	77	72	13	85
<i>Georgia</i>	37	7	44	36	7	43
<i>India</i>	34	46	80	-	-	-
<i>UK</i>	18	5	23	20	4	24
<i>Benelux</i>	11	8	19	11	6	17
<i>Other</i>	5	5	10	4	3	7
<i>Hungary</i>	4	1	5	11	2	13
<i>Sweden</i>	2	3	5	1	2	3
<i>Russia</i>	2	2	4	199	59	258
Total staff	7,849	1,999	9,848	7,192	1,843	9,035
Total contractors	1,081	670	1,751	1,046	647	1,693
Total employees	6,768	1,329	8,097	6,146	1,196	7,342

Average full time equivalent (FTE) figures presented for 2016 have been restated to reflect the reduction of staff on maternity and sick leave (combined impact of 972) to be consistent with active average FTE figures reported in 2017.

The staff figures presented above include employees who are employed under an employment contract as well as contractors who are employed under a civil contract. Contractors included in 2017 total figures amounted to 1,751 (Poland: 1,503, Romania: 156, Ukraine: 76 and other: 16). Contractors included in 2016 total figures amounted to 1,693 (Poland: 1,453, Romania: 151, Ukraine: 73 and other: 16).

Gender distribution in board/Medicover management

	2017		2016	
	Women	Men	Women	Men
Board of directors	2	6	1	6
CEO and other senior executives	3	6	2	5
Other senior management	31	57	30	53
Total	36	69	33	64

NOTE 29 SALARIES AND OTHER REMUNERATION

Remuneration to the board of directors, CEO and other senior executives *Board of directors*

Fees and other remuneration to the members of the board of directors are resolved at the shareholders' meeting. At the annual shareholders' meeting held on 10 March 2017, it was resolved that remuneration for the time until the end of the next annual shareholders' meeting to board members elected by the shareholders' meeting shall be paid with €50,000 to the chairman of the board and €30,000 to each of the board members, except for the CEO. In addition, €10,000 shall be paid to the chairman of the audit committee and €5,000 to each of the other members of the audit committee and €5,000 shall be paid to each member of the remuneration committee. Total board fees amounted to €290,000 for the period from 1 April 2017 to 31 March 2018.

CEO and senior executives

At the annual shareholders' meeting held on 10 March 2017, it was resolved to adopt guidelines for remuneration and other terms of employment for the CEO and other members of the executive management, conditional upon listing of the Company's class B shares on Nasdaq Stockholm. The principles, which are accounted for in brief below, shall be applied for employment agreements entered into after the 2017 annual shareholders' meeting and for changes made to existing employment agreements thereafter.

Medicover shall strive to offer total remuneration and other terms of employment that are fair and competitive in relation to the country or region, position and responsibility, expertise, experience and performance of employment of each senior executive. The total remuneration may comprise the components stated in the following.

The annual base salary ("ABS") shall be fair and competitive in relation to the country or region, position and responsibility, expertise, experience and performance of employment of the relevant senior executive. The ABS represents compensation for a committed work contribution at a high professional level. Salary levels shall be reviewed periodically (usually annually) to ensure continued competitiveness and to recognise individual performance.

Variable compensation shall be measured against pre-defined targets and have minimum eligible levels and maximums. Variable compensation shall relate both to financial performance targets and non-financial targets that benefit both short and long term Group strategic targets and shareholder value. The targets shall be specific, clear, measurable and time bound. The variable compensation may comprise two programs, i) a short term annual incentive plan ("STI") based on the performance of the Company and the member during each calendar year and ii) a long term share-based incentive plan.

The maximum STI entitlements shall be dependent on job position, and expertise and may amount up to a maximum of 75% of ABS (i. e. nine months ABS). The board of directors has decided that the CEO will not participate in the STI. For more information on the long term share-based incentive plan, refer to note 30.

Other variable compensation may be approved in extraordinary circumstances, under the conditions that such extraordinary arrangement shall, in addition to the target requirements set out above, be made for recruitment or retention purposes, are agreed on an individual basis, shall never exceed three times the ABS and shall be earned and/or paid out in instalments over a minimum period of two years.

Old age pension and medical benefits shall be designed to reflect home-country practices and requirements. When possible, pension plans shall be based on defined contribution. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved. Other benefits may be provided on individual level or to the entire executive management. These benefits shall generally not constitute a material portion of total remuneration. The CEO and other members of the executive management do not have any pension contributions beyond defined contributions statutory pension schemes.

The maximum notice period shall be twelve months if the Group takes the initiative and twelve months if the senior executive takes the initiative. In individual cases, severance pay may be approved in addition to the notice periods. Severance pay may only be payable upon the Group's termination of the employment arrangement or where a senior executive gives notice as the result of an important change in the working situation, because of which he or she can no longer perform to standard. This may be the case in e.g. the event of a change in reporting line and/or job scope. Severance pay may be provided as a benefit to the individual through the continuation of the ABS for a period of up to twelve months following termination of the employment agreement; no other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or independent activities.

The board of directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

Total remuneration, social security and pension costs

	2017			2016		
	Remuneration/ board fee	Social security cost	Of which pension costs	Remuneration/ board fee	Social security cost	Of which pension costs
Board of directors, CEO and other senior executives	3.8	0.3	0.1	4.6	0.3	0.1
Other employees	177.7	26.4	3.3	145.3	22.0	2.7
Contractors	45.8	–	–	38.1	–	–
Total	227.3	26.7	3.4	188.0	22.3	2.8

Preparation and decision process

The board of directors has also internally appointed a remuneration committee comprising two members:

Fredrik Stenmo (chairman) and Jonas af Jochnick (vice chairman). The remuneration committee shall prepare the board of directors' resolutions concerning remuneration principles and remuneration and other employment terms for the CEO and the executive management.

Remuneration and benefits to board members and senior executives

In the following table is presented compensation resolved by the annual general meetings of 2017 for the Company and 2016 for Medcover Holding S.A. The CEO is a board director of the Company but was not remunerated for such office separately in 2017.

€ 000's	2017			2016		
	Board fees	Committee fees	Total	Board fees	Committee fees	Total
Fredrik Stenmo (chairman)	50	10	60	–	–	–
Jonas af Jochnick (vice chairman)	30	5	35	–	–	–
Board Members:						
Arno Bohn	30	–	30	25	15	40
Sonali Chandmal	30	–	30	–	–	–
Michael Flemming	30	10	40	25	20	45
Peder af Jochnick	30	–	30	25	–	25
Robert af Jochnick	30	–	30	25	–	25
Margareta Nordenvall	30	5	35	25	–	25
Fredrik Rågmark (CEO)	–	–	–	50	–	50
Total	260	30	290	175	35	210

Other than the CEO no director received any remuneration or benefit from any Group entity other than the Company or Medcover Holding S.A. Sonali Chandmal was appointed to the board on 13 January 2017. The board of directors was composed of 2 women and 7 men.

The following tables present the remuneration and benefits of the senior executives and the CEO:

€ 000's	Salary/ director fees	Variable pay	Other benefits	Charges related to LTIP	Pension contributions	Total
Fredrik Rågmark, CEO	810	–	12	99	–	921
Other senior executives (8)	1,723	393	285	224	104	2,729
Total 2017	2,533	393	297	323	104	3,650
Fredrik Rågmark, CEO	810	116	28	–	–	954
Other senior executives (7)	1,570	336	169	1,326	112	3,513
Total 2016	2,380	452	197	1,326	112	4,467

Pension contributions include statutory employer contributions to state pensions and defined contribution pensions.

NOTE 30 SHARE-BASED PAYMENTS

The Group recorded a charge of €1.1 million for share-based payments in 2017 (2016: €1.8 million).

Equity settled share-based payments

At an extraordinary shareholders' meeting of Medcover held on 31 March 2017, it was resolved to implement a long term performance-based share program and for the Company to issue up to 994,000 class C shares addressed to no more than 45 key employees in the Group. The purpose of the program is to create conditions for motivating and retaining competent employees in the Group, to increase the alignment of the targets of the participants with those of Medcover and to increase the motivation of meeting and exceeding the Group's financial targets. The board of directors intends to evaluate the suitability and appropriateness of the program and if the program fulfils its purposes, to propose future annual shareholders' meetings to adopt equivalent programs.

Participation in the program requires a private investment in shares in Medcover, so called saving shares, either by way of acquisition of existing shares in the Company or by way of using already held shares as saving shares. The board of directors resolved on the number of saving shares that each participant would be entitled to participate within the program, which is no less than zero and no more than 18,750 saving shares. As of 23 June 2017, 32 employees have chosen to participate in the program. In total, the program comprises 103,583 saving shares. No change in number of participants as at 31 December 2017. For each saving share invested and held under the plan, one right is granted which entitles the participant to receive up to eight performance shares at the end of the vesting period.

Participants who, with certain exceptions, up to and including the day of the announcement of the interim report for the period 1 January–31 March 2022 have kept their saving shares and have maintained their employment within Medcover will at the expiration of the period obtain, without consideration, up to eight class B shares in Medcover, so-called performance shares, for each saving share, provided that certain, in advance determined, performance requirements based on the Group's EBITDA growth for the period 2017–2021 (with 2016 as comparative year) are fulfilled. Should Medcover's compound annual EBITDA growth rate (CAGR) amount to more than 14%, each saving share entitles to one performance share. Each additional percentage point in EBITDA grants 0.5 additional performance shares. Should the EBITDA CAGR amount to 28% or more, each saving share entitles to eight performance shares. Medcover will also compensate the participants for any dividends paid during the duration of the program by increasing the number of performance shares that each participant may receive.

The maximum value per each participant's rights under the program is, however, limited to five times the participant's gross annual base salary and in the event that the value exceeds such limit, the number of performance shares will be decreased on a pro rata basis.

At 31 December 2017, 828,664 instruments have been granted. The quoted share price has been used to calculate the fair value of the share-based payment at the grant date. Management assumed a turnover of 10% among participants, therefore estimating that ~59% of instruments will eventually vest due to the service vesting conditions. Non-market conditions should not be considered when estimating the fair value of the share-based payment, but should be taken into account at each balance sheet date for the purpose of estimating the number of equity instruments that will vest. Management estimated that the performance requirements will be 100% fulfilled.

Cash settled share-based payments

The Group has entered into contracts with employees based upon valuations of subsidiaries, equity using formulas to reward and retain staff for development of those businesses. These are accounted for based upon financial projections and business plans to estimate the fair value of the eventual liability that will be settled (between 31 March 2020 and 31 March 2025) and the estimated cost is charged to the income statement over the vesting period. This estimate is revised at each reporting date to reflect changes in the estimated fair value for obligations already vested and those projected to vest and so eventually the amount charged cumulatively to the income statement will be equal to the amount settled. The amount of the liability at 31 December 2017 amounted to €1.9 million.

The Group and an unrelated third party have entered into an arrangement whereby for services rendered the latter benefits from the investment made by the Group in a subsidiary by a percentage ownership of the total investment, valued at the time of monetisation using a formula on the basis of the underlying performance of that subsidiary. This is accounted for based upon financial projections and business plans to estimate the fair value of the eventual liability that will be settled and the estimated cost has been recognised at the date of the acquisition due to services having been fully provided and the economic interest being fully vested. The amount of the liability at 31 December 2017 amounted to €2.8 million and is estimated to become due in 2026.

NOTE 3 | RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is the Jonas and Christina af Jochnick Foundation, a charitable foundation, which controls the majority of votes of the Group through its wholly owned subsidiary Celox Holding AB.

Ownership, %	2017	2016
Celox Holding AB (Celox S.A. in 2016) share capital	35.4%	52.6%
Celox Holding AB (Celox S.A. in 2016) votes	54.5%	52.6%

The board of directors of the company, the executive management and close relatives of these individuals are related parties. The companies in which they are also directors or own a significant share of the capital or votes are considered to be related parties.

During the period, the following transactions were conducted with related parties:

	2017	2016
Celox Group companies		
Expenses and employment costs recharged	0.4	0.5
Outstanding receivables at period end	0.2	0.0
Guarantee issued to banks in support of Medcover Holding S.A.'s borrowings up to May 2017	–	–
Free of charge settlement of equity awards to management (a)	–	–
Acquisition of Medcover Healthcare Private Limited (at original cost) (note 11)	10.0	–
Acquisition of MaxCure interests and other rights and obligations (at original cost) (note 12)	21.3	–
Kalabo & Tordis		
Property operating lease charges (b)	–	2.1
Acquisition of real estate (c)	–	49.2

(a) Celox S.A. and Mr. Jonas af Jochnick made available shares free of charge to fulfil share-based payments fulfilled in 2016 and in the first quarter of 2017, based on which the Group measured the services received as equity-settled transactions as it had no obligation to settle the transaction with its employees.

(b) Until August 2016, certain members of the af Jochnick family had an interest in Kalabo Investments Sp. z o.o. (Kalabo) and Tordis Investments Sp. z o.o. (Tordis) which until August 2016 were the owners of the premises in Warsaw leased for use as a hospital and of an adjacent plot of land. The lease and the charge for the hospital was established in 2011 at a market price benchmarked against other commercial offers and reflecting an 8% capitalisation rate on the underlying value of the land and buildings.

(c) In August 2016, Medcover Sp. z o.o. acquired 100% and thereby the land and buildings of the hospital operated by the Group. An independent investment valuation (performed by Colliers International Poland) evaluated the asset at an investment value of €48.3 million. This was based upon discounting the future cashflows projected as arising from the minimum lease payments that Medcover was obliged to pay over the remaining lease term and a projected open market valuation of the land and buildings at the end of the term. The discount rate used was the current market capitalisation rate of 6.61% reflecting the investment risks of such a property. The effective price paid by Medcover was €47.3 million settled in cash of €14.1 million and assumption of debt/obligations of €33.2 million. The acquisition of Tordis, holding an undeveloped plot of land adjacent to the hospital, was conducted at the original cost price of the land of €1.9 million settled in cash. An independent valuation confirmed a higher open market valuation of €2.1 million. The Group incurred additional stamp duty tax costs for both transactions of €0.2 million which have been capitalised with the assets. The asset acquisition has brought value to the Group primarily through long term control of this operationally important asset which would be used considerably longer than the original lease term. This will reduce the impact of IFRS 16 Leases on the statement of financial position in the future and increase net annual cash flow and EBITDA.

NOTE 32 SUBSIDIARIES AND ASSOCIATES

The following 100% owned (unless otherwise indicated) non-German entities are the principal subsidiaries and associates of the Group and included in the consolidated financial statements:

Company	Activity	Country of incorporation
ABC Medcover Holdings B.V.	Holding/Financing/Management	The Netherlands
Anemir Investments SRL	Real Estate	Romania
Anfora Investments SRL	Real Estate	Romania
Belro Medical S.A.	Medical	Belgium
Doctor LUCA SRL ²⁾	Medical	Romania
lowemed Topmed SRL ¹⁾	Medical	Romania
Intersono Group LLC ¹⁾	Medical	Ukraine
Invimed - T Sp. z o.o. ²⁾	Medical	Poland
Medcover Investment B.V.	Holding/Financing/Management	The Netherlands
Medcover Försäkrings AB (publ)	Insurance	Sweden
Medcover Healthcare Private Limited ¹⁾	Medical	India
Medcover Holding S.A. ¹⁾	Holding/Financing/Management	Luxembourg
Medcover Hospitals SRL	Medical	Romania
Medcover Sp. z o.o.	Medical	Poland
Medcover SRL	Medical	Romania
Nordic Living Sp. z o.o. ¹⁾	Medical	Poland
Rehasport Clinic Sp. z o.o. ²⁾	Medical	Poland
Reminos Investments SRL	Real Estate	Romania
Reproductive Health Group Limited ²⁾ [50.6%]	Medical	England
Sahrudaya Health Care Private Limited ¹⁾ [23%]	Medical	India
Synevo Central Lab Sp. z o.o.	Medical	Poland
Synevo FLLC	Medical	Belarus
Synevo Holding S.à r.l.	Holding/Financing/Management	Luxembourg
Synevo Romania SRL	Medical	Romania
Synevo Sp. z o.o. ²⁾	Medical	Poland
Synevo Ukraine LLC	Medical	Ukraine
Whimsical Holding Limited	Holding/Management	Cyprus

2017: All new entities and changes in ownership are marked with ¹⁾

2016: All changes versus 2015 are marked with ²⁾

The exemption clause according to § 264 Sec. 3 of the German Commercial Code applies to the German subsidiaries listed below which are included in the consolidated financial statements of the Group:

Company	Activity	Country of incorporation
Baltic Sea View Property GmbH *	Real Estate	Germany
Baltic Sea View Real Estate GmbH *	Real Estate	Germany
Diagnos MVZ GmbH ¹⁾	Medical	Germany
IHP Institut für Hämostaseologie und Pharmakologie MVZ GmbH (previously named Hämostaseologicum Steglitz GmbH)	Medical	Germany
Hogyn MVZ GmbH	Medical	Germany
IMD Institut für Medizinische Diagnostik GmbH ^{*1)}	Medical	Germany
IMD Labor Oderland GmbH ^{*1)}	Medical	Germany
IMD MVZ Beteiligungs GmbH [92.5%]*	Holding	Germany
Infektiologie Ärzteforum Seestraße MVZ GmbH ¹⁾	Medical	Germany
IVD Institut für Veterinärmedizinische Diagnostik GmbH	Medical	Germany
Laborbetreuung IMD GmbH	Trading/Administration	Germany
Labormedicus GmbH	Medical	Germany
Medicover GmbH ^{*2)}	Medical	Germany
Medicover Gerlingen GmbH	Medical	Germany
Medicover Genetics GmbH ¹⁾	Medical	Germany
Medicover Ulm MVZ GmbH	Medical	Germany
Medicover Stuttgart MVZ GmbH	Medical	Germany
Medizinisches Versorgungszentrum Labor Greifswald GmbH *	Medical	Germany
Nordmed Healthcare GmbH ^{*2)}	Medical	Germany
Nordmed Klinik GmbH ^{*2)}	Medical	Germany
Projektentwicklungsgesellschaft IMD Greifswald GmbH	Real Estate	Germany
Synevo GmbH*	Holding/Management	Germany
Synevo Studien Service Labor GmbH	Medical	Germany

All entities marked with an * are significant subsidiaries

2017: All new entities and changes in ownership are marked with ¹⁾

2016: All changes versus 2015 are marked with ²⁾

NOTE 33 PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees paid by the Company to its independent auditors are as follows:

	2017	2016
Audit assignments	0.7	0.5
Auditing activities other than audit assignments	0.6	-
Tax consultancy services	-	-
Other assignments	0.2	-
Total fees	1.5	0.5

Included within the above is €1.3 million paid to BDO Sweden AB and its network (2016: €0.5 million). Other assignments principally include amounts in relation to work associated with the preparation of the Offering Circular and listing of the shares of Medcover on Nasdaq Stockholm.

NOTE 34 EVENTS AFTER BALANCE SHEET DATE

- After the year end Medcover has increased its ownership in Sahrudaya Health Care Private Limited (MaxCure) through an injection of new capital of €5.8 million. In February and March 2018 Medcover purchased existing shares for €3.1 million to bring Medcover's holding in MaxCure to 34.2%. This gives a total cost paid in cash of €8.9 million plus assumption of financial liabilities of €3.7 million, amounting to €12.6 million for the cost of the additional investment bringing the total investment cost to €34.0 million.
- Medcover repaid €30.3 million of debt secured on its real estate in Poland in January 2018.
- In February 2018, the Group acquired Polish dental business for a consideration initially estimated to be €2.9 million with €1.7 million settled in cash and a contingent consideration of €1.2 million. Provisional fair values have not been disclosed due to the recent timing of this acquisition. This acquisition complements the existing dental clinic network in Poland.
- Contracts with an annual value of approximately €8.8 million were not extended with the Polish National Health Fund beyond March 2018. The estimated impact of this termination in lost profit and recognition of redundancy costs is estimated to be between €0.2 million and €1.5 million in 2018.

NOTE 35 RESULT BEFORE AND AFTER NORMALISING ITEMS

2017	Excluding normalising items	Normalising items	As reported
Revenue	580.2	-	580.2
Medical provision costs	-438.2	-	-438.2
Gross profit	142.0	-	142.0
Distribution, selling & marketing costs	-28.5	-	-28.5
Administrative costs	-82.0	-2.7	-84.7
Operating profit	31.5	-2.7	28.8
Other income/(costs)	2.9	-	2.9
Total financial result	-3.9	-	-3.9
Share of profit of associates	0.2	-	0.2
Profit before income tax year	30.7	-2.7	28.0
Income tax	-7.8	-	-7.8
Profit for the year	22.9	-2.7	20.2

2016	Excluding normalising items	Normalising items	As reported
Revenue	497.3	-	497.3
Medical provision costs	-377.3	-	-377.3
Gross profit	120.0	-	120.0
Distribution, selling & marketing costs	-25.0	-	-25.0
Administrative costs	-71.7	-5.7	-77.4
Operating profit	23.3	-5.7	17.6
Other income/(costs)	0.2	-	0.2
Total financial result	-5.6	-	-5.6
Share of profit of associates	0.1	-	0.1
Profit before income tax year	18.0	-5.7	12.3
Income tax	-5.8	-	-5.8
Profit for the year	12.2	-5.7	6.5

Normalising items include costs expensed relating to the listing €1.5 million (2016: nil), non-cash share-based payments €0.8 million (2016: €1.8 million), merger and acquisition transactions €0.4 million (2016: €0.4 million) and impairment charge (2016: €3.5 million).

NOTE 36 RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (APM)

In its decision-making, the Group uses some alternative performance measures that are not defined in IFRS, because they provide information useful to assess the Group's development and performance. These measures should not be viewed in isolation or as an alternative to the measures presented in accordance with IFRS.

Acquired revenue

Net revenue related to companies or operations acquired in the last 12 months.

Organic revenue

Net revenue excluding acquisitions and currency effects. This measure provides information on the change in net revenue assuming that foreign currency exchange rates had not changed between the prior and current period. The comparisons presented as constant currency rates reflect comparative local currency revenue at the prior year's foreign exchange rates. The Group routinely evaluates third party net revenue performance at constant currency so that revenue results can be viewed without the impact of foreign currency exchange rates, thereby facilitating a period-to-period comparison of the operational activities, and this presentation also provides useful information to investors.

Organic growth

Increase of revenue excluding acquisitions and currency effects relative to the corresponding period prior year's revenue.

EBITA

Earnings before interest, other financial income/(expense), tax, amortisation and impairment, other income/(costs) and share of profit of associates.

EBITDA

Earnings before interest, other financial income/(expense), tax, amortisation, depreciation and impairment, other income/costs and share of profit of associates.

Adjusted EBITDA

Earnings before interest, other financial income/(expense), tax, amortisation, depreciation and impairment, other income/(costs) and share of profit of associates adjusted for non-cash share-based payments and merger and acquisition related expenses.

Adjusted EBITDA margin

Adjusted EBITDA as a percentage of revenue.

Operating profit margin

Operating profit as a percentage of revenue.

Gross profit margin

Gross profit as a percentage of revenue.

Profit margin

Profit for the period as a percentage of revenue.

Laboratory tests

Number of laboratory tests performed within the Diagnostic Services segment for the period referenced.

Members

Number of individuals covered under a pre-paid subscription or insurance plan within the Healthcare Services segment at the end of the relevant period.

Reconciliation to EBITDA	2017	2016
Operating profit	28.8	17.6
Amortisation	2.6	2.5
Goodwill impairment charge	–	3.5
EBITA	31.4	23.6
Depreciation	23.6	20.7
EBITDA	55.0	44.3
Share-based payments	0.8	1.8
Merger and acquisition related expenses	0.4	0.4
Adjusted EBITDA	56.2	46.5
Revenue	580.2	497.3
Operating profit margin, %	5.0%	3.5%
EBITDA margin, %	9.5%	8.9%
Adjusted EBITDA margin, %	9.7%	9.4%
Profit margin, %	3.5%	1.3%

Reconciliation to organic revenue	2017	2016
Acquisition revenue accounted	9.4	20.6

Acquired revenue	2017	2016
Revenue	580.2	497.3
Less acquired revenue impact	-9.4	-20.6
Organic revenue	570.8	476.7

	2017	2016
Revenue	580.2	497.3
Acquired revenue	-9.4	-20.6
Organic revenue	570.8	476.7
Currency effect	-1.4	20.0
Organic revenue adjusted for currency effect	569.4	496.7

Parent company income statement

For the years ended 31 December, €m	Note	2017	2016
Revenue		0.1	-
Gross profit		0.1	-
Distribution, selling and marketing costs		0.0	-
Administrative costs	3	-4.0	-
Operating loss		-3.9	-
Other income/(costs)		-	-
Interest income from Group companies		0.2	-
Total financial result		0.2	-
Loss before income tax		-3.7	-
Income tax	4	0.0	-
Loss for the year		-3.7	-

As the loss for the period corresponds with the amount in total comprehensive income, no separate statement of comprehensive income is presented.

Parent company balance sheet

As at 31 December, €m	Note	2017	2016
ASSETS			
Fixed assets			
<i>Tangible assets</i>			
Vehicles	5	0.1	-
<i>Financial assets</i>			
Holding of group company	11	434.8	-
Total fixed assets		434.9	-
Current assets			
Receivables from Group companies		0.3	-
Other receivables		0.4	-
Cash and cash equivalents		0.5	0.0
Total current assets		1.2	0.0
Total assets		436.1	0.0
EQUITY			
<i>Restricted equity</i>			
Share capital		26.7	0.0
Total restricted equity		26.7	0.0
<i>Non restricted equity</i>			
Share premium		407.0	-
Retained earnings		-3.7	-
Other reserves		0.5	-
Total non-restricted equity		403.8	-
Total equity		430.5	0.0
LIABILITIES			
<i>Non-current liabilities</i>			
Loans to Group companies	7	3.3	-
Total non-current liabilities		3.3	-
<i>Current liabilities</i>			
Trade payables		0.1	-
Liabilities to Group companies		1.8	-
Accruals	6	0.2	-
Other liabilities		0.2	-
Total current liabilities		2.3	-
Total liabilities		5.6	-
Total equity and liabilities		436.1	0.0

Parent company statement of changes in equity

€m	Restricted equity	Non-restricted equity			Total equity
	Share capital	Share premium	Retained earnings and loss of the year	Other reserves	
Share issue	0.0	–	–	–	0.0
Closing balance as at 31 December 2016	0.0	–	–	–	0.0
Loss for the year	–	–	-3.7	–	-3.7
Issuance of Medicover AB shares for in kind contribution	19.4	214.7	–	–	234.1
Contributions of equity, net of transaction costs	7.3	192.3	–	–	199.6
Employee share-based compensation costs	–	–	–	0.5	0.5
Closing balance as at 31 December 2017	26.7	407.0	-3.7	0.5	430.5

The company was incorporated on 22 August 2016. The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as net loss for the year.

The share capital consists of 81,348,161 class A shares and 51,987,034 class B shares for 133,335,195 shares in total. Class A shares carry one vote per share and class B shares carry one tenth of a vote per share. For further share capital information see note 26 of the consolidated financial statements.

Parent company cash flow statement

Year to 31 December	Note	2017	2016
Profit before income tax		-3.7	-
Adjustments for:			
Net interest expense		-0.3	-
Employee share-based compensation costs	8	0.5	-
Increase in receivables & inventories		-0.3	-
Increase in payables		2.4	-
Income tax paid		-	-
Net cash from operating activities		-1.4	-
Investing activities:			
Payment for acquisition of fixed assets	5	-0.1	-
Net cash used in investing activities		-0.1	-
Financing activities:			
Proceeds from issue of shares		199.6	-
Loans repaid		-197.6	-
Net cash from financing activities		2.0	-
Total cash flow		0.5	0.0
Cash and cash equivalents			
Cash balance as at 1 January		0.0	-
Total cash balance as at 31 December		0.5	0.0
Increase in cash and cash equivalents		0.5	0.0

Notes to the parent company financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities. At the beginning of 2017, the parent company changed its accounting and reporting framework from local Swedish GAAP BFNAR 2012:1 Annual report and consolidation (Sw. BFNAR 2012:1 Årsredovisning och koncernredovisning) to RFR 2. As the balances of the parent company at the start of the year comprised solely of share capital and cash no retrospective restatement of prior periods' balances was required by the change in accounting and reporting framework. All financial assets and liabilities are carried at amortised cost.

The parent company's stand-alone accounting principles are aligned to the consolidated financial statements, except for the following:

- The parent company's income statement and balance sheet are presented in accordance with the format described in the Swedish Annual Accounts Act.
- The parent company accounts for investments in subsidiaries using the cost method less any impairment losses as per the Swedish Annual Accounts Act. Any direct transaction costs are included in the acquisition cost.
- The parent company does not apply IAS 39 to financial instruments, instead measures non-current assets at cost less any impairment and financial current assets at the lower of cost or market value.

NOTE 2 INTRA GROUP TRANSACTIONS

During the year, the parent company had intra group transactions with its subsidiaries amounting to a net cost of €1.5 million (2016: nil) for Group wide services. The parent company has not purchased services from subsidiaries. Interest income relates to loans advanced to the parent company's direct subsidiary Medcover Holding S.A. During the year the loan balance of €200.9 million due from Medcover Holding S.A. was converted to equity of the subsidiary.

Medcover AB (publ) has entered into an agreement to absorb any losses (if any) arising in the year ending 31 December 2017 for all its indirect German subsidiaries in accordance with § 302 of the German company law. This is to enable an administrative simplification to file the Group accounts in place of individual accounts of the entities. For a listing of all German entities that this relates to see note 32 to the consolidated financial statements.

NOTE 3 NATURE OF EXPENSES

2017	Administrative costs
Staff costs	-1.2
Property lease costs, heat and other establishment costs	-0.1
Other	-2.7
Total operating expenses	-4.0

Included in the category 'other' are expenses relating to the listing, audit fees, other consultancy and legal fees.

NOTE 4 INCOME TAX

	2017	2016
Profit before tax	-3.7	-
Applicable tax rate, %	22.0%	-
Tax at applicable tax rate	0.8	-
Reconciliation of tax expense:		
Current year effect of permanent differences	-0.1	-
Tax loss carry forwards not recognised for deferred taxes	-0.7	-
Tax expense	0.0	-
Effective tax rate, %	0.0%	-

NOTE 5 TANGIBLE ASSETS

	2017	2016
Opening cost of acquisition	-	-
Additions	0.1	-
Closing cost of acquisition	0.1	-
Opening depreciation	-	-
Depreciation charge	0.0	-
Closing depreciation	0.0	-
Net book value at 31 December	0.1	-

NOTE 6 ACCRUALS

	2017	2016
Other accruals	0.2	-
Total accruals	0.2	-

NOTE 7 NON-CURRENT LOANS TO GROUP COMPANIES

	2017	2016
Loan to Medcover Holding S.A. due between two and five years	3.3	-
Total non-current loans to Group companies	3.3	-

NOTE 8 SALARIES AND OTHER REMUNERATION

	2017		
	Remuneration/ board fee	Social security cost	Of which pension costs
Board of directors, CEO and other senior executives	0.6	0.1	0.0
Other Group share-based payments	0.4	-	-
Other employees	0.1	0.0	0.0
Total	1.1	0.1	0.0

For further details on remuneration of the board, CEO and other senior executives and related remuneration policies and guidelines adopted, refer to note 29. The average number of employees was 3 for 2017 with 2 women and 1 man. No salary costs were incurred in 2016.

NOTE 9 PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees paid by the Company to its independent auditors are as follows:

	2017	2016
Audit assignments	0.1	-
Auditing activities other than audit assignments	0.5	-
Tax consultancy services	-	-
Other assignments	0.1	-
Total fees	0.7	-

NOTE 10 INTERESTS IN GROUP COMPANIES

Subsidiaries	Corporate ID number	Registered office	Share of equity, %
Medicover Holding S.A.	B59021	Luxembourg	100

	2017
In kind contribution for issue of new shares of the Company	234.1
Conversion of loan balance due to the Company into equity	200.9
Cancellation minority shares	-0.2
Carrying value at 31 December 2017	434.8

NOTE 11 PROPOSED DISPOSITION OF THE COMPANY'S PROFIT

Non-restricted equity in the parent company amounts to:

As at 31 December 2017, €

Share premium reserve	406,994,195
Retained earnings	-3,711,856
Reserves	545,800
Unappropriated earnings	403,828,139

The board of directors proposes that no dividend will be distributed to the shareholders, instead the unappropriated earnings will be carried forward.

BOARD OF DIRECTORS ASSURANCE

The board of directors and the CEO certify that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards and that disclosures herein give a true and fair view of the financial position and results of operations. The management report for the Group and the parent company gives a true and fair view of the Group's operations, financial position and results of operations and describes material risks and

uncertainties facing the parent company and the companies included in the Group.

The Annual Report and consolidated financial statements have been approved for publication by the board of directors on 26 March 2018. The Group's statement of comprehensive income and statement of financial position, and the parent company's income statement and balance sheet, will be subject to approval by the Annual General Meeting on 26 April 2018.

Stockholm on 26 March 2018

Fredrik Stenmo
Chairman of the board

Jonas af Jochnick
Vice chairman

Arno Bohn
Board member

Sonali Chandmal
Board member

Michael Flemming
Board member

Peder af Jochnick
Board member

Robert af Jochnick
Board member

Margareta Nordenvall
Board member

Fredrik Rågmark
Board member and CEO

Our audit report was submitted on 26 March 2018
BDO Sweden AB

Jörgen Lövgren
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Medcover AB (publ) corporate identity number 559073-9487

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Medcover AB (publ) for the financial year 2017, except for the corporate governance report on pages 50–59. The annual accounts and consolidated accounts of the Company are included on pages 40–100 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 50–59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and statement of financial position for the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the audit committee of the parent company in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1, have been provided to the audited Company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in

forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and other fixed assets

Key Audit Matter

The Group makes and has significant investments in fixed assets, goodwill and intangible assets that are associated with its operations and business units. Management has to test the amount of goodwill for impairment at least annually, and to perform an impairment assessment of the goodwill and other fixed assets if there is a trigger for testing.

These impairment reviews take place at the level of a cash-generating unit (CGU), that is to say a collection of assets that together create an independent stream of cash. Grouping assets into CGUs and allocating goodwill to them requires the exercise of judgement by management based on how it monitors the Group's operations and makes decisions about continuing or disposing of the Group's assets or operations.

Testing goodwill and other fixed assets for impairment is a significant area of judgement due to the inherent uncertainty in forecasting and discounting future cash flows, which form the basis of calculations of the value in use of CGUs used in the impairment analysis.

The Group reports consolidated goodwill amounting to EUR 126.8 million and other consolidated fixed assets totaling EUR 185.3 million as of 31 December 2017.

We focused on this area primarily because of the significance of the amounts involved in relation to total consolidated assets.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of assumptions, and the methodology used by management to prepare its forecasts. In particular, we performed the following:

- Challenging management's determination of, and grouping of assets into, CGUs used for impairment testing;
- Gaining an understanding and assessing the reasonableness of business plans by comparing the assumptions to prior year;
- Comparing business plan data against budgets and the mid-term plan as approved by the board of directors;
- Recalculating the value in use calculations;
- Challenging the robustness of the key assumptions used to determine the cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the risks specific to the asset and the related CGUs and by comparing them with publicly available data, where possible;
- Conducting sensitivity analysis, taking into account the Group's historical forecasting accuracy; and
- Comparing the sum of net asset value to the market capitalization of Medcover AB (publ).

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on impairment testing, refer to:

- Summary of significant accounting policies, 2.11, Impairment of non-financial assets; and
- Note 9 to the consolidated financial statements, Intangible assets.

Fair value measurement of financial assets and liabilities

Key audit matter

In relation with certain of its acquisition of and investment in businesses, the Group has entered into various financial instruments which are required to be carried at fair value. Fair values of these instruments are based on valuation models that use inputs and assumptions other than quoted prices included within Level 1 of the fair value hierarchy that are either observable or unobservable as explained in note 21 to the consolidated financial statements, Financial assets and liabilities.

The determination of the fair value of these instruments therefore involves higher degree of management judgement and estimate applied in the valuation models and due to this fact this area required significant audit effort and was assessed as a key matter for our audit.

Our response

With the assistance of our valuation specialists we have evaluated the methodologies, inputs and assumptions used by the Group in determining fair values of financial assets and liabilities. To this effect, our audit procedures included, amongst others:

- understanding the Group's process for determining fair value measurements;
- evaluating whether the Group's method of measurement is appropriate in the circumstances given the nature of the items being valued, and in relation to the business, and the environment in which the business is conducted;
- testing the fair value measurements, which involved challenging and testing management's significant assumptions, the valuation model, and the underlying data; this included comparing observable inputs against independent sources and externally available market data as well as performing an assessment of the reasonableness of non-observable inputs;
- Additionally, we reviewed the appropriateness and adequacy of disclosures of fair value risks and sensitivities in Note 21 to the consolidated financial statement to reflect the Group's exposure to valuation risk.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39 and 106–109. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any

form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the managing director are responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the board of directors' responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the

annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and the managing director.
- Conclude on the appropriateness of the board of directors' and the managing director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any potential significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit

of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of Medcover AB (publ) for the year 2017 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The board of directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the Company's organization and administration of the Company's affairs. This includes among other things continuous assessment of the Company's and the group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and Company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of director's guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the managing director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board of directors' proposed appropriations of the Company's profit or loss we examined the board of directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance report

The board of directors is responsible for that the corporate governance report on pages 50–59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 'The auditor's examination of the corporate governance report'. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions. A corporate governance report has been prepared.

Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

BDO Sweden AB with Jörgen Lövgren as auditor in charge, Box 24193, 104 51 Stockholm, was appointed auditor of Medcover AB by the general meeting of the shareholders on 10 March 2017 and has been the Company's auditor since 12 October 2016.

Stockholm 26 March 2018
BDO Sweden AB

Jörgen Lövgren
Authorized Public Accountant

THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders of Medcover AB (publ), Corporate Identity Number 559037-9487

Engagement and responsibility

The board of directors is responsible for the Sustainability Report for 2017 as on the pages 6–7, 28–35 and 46–48 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 'The Auditor's report on the statutory sustainability report'. This means that our examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. We believe that the examination provides us with a sufficient basis for our opinion.

Opinion

A statutory Sustainability Report has been prepared.

Stockholm, 26 March 2018
BDO Sweden AB

Jörgen Lövgren
Authorized Public Accountant

5-YEAR FINANCIAL REVIEW

€m	2017	2016	2015	2014	2013
SUMMARY OF INCOME STATEMENT					
Revenue	580.2	497.3	415.6	365.3	332.9
Medical provision costs	-438.2	-377.3	-314.9	-277.6	-252.6
Distribution, selling and marketing costs	-28.5	-25.0	-21.3	-18.4	-18.0
Administrative costs	-84.7	-77.4	-57.9	-52.5	-49.5
Operating profit	28.8	17.6	21.5	16.8	12.8
Other income/(costs)	2.9	0.2	-0.2	-	0.0
Total financial result	-3.9	-5.6	-4.6	-4.1	-2.9
Share of profit associates	0.2	0.1	0.0	0.2	0.2
Profit before income tax	28.0	12.3	16.7	12.9	10.1
Income tax	-7.8	-5.8	-7.7	-8.2	-6.7
Profit from discontinued operations	-	-	-	-	0.2
Net profit	20.2	6.5	9.0	4.7	3.6
SUMMARY STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Goodwill	126.8	118.6	106.6	97.5	98.0
Other intangible fixed assets	36.4	31.6	19.1	14.6	14.3
Tangible fixed assets	148.9	141.8	79.5	69.8	71.8
Other non-current assets	31.0	6.0	10.3	7.3	6.2
Total non-current assets	343.1	298.0	215.5	189.2	190.3
Current assets					
Inventories	30.7	25.8	24.2	12.7	11.3
Trade & other receivables	82.5	77.3	55.9	48.3	42.2
Cash & cash equivalents	45.4	18.4	17.2	11.8	10.4
Other current assets	2.1	-	-	7.6	9.0
Total current assets	160.7	121.5	97.3	80.4	72.9
Total assets	503.8	419.5	312.8	269.6	263.2
SHAREHOLDERS EQUITY					
Issued capital and reserves attributable to owners of the parent	300.3	92.7	89.2	88.6	98.8
Non-controlling interests	3.7	6.1	4.0	1.9	2.7
Total shareholders' equity	304.0	98.8	93.2	90.5	101.5
LIABILITIES					
Non-current liabilities					
Loans payable	52.9	195.4	126.2	0.4	89.8
Other non-current liabilities	51.5	40.4	34.8	26.7	17.4
Total non-current liabilities	104.4	235.8	161.0	27.1	107.2
Current liabilities					
Loans payable	4.3	15.3	3.1	101.9	8.0
Trade and other payables	67.1	57.2	45.2	41.7	41.6
Other current liabilities	24.0	12.4	10.3	8.4	4.9
Total current liabilities	95.4	84.9	58.6	152.0	54.5
Total liabilities	199.8	320.7	219.6	179.1	161.7
Total shareholders' equity and liabilities	503.8	419.5	312.8	269.6	263.2
SUMMARY OF CASHFLOW STATEMENT					
Cash generated from operations before working capital changes and tax payments	57.0	47.1	40.5	35.1	30.8
Changes in operating assets and liabilities & income tax paid	-6.7	-21.2	-11.8	-13.4	-4.2
Net cash from operating activities	50.3	25.9	28.7	21.7	26.6
Net cash used in investing activities	-53.5	-66.1	-45.6	-24.7	-20.7
Net cash from financing activities	31.3	41.5	22.6	4.1	-2.4
Total cashflow	28.1	1.3	5.7	1.1	3.5
INVESTMENTS					
In intangible assets	7.1	8.7	5.3	2.2	2.1
In tangible assets	22.3	45.6	25.5	21.4	17.1
Disposal of intangible and tangible assets	-0.2	-0.2	-0.9	-0.9	-0.2
Total net investments	29.2	54.1	29.9	22.7	19.0

€m	2017	2016	2015	2014	2013
KEY FINANCIAL DATA					
Medicover					
Revenue	580.2	497.3	415.6	365.3	332.9
Organic revenue	570.8	476.7	408.1	364.7	327.3
Organic growth %	14.5%	19.5%	17.6%	15.1%	–
Operating profit	28.8	17.6	21.5	16.8	12.8
Operating profit margin %	5.0%	3.5%	5.2%	4.6%	3.8%
Net profit	20.2	6.5	9.0	4.7	3.6
Net profit margin %	3.5%	1.3%	2.2%	1.3%	1.1%
EPS, EUR	0.157	0.046	0.079	0.045	0.044
Diluted EPS, EUR	0.157	0.045	0.078	0.044	0.044
EBITDA	55.0	44.3	39.5	34.9	30.4
EBITDA margin %	9.5%	8.9%	9.5%	9.5%	9.1%
Adjusted EBITDA	56.2	46.5	39.7	35.1	30.4
Adjusted EBITDA margin %	9.7%	9.4%	9.5%	9.6%	9.1%
IPO cost expensed	1.5	–	–	–	–
Adjusted EBITDA excluding IPO costs	57.7	46.5	39.7	35.1	30.4
Adjusted EBITDA margin % excluding IPO costs	9.9%	9.4%	9.6%	9.6%	9.1%
EBITA (€m)	31.4	23.6	23.0	17.8	13.8
EBITA margin %	5.4%	4.7%	5.5%	4.9%	4.1%
Healthcare Services:					
Revenue	285.8	244.7	212.2	177.6	158.1
Organic revenue	280.4	234.9	205.8	177.6	–
Organic growth %	12.7%	15.2%	16.8%	13.0%	–
EBITDA	26.9	20.0	16.0	13.5	7.8
EBITDA margin %	9.4%	8.2%	7.5%	7.6%	4.9%
Adjusted EBITDA	27.3	21.1	16.1	13.6	7.8
Adjusted EBITDA margin %	9.6%	8.6%	7.6%	7.7%	4.9%
Members (period end) 000's	1,024	889	750	660	584
Diagnostic Services:					
Revenue	304.4	260.5	212.9	195.6	182.6
Organic revenue	300.3	249.7	211.8	195.0	–
Organic growth %	16.5%	22.2%	18.5%	16.3%	–
EBITDA	41.4	33.3	30.8	28.1	29.3
EBITDA margin %	13.6%	12.8%	14.5%	14.4%	16.0%
Adjusted EBITDA	41.7	33.5	30.8	28.1	29.3
Adjusted EBITDA margin %	13.7%	12.9%	14.5%	14.4%	16.0%
Lab tests (period end volume) million	124.0	115.0	102.0	95.0	63.0

DEFINITIONS

Acquired revenue

Net revenue related to companies or operations acquired in the last 12 months.

Organic revenue

Net revenue excluding acquisitions and currency effects. This measure provides information on the change in net revenue assuming that foreign currency exchange rates had not changed between the prior and current period. The comparisons presented as constant currency rates reflect comparative local currency revenue at the prior year's foreign exchange rates. The Group routinely evaluates third party net revenue performance at constant currency so that revenue results can be viewed without the impact of foreign currency exchange rates, thereby facilitating a period-to-period comparison of the operational activities, and this presentation also provides useful information to investors.

Organic growth

Increase of revenue excluding acquisitions and currency effects relative to the corresponding period prior year's revenue.

EBITA

Earnings before interest, other financial income/(expense), tax, amortisation and impairment, other income/(costs) and share of profit of associates.

EBITDA

Earnings before interest, other financial income/(expense), tax, amortisation, depreciation and impairment, other income/(costs) and share of profit of associates.

Adjusted EBITDA

Earnings before interest, other financial income/(expense), tax, amortisation, depreciation and impairment, other income/(costs) and share of profit of associates adjusted for non-cash share based payments and merger and acquisition related expenses.

EBITA margin

EBITA as a percentage of revenue.

EBITDA margin

EBITDA as a percentage of revenue.

Adjusted EBITDA margin

Adjusted EBITDA as a percentage of revenue.

Operating profit margin

Operating profit as a percentage of revenue.

Gross profit margin

Gross profit as a percentage of revenue.

Profit margin

Profit for the period as a percentage of revenue.

IPO

Initial Public Offering.

Laboratory tests

Number of laboratory tests performed within the Diagnostic Services division for the period referenced.

Members

Number of individuals covered under a pre-paid subscription or insurance plan within the Healthcare Services division at the end of the relevant period.

Staff

Employees and contractors.

GLOSSARY

Ambulatory care Medical care provided on an outpatient basis, including inter alia diagnosis, observation, consultation, treatment, intervention, and rehabilitation services.

BDP Blood drawing point.

CEE Central and Eastern Europe.

Consumer care Includes inter alia dental services, vision services such as optical showrooms and correction of vision defects, skin treatment services and pharmacies.

Diabetology The medical study of diabetes, its diagnosis and treatment.

Endocrinology The medical study of the hormone secreting glands (the endocrine system) and related functions, diseases and treatments.

EMR Electronic Medical Records.

FFS Fee-For-Service, a payment model where customers pay for healthcare services as used.

GDP Gross Domestic Product.

Histopathology The microscopic study of solid tissue.

IgE An immunoglobulin associated with mast cells. Overexpression has been associated with allergic hypersensitivity.

Inpatient care The care of patients whose condition requires admission to a hospital.

In-vivo diagnostics

A biological process occurring or made to occur within a living organism or natural setting.

IVF In Vitro Fertilisation. A technique used for assisted reproduction.

KV Kassenärztliche Vereinigungen; the German system for compensation of healthcare services.

Molecular diagnostics A collection of techniques used to analyse genetic codes by applying molecular biology to medical testing.

MZ The Polish Ministry of Health.

NFZ The Polish National Health Fund.

NIPT Non-invasive prenatal testing.

Outpatient care The care of patients whose condition does not require an overnight stay in a hospital or clinic.

Pediatrics The branch of medicine concerned with the medical care of children.

PHI The German Private Health Insurance funds.

PPP Purchasing power parity.

SHI The German Statutory Health Insurance.

Thrombophilia A disorder of Hemostasis in which there is a tendency for the occurrence of Thrombosis.

Thrombosis Formation and development of a thrombus or blood clot in the blood vessel.

INFORMATION TO SHAREHOLDERS

Financial calendar

Interim report January–March	26 April 2018
Annual General Meeting	26 April 2018
Interim report January–June	27 July 2018
Interim report January–September	26 October 2018

Information about the 2018 Annual general meeting (AGM)

The annual general meeting of Medicover AB (publ) will be held on Thursday, 26 April at 3:00 pm at GT30, Grev Turegatan 30, Stockholm, venue Bond.

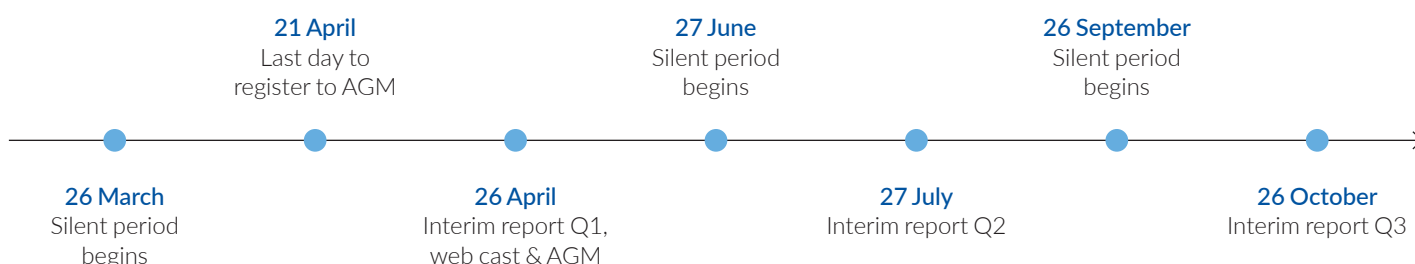
Participation

Shareholders who wish to participate in the annual general meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day occurring five business days prior to the meeting, and notify the Company of their participation no later than 20 April, 2018. Notification could be sent by post, Medicover AB, Att. AGM 2018, c/o Euroclear Sweden, Box 191, 101 23 Stockholm, Sweden, by phone: +46 8 40 292 74 or via medicover.com. Shareholders may attend the AGM in person or by proxy and may be accompanied by a maximum of two advisors.

Registration

Registrations shall include name, civil registration or corporate ID number, address, phone number, and number of shares held. Shareholders represented by proxy must send a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a notarized copy of the corporate registration certificate must also be included.

The power of attorney and registration certificate must not be issued more than one year prior to the AGM.



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**CARING
FOR YOUR HEALTH
IS ALL WE DO**



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